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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

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 SEDCO FOREX 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)

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 (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 [x] 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. [_]

As of February 28, 2002, 319,131,115 ordinary shares were outstanding and the aggregate market value of such shares held by non-affiliates was approximately $8.9 billion (based on the reported closing market price of the ordinary shares on such date of $28.01 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).

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, 2001, for its 2002 annual general meeting of shareholders, are incorporated by reference into Part III of this Form 10-K.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
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FOR THE YEAR ENDED DECEMBER 31, 2001

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PART III

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PART I

ITEM 1. Business

Transocean Sedco Forex Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "we," "us" or "our") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. As of March 1, 2002, we owned, had partial ownership interests in or operated more than 160 mobile offshore and barge drilling units. As of this date, our active fleet consisted of 31 high-specification floaters, 30 other floaters, 54 jackup rigs, 35 drilling barges, four tenders and three submersible drilling rigs. In addition, the fleet includes a platform drilling rig, as well as 10 land drilling rigs in Venezuela. We contract our drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells.

Our mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. Our core 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 additional services, including management of third-party well service activities. Our ordinary shares are listed on the New York Stock Exchange under the symbol "RIG".

Transocean Sedco Forex 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.

Recent Developments

In March 2002, we completed an exchange offer pursuant to which the 6.50% Notes due April 15, 2003, 6.75% Notes due April 15, 2005, 6.95% Notes due April 15, 2008, 7.375% Notes due April 15, 2018, 9.125% Notes due December 15, 2003 and 9.50% Notes due December 15, 2008 of R&B Falcon Corporation (together with its subsidiaries, unless the context requires otherwise, "R&B Falcon") whose holders accepted the offer were exchanged for newly issued notes of the Company. The new notes were issued in six series corresponding to the six series of R&B Falcon notes and have the same principal amount, interest rate, redemption terms and payment and maturity dates as the corresponding series of R&B Falcon notes. The aggregate principal amount of the new notes issued was approximately $1.4 billion.

On February 14, 2002, the Board of Directors approved a proposal to adopt a special resolution of ordinary shareholders to change our name to "Transocean Inc." The proposal will be voted upon at our upcoming Annual General Meeting of Shareholders on May 9, 2002.

On December 14, 2001, we announced that our Board of Directors had appointed Robert L. Long as President, effective immediately. In June 2002, Mr. Long will also assume the role of Chief Operating Officer upon the retirement of W. Dennis Heagney, the current Executive Vice President and Chief Operating Officer. The Board of Directors has also appointed Gregory L. Cauthen as the Company's new Vice President, Chief Financial Officer and Treasurer.

Merger of Transocean Sedco Forex Inc. and R&B Falcon Corporation

On January 31, 2001, we completed a merger transaction with R&B Falcon in which an indirect wholly owned subsidiary of the Company, TSF Delaware Inc., merged with and into R&B Falcon. As a result of the merger, R&B Falcon common shareholders received 0.5 newly issued ordinary shares of the Company for each R&B Falcon share. We issued 106,061,595 ordinary shares in exchange for the issued and outstanding shares of R&B Falcon and assumed warrants and options exercisable for approximately 13.2 million ordinary shares. The ordinary shares issued in exchange for the issued and outstanding shares of R&B Falcon constituted approximately 33 percent of the outstanding ordinary shares of the Company after the merger. We accounted for the merger using the purchase method of accounting with the Company treated as the acquiror.

Merger of Transocean Offshore Inc. and Sedco Forex

On December 31, 1999, we completed our merger with Sedco Forex Holdings Limited ("Sedco Forex"), the former offshore contract drilling business of Schlumberger Limited ("Schlumberger"). Effective upon the merger, we changed our name from "Transocean Offshore Inc." to "Transocean Sedco Forex Inc." The merger followed the spin-off of Sedco Forex to Schlumberger shareholders on December 30, 1999. As a result of the merger, Schlumberger shareholders exchanged all of the Sedco Forex shares distributed to them by Schlumberger in the Sedco Forex spin-off for ordinary shares of the Company, and Sedco Forex became a wholly owned subsidiary of the Company.

In the merger, Schlumberger shareholders received 0.1936 ordinary shares of the Company for each share of capital stock of Sedco Forex distributed in the spin-off of Sedco Forex. We issued 109,419,166 ordinary shares to Schlumberger shareholders in the merger, and issued an additional 145,102 ordinary shares that were sold on the market for cash paid in lieu of fractional shares. These aggregate issuances of 109,564,268 shares constituted approximately 52 percent of outstanding Company shares immediately following the merger. We accounted for the merger using the purchase method of accounting with Sedco Forex treated as the accounting acquiror.

Background of Transocean Offshore Inc.

The Company was founded in 1953 by predecessors of Sonat Inc. and J. Ray McDermott & Co., Inc. to design and construct the first jackup rig in the U.S. Gulf of Mexico. The Company, then known as "The Offshore Company," began international drilling operations in the late 1950s and was one of the first contractors to offer drilling services in the North Sea. The Company was publicly traded from 1967 until 1978, when it became a wholly owned subsidiary of Sonat Inc. In June 1993, the Company, then known as "Sonat Offshore Drilling Inc.," completed an initial public offering of approximately 60 percent of the outstanding shares of its common stock. In July 1995, Sonat Inc. sold its remaining 40 percent interest in the Company through a secondary public offering. In September 1996, the Company acquired substantially all of the outstanding capital shares of Transocean ASA, a Norwegian offshore drilling company, for an aggregate purchase price of approximately $1.5 billion in common stock and cash, including direct transaction costs and costs of purchasing minority shares completed in 1997, and changed its name to "Transocean Offshore Inc." On May 14, 1999, the Company completed a corporate reorganization by which it changed its place of incorporation from Delaware to the Cayman Islands.

Background of Sedco Forex

The offshore contract drilling business of Sedco Forex resulted from the integration over time by Schlumberger of several drilling companies, principally Forex (Forages et Exploitations Petrolieres) and Sedco Inc., and other asset acquisitions. Forex was founded in France in 1942 and began as a land drilling company in France, North Africa and the Middle East. Forex later moved into the offshore drilling market largely through its Neptune joint venture formed in the early 1960s with Languedocienne-Forenco. By the early 1970s, Schlumberger had acquired all of the shares of Forex and Neptune and had integrated their activities. Schlumberger acquired Sedco Inc. in 1984. Founded in 1947 and originally known as Southeastern Drilling Company, Sedco Inc. began drilling in shallow water marsh environments in the U.S. in the early 1950s and then expanded into international operations and deeper water market segments.

Background of R&B Falcon Corporation

R&B Falcon was the result of the 1997 combination of Reading & Bates Corporation and Falcon Drilling Company, Inc. and the subsequent acquisition of Cliffs Drilling Company ("Cliffs Drilling") in late 1998. Reading & Bates Corporation was founded in 1955 as an offshore drilling company to construct and operate an offshore drilling tender in the U.S. Gulf of Mexico. Falcon Drilling Company, Inc. was formed in 1991 initially to operate in the shallow water and transition zone areas of the U.S. Gulf of Mexico and moved into deepwater operations in 1996. Cliffs Drilling was spun-off from Cleveland-Cliffs Inc. in 1988 and continues to operate land and offshore rigs in various countries, including the U.S. and Venezuela. At the time of the merger with the Company, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units, inland barges and other assets utilized in support of offshore drilling activities, including 10 semisubmersible drilling rigs, 10 drillships and 42 jackup drilling rigs.

Drilling Rig Types

We principally use 4 types of drilling rigs:

- drillships
- semisubmersibles
- jackups
- barge drilling rigs

Also included in our fleet are tenders, submersible rigs, platform drilling rigs and land drilling rigs.

Most of our drilling equipment is suitable for both exploration and development drilling, and we are normally engaged 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, particularly the drillships, semisubmersibles, jackups and tenders. 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.

As of March 1, 2002, our marine fleet was located in the U.S. Gulf of Mexico (77 units), Canada (1 unit), Brazil (12 units), Trinidad (3 units), the North Sea (20 units), the Mediterranean and Middle East (5 units), the Caspian Sea (1 unit), Africa (21 units), India (6 units) and Asia and Australia (15 units). Additionally, the drillship Joides Resolution is contracted for a worldwide research program and as of such date was in Peru.

Drillships (13)

Drillships are generally self-propelled and designed to drill in the deepest water in which offshore drilling rigs currently operate. Shaped like conventional ships, they are the most mobile of the major rig types. Our drillships are either dynamically positioned, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems, or are operated in a moored configuration. Drillships typically have greater load capacity than 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. High-specification drillships are those that are dynamically positioned and rated for drilling in water depths of at least 7,000 feet and are designed for ultra-deepwater exploration and development drilling programs. Our three Discoverer Enterprise-class drillships are equipped for dual-activity drilling, which is a well-construction technology we developed that allows for drilling tasks associated with a single well to be accomplished in a parallel rather than sequential manner by utilizing two complete drilling systems under a single derrick. The dual-activity well-construction process is designed to reduce critical path activity and improve efficiency in both exploration and development drilling. Our Deepwater-class drillships are also high-specification drillships and are designed with a high-pressure mud system.

The following table provides certain information regarding our drillship fleet as of March 1, 2002:

TYPE AND NAME	YEAR ENTERED SERVICE/ UPGRADED(A)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (E)
HIGH-SPECIFICATION DRILLSHIPS (12)						
Deepwater Discovery (b)	2000	10,000	30,000	Angola	ChevronTexaco	December 2003
Deepwater Expedition (b)	1999	10,000	30,000	Brazil	Petrobras	September 2005
Deepwater Frontier (b)(d)	1999	10,000	30,000	Brazil	Petrobras	November 2003
Deepwater Millennium (b)	1999	10,000	30,000	U.S. Gulf	Marathon	October 2002
Deepwater Pathfinder (b)(c)	1998	10,000	30,000	U.S. Gulf	Conoco	January 2004
Discoverer Deep Seas (b)	2001	10,000	35,000	U.S. Gulf	ChevronTexaco	January 2006
Discoverer Enterprise (b)	1999	10,000	35,000	U.S. Gulf	BP	December 2004
Discoverer Spirit (b)	2000	10,000	35,000	U.S. Gulf	Unocal	September 2005
Deepwater Navigator (b)	2000	7,800	25,000	Brazil	Petrobras	July 2003
Peregrine I (b)	1982/1996	7,200	25,000	Brazil	Petrobras	June 2003
Discoverer 534 (b)	1975/1991	7,000	25,000	Enroute to India	Reliance	June 2002
Discoverer Seven Seas (b)	1976/1997	7,000	25,000	Brazil	Petrobras	September 2004
OTHER DRILLSHIPS (1)						
Joides Resolution (b)(f)	1978	27,000	30,000	Peru	Texas A&M	September 2003

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

(b) Dynamically positioned.

(c) The Deepwater Pathfinder is leased and operated by a limited liability company in which we own a 50 percent interest. See Note 16 to our consolidated financial statements.
(d) The Deepwater Frontier is leased and operated by a limited liability company in which we own a 60 percent interest. See Note 16 to our consolidated financial statements.
(e) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some contracts may permit the client to extend the contract.
(f) The Joides Resolution is currently engaged in scientific geological coring activities and is owned by a joint venture in which we have a 50 percent interest. See Note 16 to our consolidated financial statements.

Semisubmersibles (48)

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that a substantial portion of the lower hull is below the water surface during drilling operations. These rigs maintain their position over the well through the use of an anchoring system or computer controlled dynamic positioning thruster system. Some semisubmersible rigs are self-propelled and move between locations under their own power when afloat on the pontoons although most are relocated with the assistance of tugs. Typically, semisubmersibles are better suited for operations in rough water conditions than drillships. High-specification semisubmersibles are those that were built or extensively upgraded since 1984 and have one or more of the following characteristics: larger physical size than other semisubmersibles; rated for drilling in water depths of over 4,000 feet; year-round harsh environment capability; variable deck load capability of greater than 4,000 metric tons; dynamic positioning; and superior motion characteristics.

The following table provides certain information regarding our semisubmersible fleet as of March 1, 2002:

TYPE AND NAME	YEAR ENTERED SERVICE/ UPGRADED(A)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (C)
HIGH-SPECIFICATION SEMISUBMERSIBLES (19)						
Deepwater Horizon	2001	10,000	30,000	U.S. Gulf	BP	September 2004
Cajun Express (b)	2001	8,500	35,000	U.S. Gulf	-	Idle
Deepwater Nautilus (d)	2000	8,000	30,000	U.S. Gulf	Shell	June 2005
Sedco Energy (b)	2001	7,500	25,000	Ivory Coast	ChevronTexaco	October 2004
Sedco Express (b)	2001	7,500	25,000	Egypt	BP	May 2002
Transocean Marianas	1979/1998	7,000	25,000	U.S. Gulf	Shell	August 2003
Sedco 707 (b)	1976/1997	6,500	25,000	Brazil	Petrobras	January 2004
Jack Bates	1986/1997	6,000	30,000	U.K. North Sea	BP	April 2002
Sedco 709 (b)	1977/1999	5,000	25,000	Nigeria	Shell	May 2002
M. G. Hulme, Jr. (e)	1983/1996	5,000	25,000	Nigeria	ExxonMobil	June 2002
Transocean Richardson	1988	5,000	25,000	U.S. Gulf	Anadarko	September 2002
Jim Cunningham	1982/1995	5,000	25,000	Angola	ExxonMobil	August 2002
Transocean Leader	1987/1997	4,500	25,000	U.K. North Sea	BP	March 2003
Transocean Rather	1988	4,500	25,000	U.S. Gulf	BP	January 2003
Sovereign Explorer	1984	4,000	25,000	Enroute to Equatorial Guinea	Amerada Hess	March 2003
Henry Goodrich	1985	2,000	30,000	Canada	Terra Nova	February 2003
Paul B. Loyd, Jr.	1990	2,000	25,000	U.K. North Sea	BP	March 2003
Transocean Arctic	1986	1,650	25,000	Norwegian N. Sea	-	Idle
Polar Pioneer	1985	1,500	25,000	Norwegian N. Sea	Norsk Hydro	February 2003

TYPE AND NAME	YEAR ENTERED SERVICE/ UPGRADED(A)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	CUSTOMER	ESTIMATED EXPIRATION (C)
OTHER SEMISUBMERSIBLES (29)						
Sedco 710 (b)	1983	4,000	25,000	Brazil	Petrobras	October 2006
Sedco 700	1973/1997	3,600	25,000	Equatorial Guinea	Amerada Hess	October 2002
Transocean Amirante	1978/1997	3,500	25,000	U.S. Gulf	-	Idle
Transocean Legend	1983	3,500	25,000	Brazil	Petrobras	March 2002
C. Kirk Rhein, Jr.	1976/1997	3,300	25,000	Trinidad	-	Idle
Transocean Driller.	1991	3,000	25,000	Brazil	Petrobras	January 2003
Falcon 100.	1974/1999	2,400	25,000	U.S. Gulf	Agip	May 2002
Transocean 96	1975/1997	2,300	25,000	U.S. Gulf	Anadarko	March 2002
Sedco 711	1982	1,800	25,000	U.K. North Sea	ExxonMobil	May 2002
				U.K. North Sea	Conoco	November 2002
Transocean John Shaw	1982	1,800	25,000	U.K. North Sea	TotalFinaElf	December 2002
Sedco 714	1983/1997	1,600	25,000	U.K. North Sea	BP	October 2002
Sedco 712	1983	1,600	25,000	U.K. North Sea	Shell	December 2002
Actinia	1982	1,500	25,000	Spain	Repsol	March 2002
				Mediterranean	I.E.O.C.	September 2002
J. W. McLean.	1974/1996	1,500	25,000	U.K. North Sea	Phillips	April 2002
Sedco 600	1983/1994	1,500	25,000	Indonesia	Conoco	April 2002
Sedco 601	1983	1,500	25,000	Indonesia	Unocal	December 2002
Sedco 602	1983	1,500	25,000	Indonesia	-	Idle
Sedco 702	1973/1992	1,500	25,000	Australia	Apache	March 2002
				Australia	Santos	April 2002
				Australia	Agip	July 2002
Sedco 703	1973/1995	1,500	25,000	Australia	Woodside	May 2002
				Australia	El Paso	June 2002
Sedco 708	1976	1,500	25,000	Congo	-	Idle
Sedneth 701	1972/1993	1,500	25,000	Angola	ChevronTexaco	March 2002
				Gabon	Vaalco	June 2002
Transocean Prospect	1983/1992	1,500	25,000	Norwegian N. Sea	Statoil	August 2002
Transocean Searcher	1983/1988	1,500	25,000	Norwegian N. Sea	Statoil	August 2002
				Norwegian N. Sea	Statoil	February 2003
Transocean Winner	1983	1,500	25,000	Norwegian N. Sea	Shell	July 2002
Transocean Wildcat.	1977/1985	1,300	25,000	U.K. North Sea	-	Idle
Transocean Explorer	1976	1,250	25,000	U.K. North Sea	-	Idle
Sedco 704	1974/1993	1,000	25,000	U.K. North Sea	ChevronTexaco	October 2002
Sedco 706	1976/1994	1,000	25,000	U.K. North Sea	TotalFinaElf	June 2002
Sedco I - Orca (f).	1970/1987	900	25,000	South Africa	Schlumberger	March 2003

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(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Dynamically positioned.
(c) Expiration dates represent our current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two contracts in continuation, so the second line shows the estimated earliest availability. Some contracts may permit the client to extend the contract.
(d) The Deepwater Nautilus is leased from its owner, an unrelated third party, pursuant to a fully defeased lease arrangement.
(e) The M. G. Hulme, Jr. is accounted for as an operating lease as a result of a sale/leaseback transaction in November 1995.
(f) Operated under a management contract with the rig's owner.

Jackup Rigs (54)

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 300 feet or less.

The following table provides certain information regarding our jackup rig fleet as of March 1, 2002:

TYPE AND NAME	YEAR ENTERED SERVICE/ UPGRADED(A)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	STATUS
Trident IX (b). . .	1982	400	21,000	Vietnam	Operating
Trident 17.	1983	355	25,000	Indonesia	Operating
Harvey H. Ward. . .	1981	300	25,000	Singapore	Idle
J. T. Angel	1982	300	25,000	India	Operating
Roger W. Mowell . .	1982	300	25,000	Malaysia	Operating
Ron Tappmeyer . . .	1978	300	25,000	Indonesia	Operating
D. R. Stewart . . .	1980	300	25,000	Italy	Operating
Randolph Yost . . .	1979	300	25,000	Equatorial Guinea	Operating
C. E. Thornton. . .	1974	300	25,000	India	Operating
F. G. McClintock. .	1975	300	25,000	India	Operating
Shelf Explorer. . .	1982	300	25,000	Denmark	Operating
Transocean III. . .	1978/1993	300	20,000	United Arab Emirates	Operating
Transocean Nordic .	1984	300	25,000	U.K. North Sea	Idle
Trident II.	1977/1985	300	25,000	India	Operating
Trident IV.	1980/1999	300	25,000	Angola	Operating
Trident VI.	1981	300	21,000	Nigeria	Operating
Trident VIII. . . .	1981	300	21,000	Nigeria	Operating
Trident XII	1982/1992	300	25,000	India	Operating
Trident XIV	1982/1994	300	20,000	Angola	Operating
Trident 15.	1982	300	25,000	Thailand	Operating
Trident 16.	1982	300	25,000	Malaysia	Operating
Trident 20 (c). . .	2000	300	25,000	Caspian Sea	Operating
George H. Galloway.	1985	300	25,000	U.S. Gulf	Idle
Transocean Comet. .	1980	250	20,000	Egypt	Operating
Transocean Mercury.	1969/1998	250	20,000	Egypt	Operating
RBF 208	1980	200	20,000	Brazil	Idle
RBF 209	1980	200	25,000	Brazil	Operating
RBF 192	1981	250	25,000	U.S. Gulf	Idle
RBF 250	1974	250	25,000	U.S. Gulf	Idle
RBF 251	1978	250	25,000	U.S. Gulf	Idle
RBF 252	1978	250	25,000	U.S. Gulf	Idle
RBF 253	1982	250	25,000	U.S. Gulf	Idle
RBF 254	1976	250	25,000	U.S. Gulf	Idle
RBF 255	1976	250	25,000	U.S. Gulf	Idle
RBF 256	1975	250	25,000	U.S. Gulf	Idle
RBF 190	1978	200	25,000	U.S. Gulf	Idle
RBF 200	1979	200	25,000	U.S. Gulf	Operating
RBF 201	1981	200	25,000	U.S. Gulf	Idle
RBF 202	1982	200	25,000	U.S. Gulf	Operating
RBF 203	1981	200	25,000	U.S. Gulf	Idle
RBF 204	1981	200	25,000	U.S. Gulf	Operating
RBF 205	1979	200	25,000	U.S. Gulf	Operating
RBF 206	1980	200	25,000	U.S. Gulf	Idle
RBF 207	1981	200	25,000	U.S. Gulf	Idle
RBF 185	1982	190	25,000	U.S. Gulf	Idle

TYPE AND NAME	YEAR ENTERED SERVICE/ UPGRADED(A)	WATER DEPTH CAPACITY (IN FEET)	DRILLING DEPTH CAPACITY (IN FEET)	LOCATION	STATUS
RBF 191	1978	184	25,000	U.S. Gulf	Idle
RBF 150	1979	150	20,000	U.S. Gulf	Operating
RBF 151	1981	150	25,000	U.S. Gulf	Idle
RBF 152	1980	150	25,000	U.S. Gulf	Idle
RBF 153	1980	150	25,000	U.S. Gulf	Idle
RBF 154	1979	150	20,000	U.S. Gulf	Idle
RBF 155	1980	150	20,000	U.S. Gulf	Idle
RBF 156	1983	150	25,000	U.S. Gulf	Idle
RBF 110	1982	110	25,000	Trinidad	Operating

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(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) As of March 1, 2002, the Trident IX was owned by an unrelated third party and leased by us as part of a secured rig financing. See Note 23 to our consolidated financial statements.
(c) Owned by a joint venture in which we have a 75 percent interest.

Barge Drilling Rigs (35)

Our barge drilling fleet consists of conventional and posted barge rigs and swamp barges. Our conventional and posted barge drilling rigs are mobile drilling platforms that are submersible and are built to work in eight to 20 feet of water. A posted barge is identical to a conventional barge except that the hull and superstructure are separated by 10 to 14 foot columns, which increases the water depth capabilities of the rig. Swamp barges are usually not self-propelled, but can be moored alongside a platform, and contain crew quarters, mud pits, mud pumps, power generation and other equipment. Swamp barges are generally suited for water depths of 25 feet or less.

The following table provides certain information regarding our barge drilling rig fleet as of March 1, 2002:

RIG	YEAR ENTERED SERVICE/ UPGRADED(A)	DRILLING CAPACITY (IN FEET)	LOCATION	STATUS
CONVENTIONAL BARGES (14)				
1	1980	20,000	U.S. Gulf	Operating
11	1982	30,000	U.S. Gulf	Operating
15	1981	25,000	U.S. Gulf	Idle
19	1996	14,000	U.S. Gulf	Operating
20	1998	14,000	U.S. Gulf	Idle
21	1982	15,000	U.S. Gulf	Idle
23	1995	14,000	U.S. Gulf	Idle
28	1979	30,000	U.S. Gulf	Operating
29	1980	30,000	U.S. Gulf	Idle
30	1981	30,000	U.S. Gulf	Idle
31	1981	30,000	U.S. Gulf	Operating
32	1982	30,000	U.S. Gulf	Operating
74 (b)	1981	25,000	U.S. Gulf	Idle
75 (b)	1979	30,000	U.S. Gulf	Idle

	YEAR ENTERED SERVICE/ UPGRADED(A)	DRILLING CAPACITY (IN FEET)	LOCATION	STATUS
POSTED BARGES (17)				
7	1978	25,000	U.S. Gulf	Idle
9	1981	25,000	U.S. Gulf	Idle
10	1981	25,000	U.S. Gulf	Idle
17	1981	30,000	U.S. Gulf	Idle
27	1978	30,000	U.S. Gulf	Idle
41	1981	30,000	U.S. Gulf	Operating
46	1981	30,000	U.S. Gulf	Idle
47	1982	30,000	U.S. Gulf	Idle
48	1982	30,000	U.S. Gulf	Idle
49	1980	30,000	U.S. Gulf	Idle
52	1981	25,000	U.S. Gulf	Operating
55	1981	30,000	U.S. Gulf	Idle
56	1973	25,000	U.S. Gulf	Idle
57	1975	25,000	U.S. Gulf	Idle
61	1978	30,000	U.S. Gulf	Idle
62	1978	30,000	U.S. Gulf	Operating
64	1979	30,000	U.S. Gulf	Idle

	YEAR ENTERED SERVICE/ UPGRADED(A)	DRILLING CAPACITY (IN FEET)	LOCATION	STATUS
SWAMP BARGES (4)				
Searex 4	1981/1989	25,000	Nigeria	Idle
Searex 6	1981/1991	25,000	Nigeria	Operating
Searex 12.	1982/1992	25,000	Nigeria	Operating
Hibiscus (c)	1979/1993	16,000	Indonesia	Operating

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

(b) These rigs are leased to us.

(c) The Hibiscus is owned by a joint venture in which we own more than 50 percent.

Other Rigs

In addition to the drillships, semisubmersibles, jackups and barge drilling rigs, we also own or operate several other types of rigs. These rigs include four tenders, three submersible rigs and a platform drilling rig. We also have 10 land drilling rigs in Venezuela.

Markets

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 exist long-term because of rig mobility.

In recent years, there has been increased emphasis by oil companies on exploring for hydrocarbons in deeper waters. This is, in part, because of technological developments that have made such exploration more feasible and cost-effective. The deepwater and mid-depth market segments are serviced by our semisubmersibles and drillships. The deepwater market segment begins in water depths of about 2,000 feet and extends to the maximum water depths in which rigs are currently capable of drilling, being approximately 10,000 feet. The mid-depth market segment begins in water depths of about 300 feet and extends to water depths of about 2,000 feet.

The shallow water market segment is serviced by our jackups, submersibles and drilling tenders. This market segment begins at the outer limit of the transition zone and extends to water depths of about 300 feet. It has been developed to a significantly greater degree than the deepwater market segment, as technology required to explore for and produce hydrocarbons in these water depths is not as demanding as in the deepwater market segment, and accordingly the costs are lower.

Our barge rig fleet operates in marshes, rivers, lakes and shallow bay and coastal water areas that are referred to as the "transition zone." Our principal barge market segment is the shallow water areas of the U.S. Gulf of Mexico. This area historically has been the world's largest market segment for barge rigs. International market segments for our barge rigs include West Africa and Southeast Asia.

We conduct land rig operations in Venezuela. Although in early 2001 we announced our intent to sell this business, weakened market conditions led us to decide to continue to operate the Venezuelan business and reassess our plan at some point in the future.

Management Services

We use our engineering and operating expertise to provide management of third party drilling service activities. These services are provided through service teams generally consisting of Company personnel and third-party subcontractors, with the Company frequently serving as lead contractor. The work generally consists of individual contractual agreements to meet specific client needs and may be provided on either a dayrate or fixed price basis. As of March 1, 2002, we performed such services only in the North Sea.

Drilling Contracts

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 by the client 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. 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, or by exercising a right of first refusal. In reaction to depressed market conditions, our clients may seek renegotiation of 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 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, or if contracts are suspended for an extended period of time, it could adversely affect our results of operations.

The Company and Statoil are parties to a cooperation agreement extending through 2005. However, only two semisubmersibles, the Transocean Prospect and Transocean Searcher, remain subject to the agreement.

Significant Clients

During the past five years, we have engaged in offshore drilling for most of the leading international oil companies (or their affiliates) in the world, as well as for many government-controlled and independent oil companies. Principal clients included BP, Petrobras, the Royal Dutch Shell Group, Statoil, ChevronTexaco, TotalFinaElf, Woodside, Unocal and Norsk Hydro. Our largest unaffiliated clients in 2001 were BP and Petrobras accounting for 12.3 percent and 10.9 percent, respectively, of our 2001 operating revenues. No other unaffiliated client accounted for 10 percent or more of our 2001 operating revenues (see Note 17 to our consolidated financial statements). 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.

Industry Conditions and Competition

Our business depends on the level of activity in oil and gas exploration, development and production in market segments worldwide, with the U.S. and international offshore and U.S. inland marine areas being our primary market segments. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. 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 worldwide demand for oil and gas, the ability of the Organization of Petroleum Exporting Countries (commonly called "OPEC") to set and maintain production levels and pricing, the level of production in non-OPEC countries, the policies of the 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 crisis in the Middle East or other geographic areas in which we operate or further acts of terrorism in the United States, or elsewhere.

The offshore and inland marine 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. Recent mergers among oil and natural gas exploration and production companies have reduced the number of available customers.

Our industry has historically been cyclical and may be 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. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Outlook."

We require highly skilled personnel to operate and provide technical services and support for our drilling units. To the extent that demand for drilling services and the size of the worldwide industry fleet increase, shortages of qualified personnel could arise, creating upward pressure on wages.

Operating Risks

Our operations are subject to the usual hazards inherent in the drilling of offshore oil and gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punchthroughs, cratering or fires. 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 of rig personnel as a result of its 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 are also subject to property, environmental and other damage claims.

We maintain broad insurance coverage, including insurance against general and marine third-party liabilities. Our offshore drilling equipment is covered by physical damage insurance policies, which cover against marine and other perils, including losses due to capsizing, grounding, collision, fire, lightning, hurricanes, wind, storms, action of waves, punchthroughs, cratering, blowouts, explosions and war risks. We also carry employer's liability and other insurance customary in the offshore contract drilling business. We do not normally carry loss of hire or business interruption insurance.

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

We believe we are adequately insured in accordance with industry standards against normal risks in our operations; however, such insurance coverage may not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Although our current practice is to insure the majority of our drilling units for their approximate net book value, our insurance would not completely cover the costs that would be required to replace certain of our

units, including certain high-specification semisubmersibles and drillships. Moreover, our insurance coverage in most cases does not protect against loss of revenues. Accordingly, the occurrence of a casualty or loss against which we are not fully insured could have a material adverse effect on our consolidated financial position or results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Other Factors Affecting Operating Results" regarding the effects of the September 11th attacks.

We are subject to liability under various environmental laws and regulations. See "-Regulation." 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, the clients will have the financial capability to fulfill their contractual obligations to us. Also, these indemnities may not be enforceable in all instances. For some contracts where the risk allocation or counterparty risk exposure is considered high, we can purchase additional insurance such as "operators extra expense insurance" against well control risks.

We completed our newbuild program in 2001 with the delivery of one high-specification drillship and four high-specification semisubmersibles. We have experienced some start-up difficulties with most of our newbuild rigs, which can affect downtime and operating revenues. While we expect our newbuild rig fleet to operate with average downtime comparable to industry norms, there can be no assurance that future operational problems will not arise. Should problems occur which cause significant downtime or significantly affect a newbuild rig's performance or safety, our clients may attempt to terminate or suspend the drilling contract, particularly any of the long-term contracts associated with most of the newbuild rigs. In the event of termination of a drilling contract for one of these rigs, it is unlikely that we would be able to secure a replacement contract on as favorable terms.

International Operations

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. 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.

Our 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, inability to repatriate income or capital, changing taxation policies and the general hazards associated with governmental sovereignty over certain areas in which operations are conducted. We are protected to a substantial extent against capital loss, but generally not loss of revenue, from most of such risks through insurance, indemnity provisions in our drilling contracts, or both. The necessity of insurance coverage for risks associated with political unrest, expropriation and environmental remediation for operating areas not covered under our existing insurance policies is evaluated on an individual contract basis. As of March 1, 2002, all areas in which we were operating were covered by existing insurance policies. Although we maintain insurance in the areas in which we operate, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance or a recoverable indemnity from a client, it could adversely affect our consolidated results of operations.

Our operations are also subject to significant government regulation. Some 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 in these jurisdictions. We expect to continue to structure our operations in order to remain competitive in the international markets.

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 to the country of operations. We seek to limit these risks by structuring contracts such that compensation is made in freely convertible currencies and, to the extent possible, by limiting acceptance of blocked currencies to amounts that match its expense requirements in local currency. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk-Foreign Exchange Risk."

Regulation

Our operations are affected from time to time in varying degrees by governmental laws and regulations. The drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, is affected by changing tax and other laws relating to the energy business generally.

International contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipping and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel and use of local employees and suppliers by foreign contractors. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exportation of 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 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.

In the U.S., regulations applicable to our operations include certain 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, we, as an operator of mobile offshore drilling units in navigable United States waters and certain offshore areas, may be liable for damages and costs incurred in connection with oil spills for which we are held responsible, subject to certain limitations. Laws and regulations protecting the environment have become more stringent, and may in certain circumstances impose "strict liability," rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Some of these laws and regulations may expose us to liability for the conduct of or conditions caused by others, or for our acts which were in compliance with all applicable laws at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on our consolidated financial position and results of operations.

The U.S. Oil Pollution Act of 1990 ("OPA") and related regulations impose a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills. Few defenses exist to the liability imposed by OPA, and such liability could be substantial. Failure to comply with ongoing requirements or inadequate cooperation in a spill event could subject a responsible party to civil or criminal enforcement action.

The U.S. Outer Continental Shelf Lands Act authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. Violations of environmental related lease conditions or regulations issued pursuant to the Outer Continental Shelf Lands Act can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and canceling leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

The Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability without regard to fault or the legality of the original conduct on some classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a facility where a release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at a particular site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources. It is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We could be subject to liability under CERCLA principally in connection with our onshore activities.

Certain of the other countries in whose waters we are presently operating or may operate in the future have regulations covering the discharge of oil and other contaminants in connection with drilling operations.

Although significant capital expenditures may be required to comply with these governmental laws and regulations, such compliance has not materially adversely affected the earnings or competitive position.

Employees

As of March 1, 2002, we had approximately 14,260 employees, including approximately 2,160 persons contracted through contract labor providers. We require highly skilled personnel to operate our drilling units. As a result, we conduct extensive personnel recruiting, training and safety programs.

On March 1, 2002, we had approximately 13 percent of our employees worldwide working under collective bargaining agreements, most of whom were working in Norway, Nigeria, Brazil and Venezuela. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2002. In addition, we have signed a recognition agreement requiring negotiation with a labor union representing employees in the U.K. These negotiations, which are expected to commence in the second quarter of 2002, could lead to collective bargaining agreements covering these employees, which could result in higher personnel expenses, other increased costs or increased operating restrictions.

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., Brazil, U.K., Norway, France, Dubai and Indonesia. Our remaining offices and bases are located in various countries in North America, South America, Europe, Africa, the Middle East and Asia. We lease most of these facilities.

The Company acquired R&B Falcon's oil and gas business in the merger described under "Item 1. Business." The business is operated primarily through R&B Falcon's majority-owned subsidiary Reading & Bates Development Co. ("Devco"). Devco owns an 11 percent working interest in production sharing contracts covering approximately 3.1 million acres in deepwater offshore Gabon, West Africa. A subsidiary of TotalFinaElf is the operator. A 4,400 square kilometer 3-D seismic program was shot in 1999. Processing of the seismic data commenced in late 1999, and interpretation continued through 2000. A four well exploration drilling program, in which the Company was fully carried, was completed in December 2001. To date, the operator has not released substantive drilling results. In January 2001, R&B Falcon purchased for $34.7 million the approximately 13.6 percent minority interest in Devco which was owned by former directors and employees of R&B Falcon and directors and employees of Devco (including current director of the Company Paul B. Loyd, Jr. and former director Charles A. Donabedian). In connection with the purchase, a $0.3 million bonus was paid to Richard A. Pattarozzi, a current director of the Company. The purchase price was based on a valuation by a third-party advisor.

ITEM 3. Legal Proceedings

In 1990 and 1991, two of the Company's subsidiaries were served with various assessments collectively valued at approximately $7 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. The Company believes that neither subsidiary is liable for the taxes and has contested the assessments in the Brazilian administrative and court systems. In October 2001, the Brazil Supreme Court rejected the Company's appeal of an adverse lower court's ruling with respect to a June 1991 assessment, which was valued at approximately $6 million. The Company is challenging the assessment in a separate proceeding, which is currently at the trial court level. We have received adverse rulings at various levels in connection with a disputed August 1990 assessment which is still pending before the Brazil Superior Court of Justice. The Company also received an adverse ruling from the Taxpayer's Council in connection with an October 1990 assessment and is appealing the ruling. If the Company's defenses are ultimately unsuccessful, the Company believes that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse the Company for municipal tax payments required to be paid by them. The Company does not expect the liability, if any, resulting from these assessments to have a material adverse effect on its business or consolidated financial position.

The Indian Customs Department, Mumbai, filed a "show cause notice" against a subsidiary of the Company and various third parties in July 1999. The show cause notice alleged that the initial entry into India in 1988 and other subsequent movements of the Trident II jackup rig operated by the subsidiary constituted imports and exports for which proper customs procedures were not followed and sought payment of customs duties of approximately $31 million based on an alleged 1998 rig value of $49 million, with interest and penalties, and confiscation of the rig. In January 2000, the Customs Department issued its order, which found that the Company had imported the rig improperly and intentionally concealed the import from the authorities, and directed the Company to pay a redemption fee of approximately $3 million for the rig in lieu of confiscation and to pay penalties of approximately $1 million in addition to the amount of customs duties owed. In February 2000, the Company filed an appeal with the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") together with an application to

have the confiscation of the rig stayed pending the outcome of the appeal. In March 2000, the CEGAT ruled on the stay application, directing that the confiscation be stayed pending the appeal. The CEGAT issued its opinion on the Company's appeal on February 2, 2001, and while it found that the rig was imported in 1988 without proper documentation or payment of duties, the redemption fee and penalties were reduced to less than $0.1 million in view of the ambiguity surrounding the import practice at the time and the lack of intentional concealment by the Company. The CEGAT further sustained the Company's position regarding the value of the rig at the time of import as $13 million and ruled that subsequent movements of the rig were not liable to import documentation or duties in view of the prevailing practice of the Customs Department, thus limiting the Company's exposure as to custom duties to approximately $6 million. Following the CEGAT order, the Company tendered payment of redemption, penalty and duty in the amount specified by the order by offset against a $0.6 million deposit and $10.7 million guarantee previously made by the Company. The Customs Department attempted to draw the entire guarantee, alleging the actual duty payable is approximately $22 million based on an interpretation of the CEGAT order that the Company believes is incorrect. This action was stopped by an interim ruling of the High Court, Mumbai on writ petition filed by the Company. Both the Customs Department and the Company filed appeals with the Supreme Court of India against the order of the CEGAT, and both appeals have been admitted. The Company applied for an expedited hearing, which was denied. The Company and its customer agreed to pursue and obtained the issuance of documentation from the Ministry of Petroleum that, if accepted by the Customs Department, would reduce the duty to nil. The agreement with the customer further provides that if this reduction was not obtained by December 31, 2001, the customer would pay the duty up to a limit of $7.7 million. The Customs Department has not accepted the documentation or agreed to refund the duties already paid. The Company has requested the refund from the customer and also intends to pursue the action with the Customs Department. The Company does not expect, in any event, that the ultimate liability, if any, resulting from the matter will have a material adverse effect on its business or consolidated financial position.

In January 2000, a pipeline in the U.S. Gulf of Mexico was damaged by an anchor from one of the Company's drilling rigs while the rig was under tow. The incident resulted in damage to offshore facilities, including a crude oil pipeline, the release of hydrocarbons from the damaged section of the pipeline and the shutdown of the pipeline and allegedly affected production platforms. All appropriate governmental authorities were notified, and the Company cooperated fully with the operator and relevant authorities in support of the remediation efforts. Certain owners and operators of the pipeline (Poseidon Oil Pipeline Company LLC, Equilon Enterprises LLC, Poseidon Pipeline Company, LLC and Marathon Oil Company) filed suit in March 2000 in federal court, Eastern District of Louisiana, alleging various damages in excess of $30 million. A second suit was filed by Walter Oil & Gas Corporation and certain other plaintiffs in Harris County, Texas alleging various damages in excess of $1.8 million, and the Company obtained a summary judgement against Walter Oil & Gas Corporation and Amerada Hess. The Company has filed a limitation of liability proceeding in federal court, Eastern District of Louisiana, claiming benefit of various statutes providing limitation of liability for vessel owners, the result of which has been to stay the first two suits and to cause potential claimants (including the plaintiffs in the existing suits) to file claims in this proceeding. El Paso Energy Corporation, the owner/operator of the platform from which a riser was allegedly damaged, and Texaco Exploration and Production Inc. have filed claims in the limitation of liability proceeding as well. The Company expects that existing insurance will substantially cover any potential liability associated with this matter and that the outcome of this matter will not have a material adverse effect on its business or consolidated financial position.

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

In November 1988, a lawsuit was filed in the U.S. District Court for the Southern District of West Virginia against Reading & Bates Coal Co., a wholly owned subsidiary of R&B Falcon, by SCW Associates, Inc. claiming breach of an alleged agreement to purchase the stock of Belva Coal Company, a wholly owned subsidiary of Reading & Bates Coal Co. with coal properties in West Virginia. When those coal properties were sold in July 1989 as part of the disposition of R&B Falcon's coal

operations, the purchasing joint venture indemnified Reading & Bates Coal Co. and R&B Falcon against any liability Reading & Bates Coal Co. might incur as a result of this litigation. A judgment for the plaintiff of $32,000 entered in February 1991 was satisfied and Reading & Bates Coal Co. was indemnified by the purchasing joint venture. On October 31, 1990, SCW Associates, Inc., the plaintiff in the above-referenced action, filed a separate ancillary action in the Circuit Court, Kanawha County, West Virginia against R&B Falcon, Caymen Coal, Inc. (the former owner of R&B Falcon's West Virginia coal properties), as well as the joint venture, Mr. William B. Sturgill (the former President of Reading & Bates Coal Co.) personally, three other companies in which the Company believes Mr. Sturgill holds an equity interest, two employees of the joint venture, First National Bank of Chicago and First Capital Corporation. The lawsuit seeks to recover compensatory damages of $50 million and punitive damages of $50 million for alleged tortuous interference with the contractual rights of the plaintiff and to impose a constructive trust on the proceeds of the use and/or sale of the assets of Caymen Coal, Inc. as they existed on October 15, 1988. Currently, the case is pending review by the West Virginia Supreme Court of Appeals on a certification of a question of law as to whether denial of the Company's motion for summary judgement was appropriate, and discovery is proceeding. The Company intends to defend its interests vigorously and believes that the damages alleged by the plaintiff in this action are highly exaggerated. In any event, the Company believes that it has valid defenses and does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

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

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

In October 2001, the Company was notified by the U.S. Environmental Protection Agency ("EPA") that the EPA had identified a subsidiary of the Company as a potentially responsible party in connection with the Palmer Barge Line superfund site located in Port Arthur, Jefferson County, Texas. Based upon the information provided by the EPA and the Company's review of its internal records to date, the Company disputes its designation as a potentially responsible party and does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

The Company and its subsidiaries are involved in a number of other lawsuits, all of which have arisen in the ordinary course of the Company's business. The Company does not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on its business or consolidated financial position.

The Company cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending litigation. There can be no assurance that the Company's belief 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.

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

The Company did not submit any matter to a vote of its security holders during the fourth quarter of 2001.

Executive Officers of the Registrant

OFFICER	OFFICE	AGE AS OF MARCH 1, 2002
J. Michael Talbert	Chief Executive Officer and Director	55
Robert L. Long	President	56
W. Dennis Heagney	Executive Vice President and Chief Operating Officer	54
Jean P. Cahuzac	Executive Vice President, Operations	48
Jon C. Cole	Executive Vice President, Shallow Water and Inland Water Operations	49
Donald R. Ray	Executive Vice President, Technical Services	55
Eric B. Brown	Senior Vice President, General Counsel and Corporate Secretary	50
Gregory L. Cauthen	Vice President, Chief Financial Officer and Treasurer	44
Barbara S. Koucouthakis	Vice President and Chief Information Officer	43
Ricardo H. Rosa	Vice President and Controller	45
Jurgen Sager	Vice President, Human Resources	43
Brian C. Voegele	Vice President, Tax	42
Michael I. Unsworth	Vice President, Marketing	43

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.

J. Michael Talbert has served as the Chief Executive Officer and a member of the Board of Directors of the Company since August 1994. Mr. Talbert also served as Chairman of the Board of the Company from August 1994 until the time of the Sedco Forex merger and as President of the Company from the time of such merger until December 2001. Mr. Talbert is also a director of Equitable Resources, Inc. Prior to assuming his duties with the Company, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation.

Robert L. Long is President of the Company. 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.

W. Dennis Heagney is Executive Vice President and Chief Operating Officer of the Company. Mr. Heagney served as a director of the Company from June 1997 and President and Chief Operating Officer of the Company from April 1986 until the time of the Sedco Forex merger, at which time he assumed the positions of Executive Vice President and President, Asia and the Americas. He assumed his current position in February 2001. He has been employed by the Company since 1969 and was elected Vice President in 1983 and Senior Vice President in 1984.

Jean P. Cahuzac is Executive Vice President, Operations of the Company. 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. He assumed his current position in February 2001. 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 since 1979.

Jon C. Cole is Executive Vice President, Shallow Water and Inland Water Operations of the Company. Mr. Cole served as Senior Vice President of the Company from April 1993 until the time of the Sedco Forex merger, at which time he assumed the position of Executive Vice President, Marketing. He assumed his current position in February 2001. Mr. Cole joined the Company in 1977 and was elected Vice President in 1990.

Donald R. Ray is Executive Vice President, Technical Services of the Company. Mr. Ray served as Senior Vice President of the Company, with responsibility for technical services, from December 1996 until the time of the Sedco Forex merger, at

which time he assumed the position of Senior Vice President, Technical Services. He assumed his current position in February 2001. Mr. Ray has been employed by the Company since 1972 and has served as a Vice President of the Company since 1986.

Eric B. Brown is Senior Vice President, General Counsel and Corporate Secretary of the Company. He served as Vice President and General Counsel of the Company since February 1995 and Corporate Secretary of the Company since September 1995. He assumed his current position 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 Vice President, Chief Financial Officer and Treasurer of the Company. Mr. Cauthen assumed his current position in December 2001. Prior to joining the Company, he served as President and Chief Executive Officer of WebCaskets.com, Inc. from June 2000 until February 2001. Previously he served as Senior Vice President, Financial Services at Service Corporation International where he had been employed in various positions since February 1991.

Barbara S. Koucouthakis is Vice President and Chief Information Officer of the Company. Ms. Koucouthakis served as Controller of the Company from January 1990 and Vice President from April 1993 until the time of the Sedco Forex merger, at which time she assumed her current position. She has been employed by the Company since 1982.

Ricardo H. Rosa is Vice President and Controller of the Company. Mr. Rosa served as Controller of Sedco Forex from September 1995 until the time of the Sedco Forex merger, at which time he assumed his current position with the Company. Mr. Rosa had been employed in various positions by Schlumberger since 1983. Prior to joining Schlumberger in 1983, he served as an Audit Manager for the accounting firm, Price Waterhouse.

Jurgen Sager is Vice President, Human Resources of the Company. Mr. Sager previously served as Director, Corporate Planning for the Company from February 2000 until February 2001, and President of Transocean Petroleum Technology, the Company's coiled tubing business, from February 1998 to February 2000, prior to which he served as Manager, Worldwide Drilling Services. He assumed his current position in May 2001. Mr. Sager has been employed by the Company since 1985.

Brian C. Voegele is Vice President, Tax of the Company. Mr. Voegele served as Vice President, Finance from March 1998 until March 2001 at which time he assumed his current position with the Company. Previously, he served as Director of Tax for the Company from June 1993. Prior to joining the Company in 1993, he served as Tax Manager for Sonat Inc. and as a Tax Manager for the accounting firm, Ernst & Young LLP.

Michael I. Unsworth is Vice President, Marketing of the Company. Mr. Unsworth served as Region Manager, Asia for the Company from the time of the Sedco Forex merger until February 2001, at which time he assumed his present position with the Company. Previously, he served as Region Manager, Asia for Sedco Forex from 1998 through 1999 and had been employed in various marketing and management positions by Schlumberger since 1981.

ITEM 5. Market for Registrant's Common Equity and Related Shareholder Matters

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
2000		
First Quarter	$53.125	$29.250
Second Quarter	56.188	41.250
Third Quarter	64.625	45.625
Fourth Quarter	65.500	34.375
2001		
First Quarter	$54.500	$40.600
Second Quarter	57.690	40.350
Third Quarter	37.680	23.050
Fourth Quarter	34.220	24.200
2002		
First Quarter (through February 28)	$33.460	$26.510

On February 28, 2002, the last reported sales price of our ordinary shares on the NYSE Composite Tape was $28.01 per share. On such date, there were approximately 25,911 holders of record of the Company's ordinary shares and 319,131,115 ordinary shares outstanding.

We have paid quarterly cash dividends of $0.03 per ordinary share since the fourth quarter of 1993. Any future declaration and payment of dividends will be (i) dependent upon our results of operations, financial condition, cash requirements and other relevant factors, (ii) subject to the discretion of the Board of Directors, (iii) subject to restrictions contained in our bank credit agreements and note purchase agreement and (iv) 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 regarding withholding.

ITEM 6. Selected Consolidated Financial Data

The selected consolidated financial data as of December 31, 2001 and 2000, and for each of the three years in the period ended December 31, 2001 has been derived from the audited consolidated financial statements included elsewhere herein. The selected consolidated financial data as of December 31, 1999, 1998 and 1997, and for the years ended December 31, 1998 and 1997 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."

On January 31, 2001, we completed a merger transaction with R&B Falcon. As a result of the merger, R&B Falcon became an indirect wholly owned subsidiary of us. The merger was accounted for as a purchase and we were treated as the accounting acquiror. The balance sheet data as of December 31, 2001 represents the consolidated financial position of the combined company. The statement of operations and other financial data for the year ended December 31, 2001 include eleven months of operating results and cash flows for R&B Falcon.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger and was spun-off immediately prior to the merger transaction. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean Offshore Inc., which changed its name to

Transocean Sedco Forex Inc. The merger was accounted for as a purchase with Sedco Forex treated as the accounting acquiror. The balance sheet data as of December 31, 2000 and 1999 and the statement of operations and other financial data for the year ended December 31, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The balance sheet data, statement of operations and other financial data for the periods prior to the merger, represent the financial position, cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc.

	YEARS ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	(IN MILLIONS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS					
Operating revenues	$ 2,820	$1,230	$ 648	$1,091	$ 891
Operating income	550	133	49	377	299
Income before extraordinary items	272	107	58	342	260
Earnings per share					
Basic	$ 0.88	$ 0.51	$ 0.53 (a)	$ 3.12 (a)	$ 2.38 (a)
Diluted	$ 0.86	$ 0.50	$ 0.53 (a)	$ 3.12 (a)	$ 2.38 (a)
OTHER FINANCIAL DATA					
Cash flows from operating activities	$ 567	$ 196	$ 241	$ 473	$ 318
Capital expenditures	506	575	537	425	187
EBITDA (b)	1,191	401	186	508	420
BALANCE SHEET DATA (AT END OF PERIOD)					
Total assets	$17,020	$6,359	$6,140	$1,473	$1,051
Total debt	5,024	1,453	1,266	100	160
Total equity	10,910	4,004	3,910	564	363
Dividends per share	$ 0.12	$ 0.12	-	-	-

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(a) Unaudited pro forma earnings per share was calculated using the Transocean Sedco Forex Inc. ordinary shares issued pursuant to the Sedco Forex merger agreement and the dilutive effect of Transocean Sedco Forex Inc. stock options granted to former Sedco Forex employees at the time of the Sedco Forex merger, as applicable.

(b) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is presented here because it is a widely accepted financial indication of a company's ability to incur and service debt. EBITDA measures presented may not be comparable to similarly titled measures used by other companies. EBITDA is not a measurement presented in accordance with accounting principles generally accepted in the United States ("GAAP") and is not intended to be used in lieu of GAAP presentations of results of consolidated operations and cash provided by operating activities.

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 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 Sedco Forex Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "we," "us" or "our") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. As of March 1, 2002, we owned, had partial ownership interests in or operated more than 160 mobile offshore and barge drilling units. As of this date, our active fleet consisted of 31 high-specification drillships and semisubmersibles ("floaters"), 30 other floaters, 54 jackup rigs, 35 drilling barges, four tenders and three submersible drilling rigs. In addition, the fleet includes a platform drilling rig, as well as 10 land drilling rigs in Venezuela. We contract our drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We also provide additional services, including management of third-party well service activities.

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

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex Holdings Limited ("Sedco Forex") was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger Limited ("Schlumberger") and was spun-off immediately prior to the merger transaction. At the time of the merger, Sedco Forex owned, had partial ownership interests in, operated or had under construction 44 mobile offshore drilling units. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean Offshore Inc., which changed its name to Transocean Sedco Forex Inc. The merger was accounted for as a purchase with Sedco Forex as the accounting acquiror. The consolidated balance sheet as of December 31, 2000 and 1999 and the consolidated statements of cash flows and operations for the year ended December 31, 2000 represent the financial position, cash flows and results of operations of the merged company. The consolidated statements of cash flows and operations for the year ended December 31, 1999 represent the cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc.

Prior to the R&B Falcon merger, we operated in one industry segment. As a result of acquiring shallow and inland water drilling units in the R&B Falcon merger, our operations have been aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The International and U.S. Floater Contract Drilling Services segment consists of high-specification floaters, other floaters, non-U.S. jackups, other mobile offshore and land drilling units, other assets used in support of offshore drilling activities and other offshore support services. The Gulf of Mexico Shallow and Inland Water segment consists of the Gulf of Mexico jackups and submersible drilling rigs and the U.S. inland drilling barges. Effective January 1, 2002, our operations in Venezuela became a part of our Gulf of Mexico Shallow and Inland Water segment.

Critical Accounting Policies And Estimates

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

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

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

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

Goodwill impairment - We review the carrying value of goodwill when facts and circumstances, such as a decline in quoted market value of our ordinary shares, suggest an other than temporary decline in the recorded value. Effective January 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") 142, Goodwill and Other Intangibles. As a result of this statement, we will no longer amortize goodwill but will perform an initial test of impairment and then assess goodwill for impairment at least annually thereafter. Because our business is cyclical in nature, goodwill could be significantly impaired depending on when in the business cycle the assessment is performed.

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. Revisions to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect our previous assumptions with respect to the likelihood or amount of loss. Reserves for contingent liabilities are based upon our assumptions and estimates regarding the probable outcome of the matter. Should the outcome differ from our assumptions and estimates, revisions to the estimated reserves for contingent liabilities would be required.

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

Historical 2001 compared to 2000

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
OPERATING REVENUES				
International and U.S. Floater Contract Drilling Services	$2,424.1	$1,229.5	$1,194.6	97%
Gulf of Mexico Shallow and Inland Water	396.0	-	396.0	100%
	$2,820.1	$1,229.5	$1,590.6	129%

The increase in International and U.S. Floater Contract Drilling Services operating revenues related to R&B Falcon operations of $806.7 million since the R&B Falcon merger, $210.7 million in revenues from four newbuild drilling units placed into service subsequent to September 30, 2000 and one newbuild drilling unit placed into service during September 2000, recognition of $10.7 million related to a recovery from a loss-of-hire claim for an incident that occurred in November 2000 and an increase in activity. Operating revenues relating to historical Transocean Sedco Forex core assets totaled $1,359.7 million for the year ended December 31, 2001, representing a $213.9 million, or 19 percent, increase over the comparable 2000 period. Average dayrates for these core assets increased from $68,300 for the year ended December 31, 2000 to $75,600 for the year ended December 31, 2001 and utilization of these core assets increased from 66 percent for the year ended December 31, 2000 to 79 percent for the year ended December 31, 2001. These increases were partly offset by decreases in comparable revenues attributed to less activity for non-core assets and lower revenue earned from managed rigs no longer operated in 2001. Revenues for the year ended December 31, 2000 included a cash settlement of $25.1 million relating to an agreement with a unit of BP to cancel the remaining 14 months of firm contract time on the semisubmersible Transocean Amirante. The Gulf of Mexico Shallow and Inland Water operating revenues were attributable to operations acquired in the R&B Falcon merger.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
OPERATING AND MAINTENANCE				
International and U.S. Floater Contract Drilling Services	$1,358.6	$812.6	$ 546.0	67%
Gulf of Mexico Shallow and Inland Water	244.7	-	244.7	100%
	$1,603.3	$812.6	$ 790.7	97%

The increase in International and U.S. Floater Contract Drilling Services operating expenses was primarily a result of the R&B Falcon merger, the activation of five newbuild drilling units since the third quarter of 2000 and one newbuild drilling unit that was placed into service during September 2000, offset by $36.3 million related to accelerated amortization of the deferred gain on the Pride North Atlantic (formerly the Drill Star) during the year ended December 31, 2001. See "-Liquidity and Capital Resources-Acquisitions and Dispositions." The Gulf of Mexico Shallow and Inland Water operating expenses resulted from operations acquired in the R&B Falcon merger. A large portion of our operating and maintenance expense consists of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity or dayrates.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
DEPRECIATION				
International and U.S. Floater Contract Drilling Services	$379.2	$232.8	$ 146.4	63%
Gulf of Mexico Shallow and Inland Water	90.9	-	90.9	100%
	$470.1	$232.8	$ 237.3	102%

International and U.S. Floater Contract Drilling Services depreciation expense increased primarily due to depreciation expense for the rigs acquired in the R&B Falcon merger and depreciation expense in 2001 for six newbuild drilling units placed into service since the second quarter of 2000. This increase was partially offset by a reduction of approximately $23 million (net $0.07 per diluted share) for the year ended December 31, 2001 as a result of conforming our policies for estimated rig lives in conjunction with the R&B Falcon merger. The Gulf of Mexico Shallow and Inland Water depreciation expense resulted from rigs acquired in the R&B Falcon merger.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GOODWILL AMORTIZATION				
International and U.S. Floater Contract Drilling Services	$114.2	$26.7	$ 87.5	328%
Gulf of Mexico Shallow and Inland Water	40.7	-	40.7	100%
	$154.9	$26.7	$ 128.2	480%

The International and U.S. Floater Contract Drilling Services goodwill amortization expense increase and the Gulf of Mexico Shallow and Inland Water goodwill amortization expense resulted from the R&B Falcon merger. See "New Accounting Pronouncements."

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GENERAL AND ADMINISTRATIVE.	$57.9	$42.1	$ 15.8	38%

The increase in general and administrative expense was primarily attributable to the R&B Falcon merger and reflects the costs to manage a larger and more complex organization.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
IMPAIRMENT LOSS ON LONG-LIVED ASSETS				
International and U.S. Floater Contract Drilling Services	$(36.3)	-	$ (36.3)	100%
Gulf of Mexico Shallow and Inland Water.	(4.1)	-	(4.1)	100%
	$(40.4)	-	$ (40.4)	100%

Asset impairment charges were recorded in the fourth quarter 2001 and related to certain assets held for sale and certain non-core assets held and used. The impairment resulted from deterioration in current market conditions with the fair value of these assets determined based on projected cash flows, industry knowledge and third-party appraisals.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GAIN FROM SALE OF ASSETS, NET . . .	$56.5	$17.8	$ 38.7	217%

During the year ended December 31, 2001, we recognized a pre-tax gain of $26.3 million related to the sale of RBF FPSO L.P., which owned the Seillean, and $18.5 million related to accelerated amortization of the deferred gain on the sale of the Sedco Explorer. In addition, we recognized a pre-tax gain of $11.7 million during the year ended December 31, 2001 related to sales of certain non-strategic assets acquired in the R&B Falcon merger and certain other assets held for sale. See "-Liquidity and Capital Resources-Acquisitions and Dispositions." During the year ended December 31, 2000, we recognized a pre-tax gain of $12.9 million on the sale of three units, the semisubmersible Transocean Discoverer, the multi-purpose service vessel Mr. John and the tender Searex V.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
OTHER INCOME (EXPENSE), NET				
Equity in earnings of joint ventures	$ 16.5	$ 9.4	$ 7.1	76%
Interest income.	18.7	6.2	12.5	202%
Interest expense, net of amounts capitalized	(223.9)	(3.0)	(220.9)	7,363%
Other, net	(0.8)	(1.3)	0.5	38%
	$(189.5)	$11.3	$(200.8)	1,777%

The increase in equity in earnings of joint ventures was due primarily to equity in earnings of joint ventures acquired in the R&B Falcon merger. The increase in interest income was primarily due to interest earned on secured contingent notes from a related party acquired as part of the R&B Falcon merger (see "Related Party Transactions") and higher average cash balances for the year ended December 31, 2001 compared to the same period in 2000. The increase in interest expense during 2001 was due to higher debt levels arising from the additional debt assumed in the R&B Falcon merger and additional borrowings to complete newbuild construction projects. Total interest capitalized relating to construction projects was $34.9 million for the year ended December 31, 2001 compared to $86.6 million for the same period in 2000, a decrease of $51.7 million, or 60 percent, resulting from the completion of six newbuild drilling units since the second quarter of 2000.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
INCOME TAX EXPENSE	$85.7	$36.7	$ 49.0	134%

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 as more fully described in Note 12 to our consolidated financial statements.

	YEARS ENDED DECEMBER 31,			
	2001	2000	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GAIN (LOSS) ON EXTRAORDINARY ITEMS, NET OF TAX	$(19.3)	$ 1.4	$ (20.7)	1,479%

During the year ended December 31, 2001, we recognized a $19.3 million extraordinary loss, net of tax, related to the early extinguishment of certain debt as more fully described in Note 8 to our consolidated financial statements. During the year ended December 31, 2000, we recognized a $1.4 million extraordinary gain, net of tax, related to the early extinguishment of certain debt.

HISTORICAL 2000 COMPARED TO 1999

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
OPERATING REVENUES	$1,229.5	$648.2	$ 581.3	90%

The increase in operating revenues was primarily a result of the Sedco Forex merger. Operating revenues for the year ended December 31, 2000 included a $25.1 million cash settlement relating to an agreement with a unit of BP to cancel the remaining 14 months of firm contract time on the semisubmersible Transocean Amirante, $21.8 million relating to the Discoverer Spirit, which began operations late in the third quarter of 2000, and $9.3 million relating to the Trident 20, which began operations in the fourth quarter of 2000. Operating revenues relating to former Sedco Forex operations totaled $544.5 million for the year ended December 31, 2000, representing a $103.7 million or 16 percent decrease over the comparable 1999 period. Of the decrease in revenues, $58.0 million related to core assets, which experienced lower average dayrates, declining from $65,500 for the year ended December 31, 1999 to $55,500 for the same period in 2000. Operating revenues for the year ended December 31, 1999 also included $16.0 million of cash settlements related to the cancellation of contracts on the Sovereign Explorer and Trident 17. This was partially offset by an increase in activity, as utilization of core assets increased from 68 percent for the year ended December 31, 1999 to 74 percent for the same period in 2000. The remaining decrease in

comparable revenues was attributed to less activity for non-core assets and lower revenue earned from managed rigs no longer operated in 2000.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
OPERATING AND MAINTENANCE	$812.6	$448.9	$ 363.7	81%

The increase in operating and maintenance expense was primarily a result of the Sedco Forex merger. Operating and maintenance expense for the year ended December 31, 2000 included $6.8 million relating to the Discoverer Spirit, which began operations late in the third quarter of 2000, $41.1 million relating to the settlement of an arbitration proceeding with Global Marine Drilling Company ("Global Marine") and a $6.7 million increase in provisions for legal claims. Operating and maintenance expense for the 1999 period included charges totaling $42.0 million relating to severance liabilities, the write-down of obsolete fixed assets and provisions for potential legal claims, $13.4 million relating to provisions for doubtful accounts receivable in West Africa and dayrate contract penalties in Brazil and $56.2 million relating to the allocation of costs by Schlumberger. A large portion of operating and maintenance expense consisted of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity or dayrates.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
DEPRECIATION	$232.8	$131.9	$ 100.9	76%

Depreciation expense increased primarily due to the addition of the former Transocean Offshore Inc. rigs and equipment at fair value. Depreciation expense was reduced by approximately $71.9 million (net $0.34 per diluted share) for the year ended December 31, 2000 as a result of conforming our policies relating to estimated rig lives and salvage values after the Sedco Forex merger.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GOODWILL AMORTIZATION	$26.7	$ -	$ 26.7	100%

Amortization expense increased due to amortization of goodwill recorded for the year ended December 31, 2000 resulting from the Sedco Forex merger.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GENERAL AND ADMINISTRATIVE	$42.1	$16.8	$ 25.3	151%

General and administrative expense increased primarily as a result of the Sedco Forex merger and reflects the costs to manage a larger, more complex and geographically diverse organization. General and administrative expense for the year ended December 31, 1999 included $8.0 million relating to an allocation of corporate overhead by Schlumberger.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
GAIN (LOSS) FROM SALE OF ASSETS, NET	$17.8	$(1.3)	$ 19.1	1,469%

During the year ended December 31, 2000, we recognized a pre-tax gain of $12.9 million on the sale of three units, the semisubmersible Transocean Discoverer, the multi-purpose service vessel Mr. John and the tender Searex V. There were no such sales in 1999.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
OTHER INCOME (EXPENSE), NET				
Equity in earnings of joint ventures	$ 9.4	$ 5.6	$ 3.8	68%
Interest income	6.2	5.4	0.8	15%
Interest expense, net of amounts capitalized	(3.0)	(10.3)	7.3	71%
Other, net	(1.3)	(0.7)	(0.6)	86%
	$11.3	$ -	$ 11.3	100%

The increase in equity in earnings of joint ventures was primarily related to the addition of joint ventures owned by Transocean Offshore Inc. prior to the Sedco Forex merger. Total interest expense was $89.6 million for the year ended December 31, 2000 compared to $37.5 million for 1999, an increase of $52.1 million or 139 percent. The increase during 2000 was due to higher debt levels primarily associated with our newbuild construction projects. Total interest capitalized relating to construction projects was $86.6 million for the year ended December 31, 2000 compared to $27.2 million for 1999, an increase of $59.4 million or 218 percent. Overall, there was a net decrease in interest expense as a greater proportion was capitalized compared to 1999.

	YEARS ENDED DECEMBER 31,			
	2000	1999	CHANGE	% CHANGE
	(IN MILLIONS, EXCEPT % CHANGE)			
INCOME TAX EXPENSE (BENEFIT)	$36.7	$(9.3)	$ 46.0	495%

The income tax benefit for 1999 included a $9.5 million deferred tax benefit relating to charges for potential legal claims and additional U.K. tax loss carryforwards for which no valuation allowance was provided as well as the adjustment of U.K. tax loss carryforwards for prior years. 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 or benefit from income taxes and income before income taxes, as more fully described in Note 12 to our consolidated financial statements.

Financial Condition

December 31, 2001 compared to December 31, 2000

Total assets at December 31, 2001 were $17.0 billion compared to $6.4 billion at December 31, 2000. International and U.S. Floater Contract Drilling Services assets were $14.3 billion at December 31, 2001 compared to $6.4 billion at December 31, 2000, an increase of $7.9 billion, or 123 percent. The increase was primarily due to the addition of R&B Falcon's assets at fair value on January 31, 2001 and goodwill related to the R&B Falcon merger. Gulf of Mexico Shallow and Inland Water assets of $2.7 billion were due to the addition of R&B Falcon's assets at fair value on January 31, 2001 and goodwill related to the R&B Falcon merger.

Restructuring Charges

In conjunction with the R&B Falcon merger, we established a liability of $16.5 million for the estimated severance-related costs associated with the involuntary termination of 569 R&B Falcon employees pursuant to management's plan to consolidate operations and administrative functions post-merger. Included in the 569 planned involuntary terminations were 387 employees engaged in our land and barge drilling business in Venezuela. We have suspended active marketing efforts to divest this business and, as a result, the estimated liability was reduced by $4.3 million in the third quarter of 2001 with an offset to goodwill. Through December 31, 2001, approximately $11.6 million in severance-related costs have been paid to 173 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 2002.

1999 Charges

Operating and maintenance expense for the year ended December 31, 1999 included charges totaling $42.0 million. Reduced exploration and development activity by customers, resulting from a period of low oil prices from late 1997 through early 1999 and industry consolidation over the same time period, resulted in a slowdown in the offshore drilling industry during 1999. As a result of this slowdown, approximately 1,000 operating personnel were determined to be redundant, and charges associated with termination and severance benefits of $13.2 million were recognized during 1999. Substantially all of these employees had been terminated and severance and termination costs had been paid as of December 31, 1999. Provisions for potential legal claims of $28.8 million were recognized during 1999.

2001 R&B Falcon Pro Forma Operating Results

Our unaudited pro forma consolidated results for the year ended December 31, 2001, giving effect to the R&B Falcon merger, reflected net income of $257.6 million or $0.80 per diluted share on pro forma operating revenues of $2,946.0 million. The pro forma operating results assume the merger was completed as of January 1, 2001 (see Note 4 to our consolidated financial statements). These pro forma results do not reflect the effects of reduced depreciation expense related to conforming the estimated lives of our drilling rigs. The pro forma financial data should not be relied on as an indication of operating results that we would have achieved had the merger taken place earlier or of the future results that we may achieve.

1999 Sedco Forex Pro Forma Operating Results

Our unaudited pro forma consolidated results for the year ended December 31, 1999, giving effect to the Sedco Forex merger, reflected net income of $237.9 million or $1.13 per diluted share on pro forma operating revenues of $1,579.1 million. The pro forma operating results assume the spin-off and merger was completed as of January 1, 1999 (see Note 4 to our consolidated financial statements). These pro forma results do not reflect the effects of reduced depreciation expense related to conforming the estimated lives of Sedco Forex rigs and the elimination of certain allocated costs from Schlumberger. The pro forma financial data should not be relied on as an indication of operating results that we would have achieved had the spin-off and merger taken place earlier or of the future results that we may achieve.

Outlook

Fleet utilization and average dayrates within our International and U.S. Floater Contract Drilling Services business segment improved during the fourth quarter of 2001 compared with the third quarter of 2001. However, both fleet utilization and average dayrates within our Gulf of Mexico Shallow and Inland Water business segment decreased significantly compared to the immediately preceding quarter. Continued weakness in U.S. natural gas prices led to the decline, which was most pronounced in the segment's jackup and submersible fleet.

	THREE MONTHS ENDED		
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000 (A)
AVERAGE DAYRATES			
INTERNATIONAL AND U.S. FLOATER CONTRACT DRILLING SERVICES SEGMENT:			
High-Specification Floaters	$ 145,000	$ 144,500	$ 124,300
Other Floaters	71,100	66,600	56,000
Jackups - Non-U.S.	52,800	49,200	37,100
Other	41,300	42,500	41,400
Segment Total	88,200	86,600	72,000
GULF OF MEXICO SHALLOW AND INLAND WATER SEGMENT:			
Jackups and Submersibles	30,600	37,700	32,000
Inland Barges	22,800	24,400	20,000
Segment Total	25,600	30,000	26,300
Total Mobile Offshore Drilling Fleet	$ 74,000	$ 66,900	$ 54,200
UTILIZATION			
INTERNATIONAL AND U.S. FLOATER CONTRACT DRILLING SERVICES SEGMENT:			
High-Specification Floaters	90%	87%	92%
Other Floaters	89%	82%	70%
Jackups - Non-U.S.	89%	84%	86%
Other	54%	48%	47%
Segment Total	86%	81%	78%
GULF OF MEXICO SHALLOW AND INLAND WATER SEGMENT:			
Jackups and Submersibles	27%	52%	70%
Inland Barges	49%	75%	65%
Segment Total	38%	63%	67%
Total Mobile Offshore Drilling Fleet	67%	73%	74%

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(a) Pro forma based on the combined fleet of Transocean Sedco Forex and R&B Falcon.

We believe we will experience continued weakening demand in most drilling market segments during 2002 as our clients reassess their exploration and production spending plans. Demand for our drilling rigs is driven largely by our clients' perception of future commodity prices.

Low natural gas prices in the U.S. have had a significant influence on client drilling programs, which have been sharply curtailed. Slack demand for U.S. natural gas has also resulted in a considerable increase in storage supplies. Current lower demand, increased volume in storage and the uncertainty over the U.S. economy all lead us to believe that we will not see a meaningful recovery in the U.S. gas drilling market in the near term.

World crude oil prices remain at levels generally lower than those experienced in the past two years due to concern over the global economy. While OPEC has recently been able to maintain production discipline and has cooperated with some of the major non-OPEC producers to further control oil production, it is unclear to us whether either factor will persist. Increased oil production would put further downward pressure on prices. We do not foresee a significant increase in demand within our International and U.S. Floater Drilling Services segment in the near term. In particular, we believe the mid-depth floater market segments in most regions will be weak during at least the first half of 2002 and that the deepwater floater market segments in the Norway and UK North Sea sectors and the U.S. will also face an oversupply of available units in the near term. The international jackup market is relatively stable at present, but we expect continued pressure from jackup rigs which are being mobilized out of the U.S.

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

We continue with our plans to sell a number of assets (see "-Liquidity and Capital Resources-Acquisitions and Dispositions"), although the downturn in the U.S. natural gas market and the broader market uncertainty has adversely affected our efforts. We expect the pace of our divestiture program to slow considerably due to the effect that the drilling market slowdown has had on the prices buyers are willing to pay. These asset sales will be dependent upon obtaining an acceptable sale price, and we do not believe we will conclude all sales in 2002. Our active marketing efforts to divest our land and barge drilling business in Venezuela remain suspended until such time as we believe an acceptable price may be obtained. We currently expect the total proceeds of these sales, including the Venezuela business, to be between $400 million and $500 million (including $202 million of proceeds received through December 31, 2001). Most of these assets identified for sale were marked to fair value on our books in connection with the R&B Falcon merger pursuant to purchase accounting rules and we do not expect sales of those assets to have a material effect on our results of operations. However, the actual proceeds may differ substantially from our expectations, which may have a material effect on our results of operations. We may also decide to discontinue our sales efforts, in whole or in part.

As of March 1, 2002, approximately 62 percent of our International and U.S. Floater Contract Drilling Services segment fleet days were committed for the remainder of 2002 and approximately 23 percent for the year 2003. For our Gulf of Mexico Shallow and Inland Water segment, which has traditionally operated under short-term contracts, committed fleet days were approximately four percent for the remainder of 2002 and none are currently committed for the year 2003.

Other Factors Affecting Operating Results

Our business depends on the level of activity in oil and gas exploration, development and production in market segments worldwide, with the U.S. and international offshore and U.S. inland marine areas being our primary market segments. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. 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,

- - the ability of the Organization of Petroleum Exporting Countries, commonly called "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 in which we operate or further acts of terrorism in the United States, or elsewhere.

The offshore and inland marine 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. Recent mergers among oil and natural gas exploration and production companies have reduced the number of available customers.

Our industry has historically been cyclical and may be 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.

The Company completed its newbuild program in 2001 with the delivery of one high-specification drillship and four high-specification semisubmersibles. The Company has experienced some start-up difficulties with most of its newbuild rigs, which can affect downtime and operating revenues. While the Company expects its newbuild rig fleet to operate with average downtime comparable to industry norms, there can be no assurance that future operational problems will not arise. Should problems occur which cause significant downtime or significantly affect a newbuild rig's performance or safety, the Company's clients may attempt to terminate or suspend the drilling contract, particularly any of the long-term contracts associated with most of the newbuild rigs. In the event of termination of a drilling contract for one of these rigs, it is unlikely that the Company would be able to secure a replacement contract on as favorable terms.

Our customers may terminate or suspend some of our term drilling contracts under various circumstances such as the loss or destruction of the drilling unit or as the result of equipment problems. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee. 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 have been involved in two merger transactions in the last three years. We may not be able to finalize the integration of the operations of the merged or acquired companies 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 these transactions. Any unexpected costs or delays incurred in connection with the integration could have an adverse effect on our business, results of operations or consolidated financial position.

We plan to continue our restructuring of the ownership of a portion of the assets held by R&B Falcon and its subsidiaries at the time of our merger. This restructuring is intended to achieve operational efficiencies, including improved worldwide cash management and increased flexibility for operating rigs in various jurisdictions, and allow for potential tax and other savings. Any transfers of assets by R&B Falcon or one of its subsidiaries to Transocean Sedco Forex or one of its other subsidiaries in this restructuring could, in some cases, result in the imposition of additional taxes.

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, punchthroughs, craterings and fires. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel. We may also be subject to personal injury and other claims of rig personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, and failure of subcontractors to perform or supply goods or services or personnel shortages. In addition, offshore drilling operators 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 may not have insurance coverage or rights to indemnity for all risks.

If a significant accident or other event, including terrorist acts, war, civil disturbances, pollution or environmental damage, occurs and is not fully covered by insurance or a recoverable indemnity from a client, it could adversely affect our consolidated financial position or results of operations. 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, particularly in light of the instability and developments in the insurance markets following the recent terrorist attacks.

We operate in various regions throughout the world that 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 a substantial extent against loss of capital assets, but generally not loss of revenue, from most of these risks through insurance, indemnity provisions in our drilling contracts, or both. Although we maintain insurance in the areas in

which we operate, 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 a recoverable indemnity from a client, it could adversely affect our consolidated financial position or results of operations. As of March 1, 2002, all areas in which we were operating were covered by existing insurance policies.

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. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration of 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.

Transocean Sedco Forex is a Cayman Islands company as a result of our reorganization from a Delaware corporation in May 1999. We operate worldwide through our various subsidiaries. Consequently, we are subject to changing taxation policies in the jurisdictions in which we operate, which could include policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws of any country in which we have significant operations, including the United States, could result in a higher effective tax rate on our worldwide earnings

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 to the country of operation. We seek to limit these risks by structuring contracts such that compensation is made in freely convertible currencies and, to the extent possible, by limiting acceptance of non-convertible currencies to amounts that match our expense requirements in local currency (see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk -Foreign Exchange Risk").

We require highly skilled personnel to operate and provide technical services and support for our drilling units. To the extent that demand for drilling services and the size of the worldwide industry fleet increase, shortages of qualified personnel could arise, creating upward pressure on wages. We are continuing our recruitment and training programs as required to meet our anticipated personnel needs.

On March 1, 2002, we had approximately 13 percent of our employees worldwide working under collective bargaining agreements, most of whom were working in Norway, Nigeria, Brazil and Venezuela. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2002. In addition, the Company has signed a recognition agreement requiring negotiation with a labor union representing employees in the U.K. These negotiations are expected to begin in the second quarter of 2002 and could result in collective bargaining agreements covering these employees, which could result in higher personnel expenses, other increased costs or increased operating restrictions.

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 United States 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 financial position and results of our operations.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope. On October 7, 2001, the United States commenced military action in Afghanistan in response to these attacks. Military action by the United States may continue indefinitely and may escalate and armed hostilities may begin or escalate in other countries. Further acts of terrorism in the United States or elsewhere may occur, and such acts of terrorism could be directed against companies such as ours. These developments have caused instability in the world's financial and insurance markets and will likely significantly

increase political and economic instability in the geographic areas in which we currently operate. In addition, these developments could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services.

Following the terrorist attacks on September 11, 2001, insurance underwriters increased insurance premiums charged for many of the coverages historically maintained and issued general notices of cancellations to their customers for war risk, terrorism and political risk insurance in respect of a wide variety of insurance coverages, including but not limited to, liability and aviation coverages. Our insurance underwriters renegotiated substantially higher premium rates for war risk coverage, which can be canceled by the underwriters on short notice. Insurance premiums could be increased further or coverages may be unavailable in the future.

United States government regulations 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. These developments could subject the worldwide operations of our company to increased risks and, depending on their magnitude, could have a material adverse effect on our business.

The general rate of inflation in the majority of the countries in which we operate has been moderate over the past several years and has not had a material impact on our results of operations. An increase in the demand for offshore drilling rigs usually leads to higher labor, transportation and other operating expenses as a result of an increased need for qualified personnel and services.

Merger Purchase Price Allocation

The purchase price allocation for the merger of Transocean Sedco Forex Inc. and R&B Falcon included, at estimated fair value, total assets of $4.8 billion and the assumption of total liabilities of $3.8 billion. The excess of the purchase price over the estimated fair value of net assets acquired of approximately $5.6 billion was accounted for as goodwill. At December 31, 2001, this goodwill represented approximately 32 percent of total assets and 50 percent of total shareholders' equity. The goodwill has been amortized using a 40-year life based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Goodwill amortization expense related to the R&B Falcon merger was approximately $128 million for the year ended December 31, 2001 in addition to the $27 million related to the Sedco Forex merger mentioned below. See "New Accounting Pronouncements".

The purchase price allocation for the merger of Transocean Offshore Inc. and Sedco Forex included, at estimated fair value, total assets of $3.8 billion and the assumption of total liabilities of $1.9 billion. The excess of the purchase price over the estimated fair value of net assets acquired of approximately $1.1 billion was accounted for as goodwill. At December 31, 2001, this goodwill represented approximately 5.9 percent of total assets and 9.3 percent of total shareholders' equity. The goodwill has been amortized using a 40-year life based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Goodwill amortization expense related to the Sedco Forex merger was approximately $27 million per year. See "New Accounting Pronouncements".

Liquidity and Capital Resources

Sources and Uses of Cash

	YEARS ENDED DECEMBER 31,		
	2001	2000	CHANGE
		(In millions)	
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income.	$ 252.6	$ 108.5	$ 144.1
Depreciation and amortization	625.0	259.5	365.5
Non-cash items.	(202.6)	(90.9)	(111.7)
Working capital	(108.2)	(81.2)	(27.0)
	$ 566.8	$ 195.9	$ 370.9

Cash generated from net income items adjusted for non-cash activity was $397.9 million higher and cash used for working capital items was $27.0 million higher for the year ended December 31, 2001 compared to the same period in 2000, primarily as a result of the R&B Falcon merger.

	YEARS ENDED DECEMBER 31,		
	2001	2000	CHANGE
		(In millions)	
NET CASH USED IN INVESTING ACTIVITIES			
Capital expenditures	$(506.2)	$ (574.7)	$ 68.5
Proceeds from sale of coiled tubing drilling services business	-	24.9	(24.9)
Proceeds from sale of securities	17.2	-	17.2
Proceeds from disposal of assets	201.7	56.3	145.4
Merger costs paid	(24.4)	(4.5)	(19.9)
R&B Falcon cash at acquisition	264.7	-	264.7
Other, net	20.6	5.1	15.5
	$ (26.4)	$ (492.9)	$ 466.5

Net cash used in investing activities decreased for the year ended December 31, 2001 as compared to the previous year as a result of cash received in connection with the R&B Falcon merger, higher proceeds from asset sales and lower capital expenditures.

	YEARS ENDED DECEMBER 31,		
	2001	2000	CHANGE
		(In millions)	
NET CASH PROVIDED BY FINANCING ACTIVITIES			
Net borrowings under commercial paper program	$ 326.4	$ -	$ 326.4
Net proceeds from issuance of debt	1,693.5	489.1	1,204.4
Early repayments of debt instruments	(1,495.0)	(233.8)	(1,261.2)
Net repayments on revolving credit agreements	(180.1)	(56.3)	(123.8)
Other, net	(66.3)	(33.2)	(33.1)
	$ 278.5	$ 165.8	$ 112.7

During 2001, we had net repayments under our revolving credit agreements of $180.1 million, early repayments of debt instruments of $1,495.0 million and net proceeds from borrowings under our commercial paper program of $326.4 million. We also had net proceeds from other debt of $1,693.5 million primarily due to the issuance of the 6.625% Notes, 7.5% Notes and 1.5% Convertible Debentures in the second quarter of 2001. During 2000, we had net proceeds from other debt of $489.1 million from the issuance of the Zero Coupon Convertible Debentures partially offset by the $56.3 million net repayment of our revolving credit agreement and by the $233.8 million early repayment on our secured loan agreement.

Capital Expenditures

Capital expenditures, including capitalized interest, totaled $506 million during the year ended December 31, 2001. See Note 5 to our consolidated financial statements. During 2002, we expect to spend between $200 million and $220 million on our existing fleet, corporate infrastructure and major upgrades on the Discoverer Seven Seas and Deepwater Expedition. A substantial majority of our capital expenditures relates to the International and U.S. Floater Contract Drilling Services segment.

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

We completed our rig expansion program in 2001. The Sedco Express was placed into service in April 2001. In February 2001, a unit of TotalFinaElf terminated the contract for the Sedco Express due to delayed delivery. The rig began a four-month contract with a unit of BP in Egypt in the first quarter of 2002. The Sedco Energy arrived in Brazil in April 2001 and began a 42-month contract with ChevronTexaco in May 2001. In October 2001, the Sedco Energy moved to West Africa where it is expected to complete the remainder of the contract. The Cajun Express was delivered in April 2001, when it began an 18-month contract with Marathon in the U.S. Gulf of Mexico. In July 2001, Marathon terminated the 18-month contract for the Cajun Express allegedly because of downtime relating to equipment performance. The Cajun Express operated under a six-month contract with Ocean Energy in the U.S. Gulf of Mexico beginning in August 2001. We are currently in discussions with various operators for work for the Cajun Express. The Discoverer Deep Seas was delivered early in the first quarter of 2001, when it

began a five-year contract with ChevronTexaco in the U.S. Gulf of Mexico. The Deepwater Horizon was placed into service in September 2001 when it began a three-year contract with a unit of BP in the U.S. Gulf of Mexico.

Acquisitions and Dispositions

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

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

In February 2001, Sea Wolf Drilling Limited ("Sea Wolf"), a joint venture in which we hold a 25 percent interest, sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Pride International, Inc. In the first quarter of 2001, we recognized accelerated amortization of the deferred gain related to the Sedco Explorer of $18.5 million, which is included in gain from sale of assets. Our bareboat charter with Sea Wolf on the Sedco Explorer was terminated effective June 2000. We continued to operate the Drill Star, which has been renamed the Pride North Atlantic, under a bareboat charter agreement until October 2001 at which time the rig was returned to its owner. The amortization of the Drill Star's deferred gain was accelerated and produced incremental gains totaling $36.3 million, which is included as a reduction in operating and maintenance expense.

In December 2001, we sold RBF FPSO L.P., which owns the Seillean, a multi-purpose service vessel. We received net proceeds of $85.6 million. The sale resulted in a net after-tax gain of $17.1 million ($0.05 per diluted share) for the year ended December 31, 2001. In addition, during the year ended December 31, 2001, we sold certain other non-strategic assets acquired in the R&B Falcon merger and certain other assets held for sale. We received net proceeds of approximately $116.1 million. These sales resulted in a net after-tax gain of $7.5 million ($0.02 per diluted share) for the year ended December 31, 2001.

In March 2002, we entered into definitive agreements to sell two semisubmersible rigs, the Transocean 96 and Transocean 97, for an aggregate sales price of $31 million. We expect the sales, which are subject to closing conditions customary for this type of transaction, to close in the coming weeks. We do not expect the results of the sales to have a material effect on our consolidated results of operations.

Sources of Liquidity

Our primary sources of liquidity in 2001 were our cash flows from operations and asset sales and issuances of debt securities and commercial paper. Primary uses of cash were capital expenditures and debt repayment. At December 31, 2001, we had $853 million in cash and cash equivalents.

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

We intend to use cash from operations primarily to fund capital expenditures and to pay debt as it comes due. If we seek to reduce our debt other than scheduled maturities, we could do so through repayment of bank or commercial paper borrowings or through repurchases or redemptions of, or tender offers for, debt securities. We expect to significantly reduce capital expenditures going forward due to the completion of our newbuild program.

Our internally generated cash flow is directly related to our business and the market segments in which we operate. Should the drilling market deteriorate further, or should we experience poor results in our operations, cash flow from operations may be reduced. While we have continued to generate positive cash flow from operations and expect to do so in the foreseeable future, many of the market segments in which we operate are, at present, weakening and may continue to weaken in the near and medium term.

We have access to $800 million in bank lines of credit under two revolving credit agreements. These credit lines are used primarily to back our $800 million commercial paper program and may also be drawn on directly. As of year-end 2001, $326 million of the credit line capacity was used to back issuance of $326 million of commercial paper, leaving $474 million of availability under the bank lines of credit for commercial paper issuance or drawdowns. In January 2002, the entire amount of commercial paper borrowings was repaid utilizing cash investments, leaving $800 million in commercial paper and/or bank line availability.

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

In April 2001, the Securities and Exchange Commission ("SEC") declared effective our shelf registration statement on Form S-3 for the proposed offering from time to time of up to $2.0 billion in gross proceeds of senior or subordinated debt securities, preference shares, ordinary shares and warrants to purchase debt securities, preference shares, ordinary shares or other securities. In May 2001, we issued $400.0 million aggregate principal amount of 1.5% Convertible Debentures due May 15, 2021 under the shelf registration statement. At March 1, 2002, $1.6 billion in gross proceeds of securities remained unissued under the shelf registration statement.

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

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

	AS OF DECEMBER 31, 2001				
	TOTAL	LESS THAN 1 YEAR	1 TO 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
	(IN MILLIONS)				
CONTRACTUAL OBLIGATIONS					
Debt.	$4,995	$ 484	$ 1,711	$ 500	$ 2,300
Operating Leases. . . .	127	28	66	12	21
Total Obligations . .	$5,122	$ 512	$ 1,777	$ 512	$ 2,321

We are required to repurchase the Zero Coupon Convertible Debentures due 2020 and the 1.5% Convertible Debentures due 2021 at the option of the holder on specified dates. We have the option to pay the repurchase price in cash, ordinary shares or any combination of cash and ordinary shares. The chart above assumes that the holders of these debentures exercise this option at the first available date. These debentures are more fully described in Note 8 to our consolidated financial statements.

At December 31, 2001, we had other commitments that we are contractually obligated to fulfill with cash should the obligations be called. These obligations consisted primarily of standby letters of credit and surety bonds, which guarantee our performance as it relates to our drilling contracts, insurance, tax and other obligations in various jurisdictions. These 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. It should be noted that these obligations could be called at any time prior to the expiration dates.

	AS OF DECEMBER 31, 2001				
	TOTAL	LESS THAN 1 YEAR	1 TO 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
	(IN MILLIONS)				
OTHER COMMERCIAL COMMITMENTS					
Standby Letters of Credit . .	$ 38	$ 34	$ 4	$ -	$ -
Surety Bonds.	190	124	66	-	-
Purchase Option Guarantees -					
Joint Ventures (a).	209	-	209	-	-
Other Commitments	4	4	-	-	-
Total	$ 441	$ 162	$ 279	$ -	$ -

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(a) See "-Special Purpose Entities".

Letters of credit are issued under a number of facilities provided by several banks. The obligations that are the subject of these surety bonds are geographically concentrated in Brazil and Nigeria, of which 73 percent are concentrated in three bonds.

In March 2002, the Company completed an exchange offer pursuant to which the 6.50% Notes due April 15, 2003, 6.75% Notes due April 15, 2005, 6.95% Notes due April 15, 2008, 7.375% Notes due April 15, 2018, 9.125% Notes due December 15, 2003 and 9.50% Notes due December 15, 2008 of R&B Falcon whose holders accepted the offer were exchanged for newly issued notes of the Company. The new notes were issued in six series corresponding to the six series of R&B Falcon notes and have the same principal amount, interest rate, redemption terms and payment and maturity dates as the corresponding series of R&B Falcon notes. The aggregate principal amount of the new notes issued was approximately $1.4 billion. Because the holders of a majority in principal amount of each of these series of notes consented to the proposed amendments to the applicable indenture pursuant to which the notes were issued, some covenants, restrictions and events of default were eliminated from the indentures with respect to these series of notes. In connection with the exchange offers, an aggregate of $8.3 million in consent payments were made by R&B Falcon to holders of R&B Falcon notes whose notes were tendered (and not validly withdrawn) within the required time periods and accepted for exchange.

Derivative Instruments

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

Gains and losses on foreign exchange derivative instruments that qualify as accounting hedges are deferred as accumulated other comprehensive income and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments that 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, 2001, we had no material open foreign exchange derivative instruments.

From time to time, we may use interest rate swaps to manage the effect of interest rate changes on future income. Interest rate swaps are designated as a hedge of underlying future interest payments. The interest rate differential to be received or paid under the swaps is recognized over the lives of the swaps as an adjustment to interest expense (see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk"). If an interest rate swap is terminated, the gain or loss is amortized over the life of the underlying debt. At December 31, 2001, we had a $3.9 million gain related to a terminated

interest rate swap that is included in accumulated other comprehensive income in our consolidated balance sheet and is being amortized over the life of the underlying debt.

One of our unconsolidated joint ventures, Deepwater Drilling LLC ("DD LLC"), has an interest rate swap associated with the operating lease for the Deepwater Pathfinder. The effect of the swap has been to convert the interest portion of the operating lease payments from a floating rate of one-month London Interbank Offered Rate ("LIBOR") plus a margin to a fixed rate of 5.7175 percent per annum. We report our share of the fair value of the interest rate swap in accumulated other comprehensive income in our consolidated balance sheet. At December 31, 2001, this amount was an unrealized loss of $5.6 million.

In June 2001, we entered into $700 million aggregate notional amount of interest rate swaps as a fair value hedge against our 6.625% Notes due April 2011. The swaps effectively convert the fixed interest rate on such notes into a floating rate of LIBOR plus 0.50 percent per annum. The market value of the swaps are carried as an asset or a liability in our consolidated balance sheet and the carrying value of the hedged debt is adjusted accordingly. At December 31, 2001, the swaps had a market value of $15.1 million. The swaps mature on the same date as the notes.

In February 2002, we entered into $900 million aggregate notional amount of interest rate swaps as a hedge against certain fixed rate debt. The effect of the swaps was to convert the fixed interest rates into a floating rate of LIBOR plus a margin.

Special Purpose Entities

As a result of the R&B Falcon merger, we have ownership interests in two unconsolidated joint ventures, 50 percent in DD LLC, and 60 percent in Deepwater Drilling II, LLC ("DDII LLC"). Subsidiaries of Conoco Inc. ("Conoco") own the remaining interests in DD LLC and DDII LLC. Conoco and the Company share management of the joint ventures equally. Each of the joint ventures is a lessee in a synthetic lease financing facility entered into in connection with the construction of the Deepwater Pathfinder, in the case of DD LLC, and the Deepwater Frontier, in the case of DDII LLC. Pursuant to the lease financings, the rigs are owned by special purpose entities and leased to the joint ventures. We do not own, manage or control the special purpose entities. The lease payments under both synthetic leases are supported by drilling contracts between the two respective joint ventures and Conoco and, in the case of DDII LLC, one of our subsidiaries. Conoco is responsible for all of the remaining commitment to DD LLC and most of the remaining commitment to DDII LLC under these drilling contracts.

Conoco and the Company provide the joint ventures with certain operational support services. For each of the joint ventures, Conoco and the Company guarantee the obligation of the joint venture to pay certain contingent lease obligations in proportion to their respective ownership interests in the joint ventures.

DD LLC's annual rent payments of $22 million per annum for the Deepwater Pathfinder are effectively fixed due to the interest rate swap described above. The scheduled termination of the lease for the Deepwater Pathfinder is December 2003 subject to certain extension options of DD LLC. DDII LLC's annual rent payments for the Deepwater Frontier are subject to changes in market interest rates and are estimated to be $24 million per annum based on interest rates at December 31, 2001. The scheduled termination of the lease for the Deepwater Frontier is March 2004 subject to certain extension options of DDII LLC.

At the expiration of the leases, each joint venture may purchase the rig for $185 million, in the case of the Deepwater Pathfinder, and $194 million, in the case of the Deepwater Frontier, or return the rig to the special purpose entities. The Company would be obligated to pay only a portion of such price equal to its percentage ownership interest in the applicable joint venture. The Company's proportionate share for such purchase options is $97 million and $112 million, respectively. Under each joint venture agreement, the consent of each venturer is generally required to approve actions of the joint venture, including the exercise of this purchase option.

If a joint venture returns the rig at the end of the lease, the special purpose entity may sell the rig. In connection with the return, DD LLC may be required to pay an amount up to $138 million, and DDII LLC may be required to pay an amount up to $145 million, plus certain expenses in each case. These payments may be reduced by a portion of the proceeds of the sale of the applicable rig. If an event of default occurs under the applicable lease documents, each joint venture may be required to pay an amount equal to the amount of debt and equity financing owed by the applicable special purpose entity plus certain expenses. The debt and equity financing outstanding as of December 31, 2001, applicable to the owner of Deepwater Pathfinder and of Deepwater Frontier, was $219 million and $237 million, respectively. The Company and Conoco have guaranteed their respective share of the joint ventures' obligation to pay these amounts.

These leases contain ratings triggers that are invoked only if we are involved in a change of control and the acquiror has a credit rating lower than BBB or Baa2. Should these triggers be invoked, the acquiring company would, at the option of the investors, be obligated to pay our share of the outstanding investments under the leases.

Sale/Leaseback

We lease the M. G. Hulme, Jr. from Deep Sea Investors, L.L.C., a special purpose entity formed by several leasing companies to acquire the rig from a subsidiary of R&B Falcon in November of 1995 in a sale/leaseback transaction. We are obligated to pay rent of approximately $13 million per year through December 2005. At the termination of the lease, we may purchase the rig for $37.5 million.

The lease has several ratings triggers. It requires collateral be maintained currently, the Jim Cunningham, whenever R&B Falcon is rated less than BBB+/Baa1 prior to November 2002 and at least BBB/Baa3 after such date. The lease contains another ratings trigger that may be invoked should R&B Falcon be subject to a change of control with an acquiror having a rating of less than B+/B1. Should that occur, the lease payments will become due in full, at the option of the investors.

Related Party Transactions

Delta Towing - In connection with the R&B Falcon merger, R&B Falcon formed a joint venture to own and operate its U.S. inland marine support vessel business (the "Marine Business"). As part of the joint venture formation in January 2001, the Marine Business was transferred by a subsidiary of R&B Falcon to Delta Towing, LLC ("Delta Towing") in exchange for a 25 percent equity interest in Delta Towing Holdings, LLC, the parent of Delta Towing, and certain secured notes payable from Delta Towing in a principal amount of $144 million. R&B Falcon valued these notes at $80 million immediately prior to the closing of the R&B Falcon merger. In December 2001, the note agreement was amended to provide for a $4 million, three-year revolving credit facility (the "Delta Towing Revolver").

As part of the formation of the joint venture on January 31, 2001, R&B Falcon entered into a charter arrangement with Delta Towing under which the Company committed to charter certain vessels for a period of one year ending January 31, 2002, and committed to charter for a period of 2.5 years from date of delivery 10 crewboats then under construction, four of which have been placed into service as of March 1, 2002. R&B Falcon also entered into an alliance agreement with Delta Towing under which we agreed to treat Delta Towing as a preferred supplier for the provision of marine support services.

In 2001, the Company incurred charges totaling $15.6 million from Delta Towing for services rendered, of which $6.5 million was rebilled to the Company's customers and $9.1 million was reflected in operating and maintenance expense. As of March 1, 2002, the carrying value of the notes was $78.7 million and $4.0 million was outstanding under the Delta Towing Revolver. In addition, $1.1 million unpaid interest was outstanding.

Delta Towing operates in the Gulf of Mexico in support of the oil and gas industry and faces similar market conditions as we do with our Gulf of Mexico Shallow and Inland Water business segment. Should weakened market conditions persist or should market conditions deteriorate further, Delta Towing's ability to pay its debts to us as they come due may be adversely affected.

DD LLC and DDII LLC - We are a party to drilling services agreements with DD LLC and DDII LLC for the operation of the Deepwater Pathfinder and Deepwater Frontier, respectively. For the year ended December 31, 2001, we earned $1.4 million for such drilling services from each of DD LLC and DDII LLC.

From time to time, we contract with DDII LLC to provide drilling services to us. For the year ended December 31, 2001, we incurred expense of $54.4 million under this drilling contract. See "-Special Purpose Entities" for further discussion of DD LLC and DDII LLC.

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. For the year ended December 31, 2001, we earned $1.2 million for those services.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, Business Combinations. SFAS 141 requires that all business combinations initiated or completed after June 30,

2001 be accounted for using the purchase method of accounting. The statement provides for recognition and measurement of intangible assets separate from goodwill. We adopted SFAS 141 as of July 1, 2001. The adoption of the new statement had no effect on our consolidated results of operations or financial position.

In July 2001, the FASB issued SFAS 142, Goodwill and Other Intangible Assets. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we are required to and have adopted SFAS 142 effective January 1, 2002. Application of the non-amortization provisions of SFAS 142 for goodwill is expected to result in an increase in operating income of approximately $155 million in 2002. At December 31, 2001, we had goodwill of approximately $6.5 billion. Pursuant to SFAS 142, we will test our goodwill for impairment upon adoption and, if impairment is indicated, record such impairment as a cumulative effect of an accounting change. In accordance with SFAS 142, we will test goodwill for impairment at a reporting unit level. SFAS 142 defines a reporting unit 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. Management has determined our reporting units are the same as our operating segments for the purpose of testing goodwill for impairment. While we are currently evaluating the effect the adoption may have on our consolidated results of operations and financial position, we expect a significant impairment of goodwill within our Gulf of Mexico Shallow and Inland Water reporting unit. We do not currently expect a significant impairment of goodwill within our International and U.S. Floater Contract Drilling Services reporting unit.

In August 2001, the FASB issued SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 supersedes SFAS 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the accounting and reporting provisions of Accounting Principles Board Opinion ("APB") 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 144 retains the fundamental provisions of SFAS 121 for recognition and measurement of long-lived asset impairment and for the measurement of long-lived assets to be disposed of by sale and the basic requirements of APB 30. In addition to these fundamental provisions, SFAS 144 provides guidance for determining whether long-lived assets should be tested for impairment and specific criteria for classifying assets to be disposed of as held for sale. The statement is effective for fiscal years beginning after December 15, 2001, and we have adopted the statement as of January 1, 2002. The adoption of this statement will not have a material effect on our consolidated financial position or results of operations.

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. Statements to the effect that the Company or management "anticipates," "believes," "budgets," "estimates," "expects," "forecasts," "intends," "plans," "predicts," or "projects" a particular result or course of events, or that such result or course of events "could," "might," "may," "scheduled" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this annual report include, but are not limited to, statements involving payment of severance costs, contract commencements, potential revenues, increased expenses, customer drilling programs, utilization rates, dayrates, planned shipyard projects, expected downtime, effect of technical difficulties with newbuild rigs, future activity in the deepwater and the shallow and inland water markets, the U.S. gas drilling market, planned asset sales, timing of asset sales, proceeds from asset sales, reactivation of stacked units, timing of and results of negotiations with the labor union representing U.K. employees, future labor costs, the Company's other expectations with regard to market outlook, operations in international markets, expected capital expenditures, results and effects of legal proceedings, adequacy of insurance, receipt of loss of hire insurance proceeds, liabilities for tax issues, liquidity, positive cash flow from operations, the exercise of the option of holders of Zero Coupon Convertible Debentures or the 1.5% Convertible Debentures to require the Company to repurchase the debentures, adequacy of cash flow for 2002 obligations, effects of accounting changes, and the timing and cost of completion of capital projects. Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to, worldwide demand for oil and gas, uncertainties relating to the level of activity in offshore oil and gas exploration and development, exploration success by producers, oil and gas prices (including U.S. natural gas prices), demand for offshore and inland water rigs, competition and market conditions in the contract drilling industry, our ability to successfully integrate the operations of acquired businesses, delays or terminations of drilling contracts due to a number of events, delays or cost overruns on construction and shipyard projects and possible cancellation of drilling contracts as a result of delays or performance, our ability to enter into and the terms of future contracts, the availability of qualified personnel, labor relations and the outcome of negotiations with unions representing workers, operating hazards, political and other uncertainties inherent in non-U.S. operations (including exchange and currency fluctuations), risks of war, terrorism and cancellation or unavailability of certain insurance coverage, the impact of

governmental laws and regulations, the adequacy of sources of liquidity, the effect of litigation 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. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

ITEM 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 obligations. The table below presents expected cash flows and related weighted-average interest rates for the year ended December 31 for each of the years presented by scheduled maturity dates relating to debt obligations as of December 31, 2001. Weighted-average variable rates are based on estimated LIBOR rates as of December 31, 2001, plus applicable margins. The fair value of fixed rate debt is based on the estimated yield to maturity for each debt issue as of December 31, 2001.

As of December 31, 2001 (in millions, except interest rate percentages):

	SCHEDULED MATURITY DATE							FAIR VALUE
	2002	2003	2004	2005	2006	THEREAFTER	TOTAL	12/31/01
Total debt								
Fixed Rate(a)	$ 58.0	$382.6	$ 61.4	$419.6	-	$ 2,965.0	$3,886.6	$ 3,586.2
Average interest rate.	6.7%	7.1%	6.5%	7.0%	-	5.5%	5.8%	
Variable Rate	$100.0	$150.0	$150.0	-	-	-	$ 400.0	$ 400.0
Average interest rate.	2.6%	2.6%	2.6%	-	-	-	2.6%	
Receive Fixed/Pay Variable Swaps(b)	-	-	-	-	-	$ 700.0	$ 700.0	$ 689.2
Average interest rate.	-	-	-	-	-	2.4%	2.4%	
Commercial Paper.	$326.4	-	-	-	-	-	$ 326.4	$ 326.4
Average interest rate.	3.2%	-	-	-	-	-	3.2%	

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(a) Expected maturity amounts are based on the face value of debt and do not reflect fair market value of debt.
(b) The 6.625% Notes are considered variable as a result of the interest rate swaps. See Note 8 to our consolidated financial statements.

At December 31, 2001, we had approximately $1.4 billion of variable rate debt (29 percent of total debt). Of that variable rate debt, $700 million resulted from interest rate swaps with the remainder representing term bank debt and commercial paper. Given outstanding amounts as of that date, a one percent rise in interest rates would result in an additional $14 million in interest expense per year. Offsetting this, a large part of our investments would earn commensurate higher rates of return. Using December 31, 2001 investments levels, a one percent increase in interest rates would result in approximately $7 million of additional interest income per year.

As a result of the February 2002 interest rate swaps (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources"), our variable rate debt increased to $2.1 billion (44 percent of total debt). Given outstanding amounts as of February 1, 2002, a one percent rise in interest rates would result in an additional $21 million in interest expense per year. Offsetting this, a large part of our investments would earn commensurate higher rates of return. Using February 1, 2002 investment levels, a one percent increase in interest rates would result in approximately $5 million additional interest income per year.

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. 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. We may also use foreign exchange derivative instruments or spot purchases. We do not enter into derivative transactions for speculative purposes. At December 31, 2001, we had no material open foreign exchange contracts.

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Transocean Sedco Forex Inc.

We have audited the accompanying consolidated balance sheets of Transocean Sedco Forex Inc. and Subsidiaries as of December 31, 2001 and 2000, the related consolidated statements of operations, equity, and cash flows for the years ended December 31, 2001 and 2000, and the related combined statements of operations, equity, and cash flows for the year ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 14(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 auditing standards generally accepted in the 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 Sedco Forex Inc. and Subsidiaries at December 31, 2001 and 2000, the consolidated results of their operations and their cash flows for the years ended December 31, 2001 and 2000, and the combined results of their operations and their cash flows for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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.

/s/ Ernst & Young LLP

Houston, Texas
January 29, 2002

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
OPERATING REVENUES	$2,820.1	$1,229.5	$648.2
COSTS AND EXPENSES			
Operating and maintenance	1,603.3	812.6	448.9
Depreciation.	470.1	232.8	131.9
Goodwill amortization	154.9	26.7	-
General and administrative.	57.9	42.1	16.8
	2,286.2	1,114.2	597.6
Impairment Loss on Long-Lived Assets	(40.4)	-	-
Gain (Loss) from Sale of Assets, net	56.5	17.8	(1.3)
OPERATING INCOME	550.0	133.1	49.3
OTHER INCOME (EXPENSE), NET			
Equity in earnings of joint ventures.	16.5	9.4	5.6
Interest income	18.7	6.2	5.4
Interest expense, net of amounts capitalized.	(223.9)	(3.0)	(10.3)
Other, net.	(0.8)	(1.3)	(0.7)
	(189.5)	11.3	-
INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS.	360.5	144.4	49.3
Income Tax Expense (Benefit)	85.7	36.7	(9.3)
Minority Interest.	2.9	0.6	0.5
INCOME BEFORE EXTRAORDINARY ITEMS.	271.9	107.1	58.1
Gain (Loss) on Extraordinary Items, net of tax	(19.3)	1.4	-
NET INCOME	$ 252.6	$ 108.5	$ 58.1
BASIC EARNINGS PER SHARE (UNAUDITED PRO FORMA PRIOR TO THE EFFECTIVE DATE OF THE SEDCO FOREX MERGER)			
Income Before Extraordinary Items	$ 0.88	$ 0.51	$ 0.53
Gain (Loss) on Extraordinary Items, net of tax.	(0.06)	0.01	-
Net Income	$ 0.82	$ 0.52	$ 0.53
DILUTED EARNINGS PER SHARE (UNAUDITED PRO FORMA PRIOR TO THE EFFECTIVE DATE OF THE SEDCO FOREX MERGER)			
Income Before Extraordinary Items	$ 0.86	$ 0.50	$ 0.53
Gain (Loss) on Extraordinary Items, net of tax.	(0.06)	0.01	-
Net Income	$ 0.80	$ 0.51	$ 0.53
WEIGHTED AVERAGE SHARES OUTSTANDING (UNAUDITED PRO FORMA PRIOR TO THE EFFECTIVE DATE OF THE SEDCO FOREX MERGER)			
Basic	309.2	210.4	109.6
Diluted	314.8	211.7	109.6
DIVIDENDS PAID PER SHARE	$ 0.12	$ 0.12	$ -

See accompanying notes.

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

	DECEMBER 31,	
	2001	2000
ASSETS		
Cash and Cash Equivalents	$ 853.4	$ 34.5
Accounts Receivable		
Trade	602.9	268.9
Other	72.8	27.1
Materials and Supplies	158.8	89.5
Deferred Income Taxes	21.0	18.1
Other Current Assets	27.9	10.0
Total Current Assets	1,736.8	448.1
Property and Equipment	10,081.4	6,003.2
Less Accumulated Depreciation	1,713.3	1,308.2
Property and Equipment, net	8,368.1	4,695.0
Goodwill, net	6,466.7	1,037.9
Investments in and Advances to Joint Ventures	28.2	105.9
Note Receivable from Related Party	78.9	-
Other Assets	341.1	71.9
Total Assets	$17,019.8	$6,358.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	$ 188.4	$ 135.6
Accrued Income Taxes	188.2	113.1
Debt Due Within One Year	484.4	23.1
Other Current Liabilities	283.4	223.4
Total Current Liabilities	1,144.4	495.2
Long-Term Debt	4,539.4	1,430.3
Deferred Income Taxes	317.1	359.2
Other Long-Term Liabilities	108.6	70.0
Total Long-Term Liabilities	4,965.1	1,859.5
Commitments and Contingencies		
Preference Shares, $0.10 par value; 50,000,000 shares authorized, none issued and outstanding	-	-
Ordinary Shares, $0.01 par value; 800,000,000 shares authorized, 318,816,035 and 210,710,363 shares issued and outstanding at December 31, 2001 and 2000, respectively	3.2	2.1
Additional Paid-in Capital	10,611.7	3,918.7
Accumulated Other Comprehensive Income	(2.3)	-
Retained Earnings	297.7	83.3
Total Shareholders' Equity	10,910.3	4,004.1
Total Liabilities and Shareholders' Equity	$17,019.8	$6,358.8

See accompanying notes.

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

	ORDINARY SHARES		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	PRE-MERGER EQUITY	TOTAL EQUITY
	SHARES	AMOUNT					
Balance at December 31, 1998						$ 564.4	$ 564.4
Net income						58.1	58.1
Advances from related parties and other						299.6	299.6
Merger with Transocean Offshore Inc.. .	210.1	$ 2.1	$ 3,908.0	$ -	$ -	(922.1)	2,988.0
Balance at December 31, 1999.	210.1	2.1	3,908.0	-	-	-	3,910.1
Net income.	-	-	-	-	108.5	-	108.5
Issuance of ordinary shares under stock-based compensation plans. . . .	0.6	-	16.6	-	-	-	16.6
Other	-	-	(5.9)	-	-	-	(5.9)
Cash dividends ($0.12 per share). . . .	-	-	-	-	(25.2)	-	(25.2)
Balance at December 31, 2000.	210.7	2.1	3,918.7	-	83.3	-	4,004.1
Net income.	-	-	-	-	252.6	-	252.6
Shares issued for R&B Falcon merger.	106.1	1.1	6,654.9	-	-	-	6,656.0
Issuance of ordinary shares under stock-based compensation plans. . . .	1.6	-	45.2	-	-	-	45.2
Issuance of ordinary shares upon exercise of warrants.	0.6	-	10.6	-	-	-	10.6
Other	(0.2)	-	(17.7)	-	-	-	(17.7)
Cash dividends ($0.12 per share). . . .	-	-	-	-	(38.2)	-	(38.2)
Gain on terminated interest rate swaps.	-	-	-	3.9	-	-	3.9
Fair value adjustment on marketable securities held for sale.	-	-	-	(0.6)	-	-	(0.6)
Other comprehensive income related to joint venture.	-	-	-	(5.6)	-	-	(5.6)
Balance at December 31, 2001.	318.8	$ 3.2	$ 10,611.7	$ (2.3)	$ 297.7	$ -	$10,910.3

See accompanying notes.

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 252.6	$ 108.5	$ 58.1
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	625.0	259.5	131.9
Deferred income taxes	(98.2)	(30.1)	(24.3)
1999 charges	-	-	29.4
Equity in earnings of joint ventures	(16.5)	(9.4)	(5.6)
Net (gain) loss from sale of assets	(52.5)	(15.0)	1.3
Impairment loss on long-lived assets	40.4	-	-
Amortization of debt-related discounts/premiums, fair value adjustments and issue costs, net	(4.0)	9.4	-
Deferred income, net	(46.5)	(20.7)	(26.2)
Deferred expenses, net	(53.8)	(18.6)	-
Extraordinary (gain) loss on debt extinguishment, net of tax	19.3	(1.4)	-
Tax benefit from exercise of stock options	9.6	1.9	-
Other, net	(0.4)	(7.0)	(0.1)
Changes in operating assets and liabilities, net of effects from the R&B Falcon merger			
Accounts receivable	(55.2)	(5.9)	100.5
Accounts payable and other accrued liabilities	(95.9)	(58.6)	(22.5)
Receivable/payable with related parties, net	-	-	19.5
Income taxes receivable/payable, net	48.2	1.2	(21.5)
Other current assets	(5.3)	(17.9)	0.1
Net Cash Provided by Operating Activities	566.8	195.9	240.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(506.2)	(574.7)	(537.0)
Proceeds from sale of coiled tubing drilling services business	-	24.9	-
Proceeds from sale of securities	17.2	-	-
Proceeds from sale of subsidiary	85.6	-	-
Other proceeds from disposal of assets, net	116.1	56.3	0.7
Merger costs paid	(24.4)	(4.5)	-
Cash acquired in merger, net of cash paid	264.7	-	439.8
Joint ventures and other investments, net	20.6	5.1	6.3
Net Cash Used in Investing Activities	(26.4)	(492.9)	(90.2)

See accompanying notes.

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings under commercial paper program.	326.4	-	-
Net proceeds from issuance of debt	1,693.5	489.1	-
Early repayments of debt instruments	(1,495.0)	(233.8)	-
Net repayments on revolving credit agreements.	(180.1)	(54.9)	-
Other repayments of debt instruments	(56.0)	(21.1)	(15.3)
Proceeds from issuance of ordinary shares under stock-based compensation plans.	29.6	13.7	-
Proceeds from issuance of ordinary shares upon exercise of warrants.	10.6	-	-
Dividends paid	(38.2)	(25.3)	-
Financing costs.	(15.2)	(2.6)	-
Net repayments of debt to related parties.	-	-	(407.4)
Advances and other from related parties, net	-	-	265.5
Other, net	2.9	0.7	(2.0)
Net Cash Provided by (Used in) Financing Activities.	278.5	165.8	(159.2)
Net Increase (Decrease) in Cash and Cash Equivalents	818.9	(131.2)	(8.8)
Cash and Cash Equivalents at Beginning of Period	34.5	165.7	174.5
Cash and Cash Equivalents at End of Period	$ 853.4	$ 34.5	$ 165.7

See accompanying notes.

Note 1 - Nature of Business and Principles of Consolidation

Transocean Sedco Forex Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "we" or "our") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. The Company's mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. The Company specializes in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. At December 31, 2001, the Company owned, had partial ownership interests in or operated more than 160 mobile offshore and barge drilling units. As of this date, the Company's active fleet consisted of 31 high-specification drillships and semisubmersibles ("floaters"), 30 other floaters, 54 jackup rigs, 35 drilling barges, four tenders and three submersible drilling rigs. In addition, the fleet includes mobile offshore production units, platform drilling rigs and 10 land drilling rigs in Venezuela. The Company contracts its drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells.

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

On January 31, 2001, we completed a merger transaction with R&B Falcon Corporation ("R&B Falcon"). At the time of the merger, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units and other units utilized in the support of offshore drilling activities. As a result of the merger, R&B Falcon became an indirect wholly owned subsidiary of the Company. The merger was accounted for as a purchase with the Company as the accounting acquiror. The consolidated balance sheet as of December 31, 2001 represents the financial position of the merged company. The consolidated statements of operations and of cash flows for the year ended December 31, 2001 include 11 months of operating results and cash flows for R&B Falcon.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex Holdings Limited ("Sedco Forex") was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger Limited ("Schlumberger") and was spun off immediately prior to the merger transaction. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean Offshore Inc., which changed its name to Transocean Sedco Forex Inc. The merger was accounted for as a purchase with Sedco Forex as the accounting acquiror. The consolidated balance sheet as of December 31, 2000, the consolidated statements of cash flows and of operations for the year ended December 31, 2000 represent the financial position, cash flows and results of operations of the merged company. The combined statements of cash flows and operations for the year ended December 31, 1999 represent the cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc.

The combined financial statements for the period prior to the Sedco Forex merger represent the offshore contract drilling service business of Schlumberger, which comprised certain businesses, operations, assets and liabilities of Sedco Forex and its subsidiaries and of Schlumberger and its subsidiaries, as defined in the Distribution Agreement (see Note 4). Although Sedco Forex was not a separate public company prior to the merger, the combined financial statements are presented as if Sedco Forex had existed as an entity separate from its parent, Schlumberger. The combined financial statements include the historical revenues and expenses and cash flows that were directly related to the offshore contract drilling service business of Schlumberger for the year ended December 31, 1999 and have been prepared using Schlumberger's historical results of operations of Sedco Forex.

Prior to the Sedco Forex merger, certain Schlumberger corporate expenses, including centralized research and engineering, legal, accounting, employee benefits, real estate, insurance, information technology services, treasury and other corporate and infrastructure costs, although not directly attributable to Sedco Forex's operations, were allocated to Sedco Forex on bases that Schlumberger and Sedco Forex considered to be a reasonable reflection of the utilization of services provided or the benefit received by Sedco Forex (see Note 19). The financial information for the period prior to the Sedco Forex merger included herein may not reflect the consolidated results of operations and cash flows of Sedco Forex had it been a separate, stand-alone entity during the periods presented.

Because Sedco Forex historically was not operated as a separate, stand-alone entity, and in many cases Sedco Forex's results were included in the consolidated financial statements of Schlumberger on a divisional basis, there are no separate meaningful historical equity accounts for Sedco Forex prior to the merger.

Note 2 - Summary of Significant Accounting Policies

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("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 on going basis, the Company evaluates its estimates, including those related to bad debts, materials and supplies obsolescence, investments, intangible assets and goodwill, income taxes, financing operations, workers' insurance, pensions and other post-retirement and employment benefits and contingent liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

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 consist of time deposits with a number of commercial banks with high credit ratings, Eurodollar time deposits, certificates of deposit and commercial paper. The Company may also invest excess funds in no-load, open-end, management investment trusts ("mutual funds"). The mutual funds invest exclusively in high quality money market instruments. Generally, the maturity date of the Company's investments is the next business day.

At December 31, 2001, $39.5 million of cash and cash equivalents related to the Company's wholly owned subsidiary Arcade Drilling as ("Arcade"). Arcade's cash and cash equivalents are available to Arcade for all purposes subject to restrictions under the Standstill Agreement dated as of August 31, 1991 between the Company and Arcade. Such restrictions preclude the Company from borrowing any cash from Arcade.

As a result of the Deepwater Nautilus project financing in 1999, the Company is required to maintain in cash an amount to cover certain principal and interest payments. At December 31, 2001, such restricted cash, classified as other assets in the consolidated balance sheet, amounted to $13.2 million.

Allowance for Doubtful Accounts Receivable - The Company establishes an allowance for doubtful accounts on a case-by-case basis when it believes the required payment of specific amounts owed is unlikely to occur. This allowance was approximately $24 million at December 31, 2001 and 2000.

Materials and Supplies - Materials and supplies are carried at average cost less an allowance for obsolescence. Such allowance was $24.1 million and $23.1 million at December 31, 2001 and 2000, respectively.

Property and Equipment - Property and equipment, consisting primarily of offshore drilling rigs and related equipment, are carried at cost. Property and equipment obtained in the Sedco Forex and R&B Falcon mergers (see Note 4) were recorded at fair value. The Company generally provides for depreciation on 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 income.

As a result of the Sedco Forex and R&B Falcon mergers, the Company conformed its policies relating to estimated rig lives and salvage values. Estimated useful lives of its drilling units now range from 18 to 35 years, reflecting maintenance history and market demand for these drilling units, buildings and improvements from 10 to 30 years and machinery and equipment from four to 12 years. Depreciation expense for the years ended December 31, 2001 and 2000 was reduced by approximately $23 million (net $0.07 per diluted share) and $72 million (net $0.34 per diluted share), respectively, as a result of conforming these policies.

Goodwill - The excess of the purchase price over the estimated fair value of net assets acquired is accounted for as goodwill and has been amortized on a straight-line basis based on a 40-year life. The amortization period was based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Accumulated amortization at December 31, 2001 and 2000 totaled $181.6 million and $26.7 million, respectively. See "New Accounting Pronouncements."

Impairment of Long-Lived Assets - The carrying value of long-lived assets, principally goodwill and 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. Property and equipment held for sale are recorded at the lower of net book value or net realizable value. See Note 7. For goodwill, the determination of recoverability has been made based upon a comparison of the Company's net book value to the value indicated by the market price of its equity securities (see "-New Accounting Pronouncements").

Operating Revenues and Expenses - Operating revenues are recognized as earned, based on contractual daily rates or on a fixed price basis. Turnkey profits are recognized upon completion of the well and acceptance by the customer. Provisions for losses are made on contracts in progress when losses are anticipated. In connection with drilling contracts, the Company may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. In connection with contracted mobilizations, revenues earned and related costs incurred are deferred and recognized over the primary contract term of the drilling project. 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 reflected 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. The Company incurs periodic survey and drydock costs in connection with obtaining regulatory certification to operate its rigs on an ongoing basis. Costs associated with these certifications are deferred and amortized over the period until the next survey.

Capitalized Interest - Interest costs for the construction and upgrade of qualifying assets are capitalized. The Company capitalized interest costs on construction work in progress of $34.9 million, $86.6 million and $27.2 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Derivative Instruments and Hedging Activities - In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 133, Accounting for Derivative Instruments and Hedging Activities, as amended in June 1999. The Company adopted SFAS 133 as of January 1, 2001. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, the adoption of the new statement had no effect on the results of operations or the consolidated financial position of the Company. See Note 9.

Foreign Currency Translation - The U.S. dollar is the functional currency for the Company's foreign operations. Foreign currency exchange gains and losses are included in other income as incurred. Net foreign currency gains (losses) were $1.1 million, $(1.4) million and $(0.8) million for the years ended December 31, 2001, 2000 and 1999, respectively.

Income Taxes - Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pre-tax income for financial accounting purposes. There is no expected relationship between the provision for income taxes and income before income taxes because the countries have different taxation regimes, which vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from period to period. 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 the Company's 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. Prior to the Sedco Forex merger, the provision for income taxes in the combined financial statements was determined on a separate return basis. See Note 12.

Segments - The Company's operations have been aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's operating assets and the allocation of resources to build or upgrade drilling units is determined by the activities and needs of customers. See Note 17.

Stock-Based Compensation - In accordance with the provisions of the FASB's SFAS 123, Accounting for Stock-based Compensation, the Company has elected to follow the Accounting Principles Board Opinion ("APB") 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its employee stock-based compensation plans. Under

APB 25, if the exercise price of employee stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recognized. See Note 14.

New Accounting Pronouncements - In July 2001, the FASB issued SFAS 141, Business Combinations. SFAS 141 requires that all business combinations initiated or completed after June 30, 2001 be accounted for using the purchase method of accounting. The statement provides for recognition and measurement of intangible assets separate from goodwill. The Company adopted SFAS 141 as of July 1, 2001. The adoption of the new statement had no effect on the consolidated results of operations or financial position of the Company.

In July 2001, the FASB issued SFAS 142, Goodwill and Other Intangible Assets. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to and has adopted SFAS 142, effective January 1, 2002. Application of the non-amortization provisions of SFAS 142 for goodwill is expected to result in an increase in operating income of approximately $155 million in 2002. At December 31, 2001, the Company had goodwill of approximately $6.5 billion. Pursuant to SFAS 142, the Company will test its goodwill for impairment upon adoption and, if impairment is indicated, record such impairment as a cumulative effect of an accounting change. In accordance with SFAS 142, the Company will test goodwill for impairment at a reporting unit level. SFAS 142 defines a reporting unit 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. Management has determined that the Company's reporting units are the same as its operating segments for the purposes of testing goodwill for impairment. While the Company is currently evaluating the effect the adoption may have on its consolidated results of operations and financial position, it expects a significant impairment of goodwill within its Gulf of Mexico Shallow and Inland Water reporting unit. The Company does not currently expect a significant impairment of goodwill within its International and U.S. Floater Contract Drilling Services reporting unit.

In August 2001, the FASB issued SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 supersedes SFAS 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the accounting and reporting provisions of APB 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 144 retains the fundamental provisions of SFAS 121 for recognition and measurement of long-lived asset impairment and for the measurement of long-lived assets to be disposed of by sale and the basic requirements of APB 30. In addition to these fundamental provisions, SFAS 144 provides guidance for determining whether long-lived assets should be tested for impairment and specific criteria for classifying assets to be disposed of as held for sale. The statement is effective for fiscal years beginning after December 15, 2001, and the Company has adopted the statement as of January 1, 2002. Management does not expect the adoption of this statement to have a material effect on the Company's consolidated financial position or results of operations.

Reclassifications - Certain reclassifications have been made to prior period amounts to conform with the current year presentation.

Note 3 - Comprehensive Income

The components of total comprehensive income for the years ended December 31, 2001, 2000 and 1999, respectively, are as follows (in millions):

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Net income	$252.6	$108.5	$58.1
Gain on terminated interest rate swaps	3.9	-	-
Unrealized loss on securities available for sale	(0.6)	-	-
Share of unrealized loss in unconsolidated joint venture's interest rate hedge	(5.6)	-	-
Total comprehensive income	$250.3	$108.5	$58.1

There was no accumulated other comprehensive income at December 31, 2000. The components of accumulated other comprehensive income at December 31, 2001 are as follows (in millions):

	DECEMBER 31, 2001
Gain on terminated interest rate swaps	$ 3.9
Unrealized loss on securities available for sale	(0.6)
Share of unrealized loss in unconsolidated joint venture's interest rate hedge	(5.6)
Accumulated other comprehensive income.	$ (2.3)

Note 4 - Business Combinations

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

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

The purchase price included, at estimated fair value, current assets of $672 million, drilling and other property and equipment of $4,010 million, other assets of $160 million and the assumption of current liabilities of $338 million, other net long-term liabilities of $242 million and long-term debt of $3,206 million. The excess of the purchase price over the estimated fair value of net assets acquired was $5,630 million, which has been accounted for as goodwill and was amortized on a straight-line basis using a 40-year life. See Note 2.

In conjunction with the R&B Falcon merger, the Company established a liability of $16.5 million for the estimated severance-related costs associated with the involuntary termination of 569 R&B Falcon employees pursuant to management's plan to consolidate operations and administrative functions post-merger. Included in the 569 planned involuntary terminations were 387 employees engaged in the Company's land drilling business in Venezuela. The Company has suspended active marketing efforts to divest this business and, as a result, the estimated liability was reduced by $4.3 million in the third quarter of 2001 with an offset to goodwill. Through December 31, 2001, approximately $11.6 million in

severance-related costs have been paid to 173 employees whose positions were eliminated as a result of the consolidation of operations and administrative functions post-merger. The Company anticipates that substantially all of the remaining amounts will be paid by the end of the first quarter of 2002.

Unaudited pro forma combined operating results of the Company and R&B Falcon assuming the merger was completed as of January 1, 2001 and 2000, respectively, are as follows (in millions, except per share data):

	YEARS ENDED DECEMBER 31,	
	2001	2002
Operating revenues	$ 2,946.0	$ 2,292.4
Operating income	549.5	129.9
Income (loss) from continuing operations	257.6	(300.6)
Earnings (loss) per share:		
Basic and Diluted	$ 0.80	$ (0.95)

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

Distribution, Spin-off and Merger with Sedco Forex - Pursuant to the distribution agreement dated July 12, 1999 between Schlumberger and Sedco Forex (the "Distribution Agreement"), Schlumberger separated and combined its offshore contract drilling service business under Sedco Forex. In December 1999, Schlumberger made a net capital contribution of $226.7 million to Sedco Forex to adjust Sedco Forex's level of indebtedness and cash balances to those required by the terms of the Distribution Agreement.

In accordance with the Distribution Agreement, certain Sedco Forex assets and liabilities primarily associated with employee benefits, income taxes and balances due to or from Schlumberger companies other than Sedco Forex were retained by Schlumberger. The net liabilities retained totaled $30.9 million and were treated as a capital contribution by Schlumberger.

On December 30, 1999, Schlumberger completed the spin-off of Sedco Forex to the Schlumberger shareholders by issuing one share of Sedco Forex capital stock for each share of Schlumberger common stock owned.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex was completed. Under the terms of the Agreement and Plan of Merger dated July 12, 1999 among Schlumberger, Sedco Forex, Transocean Offshore Inc. and Transocean SF Limited, a wholly owned Transocean Offshore Inc. subsidiary, Transocean SF Limited merged with and into Sedco Forex, and Schlumberger shareholders exchanged all of the Sedco Forex shares distributed by Schlumberger for 109,564,268 ordinary shares of the Company, of which 145,102 ordinary shares were sold on the market for cash paid in lieu of fractional shares.

The merger was accounted for as a purchase with Sedco Forex as the accounting acquiror. The purchase price of $3.0 billion was comprised of the calculated market capitalization of Transocean Offshore Inc. of $2.9 billion and the estimated fair value of Transocean Offshore Inc. stock options at the time of the merger of $50 million. The market capitalization of Transocean Offshore Inc. was calculated using the average closing price of Transocean Offshore Inc. ordinary shares for the period immediately before and after July 12, 1999, the date the merger was announced.

The purchase price included, at estimated fair value, current assets of $638 million, drilling and other property and equipment of $3,029 million, other assets of $136 million and the assumption of current liabilities of $299 million, other net long-term liabilities of $278 million and long-term debt of $1,119 million. In addition, a deferred tax liability of $188 million was recorded primarily for the difference in the basis for tax and financial reporting purposes of the net assets acquired. The excess of the purchase price over the estimated fair value of net assets acquired was $1,068 million, which has been accounted for as goodwill and was amortized on a straight-line basis using a 40-year life. See Note 2.

Unaudited pro forma combined operating results of Sedco Forex and Transocean Offshore Inc. for the year ended December 31, 1999, assuming the acquisition was completed as of January 1, 1999, are summarized as follows (in millions, except per share data):

	Year ended December 31, 1999
Operating revenues	$ 1,579.1
Operating income	291.1
Net income	237.9
Earnings per share:	
Basic and Diluted	$ 1.13

The pro forma information includes adjustments for additional depreciation based on the fair market value of the drilling and other property and equipment acquired, amortization of goodwill arising from the transaction, decreased interest expense for related party debt replaced by borrowings under the Term Loan Agreement (see Note 8) and related adjustments for income taxes. The pro forma information is not necessarily indicative of the results of operations had the transaction been effected on the assumed date or the results of operations for any future periods.

Note 5 - Upgrade and Expansion of Drilling Fleet

Capital expenditures, including capitalized interest, totaled $506 million during the year ended December 31, 2001 and included $175 million, $42 million, $41 million and $24 million spent on the construction of the Deepwater Horizon, Sedco Energy, Sedco Express and Cajun Express, respectively. A substantial majority of the capital expenditures is related to the International and U.S. Floater Contract Drilling Services segment. The Company's construction program was completed as of December 31, 2001.

Note 6 - Asset Dispositions

In February 2001, Sea Wolf Drilling Limited ("Sea Wolf"), a joint venture in which the Company holds a 25 percent interest, sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Pride International, Inc. In the first quarter of 2001, the Company recognized accelerated amortization of the deferred gain related to the Sedco Explorer of $18.5 million ($0.06 per diluted share), which is included in gain from sale of assets. The Company's bareboat charter with Sea Wolf on the Sedco Explorer was terminated effective June 2000. The Company continued to operate the Drill Star, which has been renamed the Pride North Atlantic, under a bareboat charter agreement until October 2001, at which time the rig was returned to its owner. The amortization of the Drill Star's deferred gain was accelerated and produced incremental gains in 2001 of $36.3 million ($0.12 per diluted share), which is included as a reduction in operating and maintenance expense.

In December 2001, the Company sold RBF FPSO L.P., which owned the Seillean, a multi-purpose service vessel. The Company received net proceeds from the sale of $85.6 million and recorded a net after-tax gain of $17.1 million ($0.05 per diluted share) for the year ended December 31, 2001. In addition, during the year ended December 31, 2001, the Company sold certain other non-strategic assets acquired in the R&B Falcon merger and certain other assets held for sale. The Company received net proceeds of approximately $116.1 million. These sales resulted in a net after-tax gain of $7.5 million ($0.02 per diluted share) for the year ended December 31, 2001.

In July 2000, the Company sold a semisubmersible, the Transocean Discoverer. Net proceeds from the sale of the rig, which had been idle in the U.K. sector of the North Sea since February 2000, totaled $42.7 million and resulted in a net after-tax gain of $9.4 million, or $0.04 per diluted share.

In February 2000, the Company sold its coiled tubing drilling services business to Schlumberger Limited. The net proceeds from the sale were $24.9 million and no gain or loss was recognized on the sale. The Company's interests in its Transocean-Nabors Drilling Technology LLC and DeepVision LLC joint ventures were excluded from the sale.

Note 7 - Impairment Loss on Long-Lived Assets

During the fourth quarter 2001, the Company recorded noncash impairment charges in the International and U.S. Floater Contract Drilling Services segment and Gulf of Mexico Shallow and Inland Water segment of $36.3 million and $4.1 million, respectively. In the International and U.S. Floater Contract Drilling Services segment, the impairment related to assets held

for sale and certain non-core assets held and used of $24.5 million and $11.8 million, respectively. In the Gulf of Mexico Shallow and Inland Water segment, the impairment related to assets held for sale and certain non-core assets held and used of $3.1 million and $1.0 million, respectively. The impairments resulted from deterioration in current market conditions. The methodology used in determining the fair market value included third-party appraisals and industry experience for non-core assets held and used and offers from potential buyers for assets held for sale.

Note 8 - Debt

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

	DECEMBER 31,	
	2001	2000
Commercial Paper	$ 326.4	$ -
6.5% Senior Notes, due April 2003	240.5	-
9.125% Senior Notes, due December 2003	92.0	-
Amortizing Term Loan Agreement - Final Maturity December 2004	400.0	400.0
550 million Revolving Credit Agreement, due December 2005	-	180.1
7.31% Nautilus Class A1 Amortizing Notes - Final Maturity May 2005	142.9	-
9.41% Nautilus Class A2 Notes, due May 2005	52.4	-
6.75% Senior Notes, due April 2005	354.6	-
Secured Rig Financing	50.6	68.6
6.95% Senior Notes, due April 2008	252.3	-
9.5% Senior Notes, due December 2008	348.1	-
6.625% Notes, due April 2011	711.7	-
7.375% Senior Notes, due April 2018	250.5	-
Zero Coupon Convertible Debentures, due May 2020	512.2	497.7
1.5% Convertible Debentures, due May 2021	400.0	-
8% Debentures, due April 2027	197.9	197.9
7.45% Notes, due April 2027	94.4	94.1
7.5% Notes, due April 2031	597.3	-
6.9% Notes	-	14.9
Other	-	0.1
Total Debt	5,023.8	1,453.4
Less Debt Due Within One Year	484.4	23.1
Total Long-Term Debt	$4,539.4	$1,430.3

The scheduled maturity of the face value of the Company's debt is as follows (in millions):

Years Ended December 31,	
2002	$ 484.4
2003	532.3
2004	211.4
2005	423.4
2006	-
Thereafter	3,650.0
Total	$ 5,301.5

Commercial Paper Program - The borrowings as of December 31, 2001 had a maturity of one day to seven days and an average yield of 3.21 percent. The Revolving Credit Agreements (described below) provide liquidity for commercial paper borrowings.

Revolving Credit Agreements - The Company is a party to two revolving credit agreements (together the "Revolving Credit Agreements"), a $550.0 million five-year revolving credit agreement (the "Five-Year Revolver") dated December 29, 2000 and a $250.0 million 364-day revolving credit agreement (the "364-Day Revolver") dated December 27, 2001. The Revolving Credit Agreements bear interest, at the Company's option, at a base rate or London Interbank Offer Rate ("LIBOR") plus a margin that can vary from 0.180 percent to 0.700 percent under the Five-Year Revolver and from 0.190 percent to 0.725 percent under the 364-Day Revolver depending on the Company's senior unsecured public debt rating. At December 31, 2001, the Five-Year Revolver and the 364-Day Revolver margins were 0.45 percent and 0.475 percent, respectively. A utilization fee varying from 0.075 percent to 0.150 percent, depending on the Company's senior unsecured public debt rating, is payable if amounts outstanding under the Five-Year Revolver or the 364-Day Revolver are greater than $181.5 million or $82.5 million, respectively. The Revolving Credit Agreements contain covenants similar to those contained in the Term Loan Agreement described below. There were no amounts outstanding under the Revolving Credit Agreements at December 31, 2001.

Term Loan Agreement - The Company is a party to a $400.0 million unsecured five-year term loan agreement dated as of December 16, 1999. Amounts outstanding under the Term Loan Agreement bear interest at the Company's option, at a base rate or LIBOR plus a margin (0.70 percent per annum at December 31, 2001) that varies depending on the Company's senior unsecured public debt rating. The debt begins to amortize in March 2002, at a rate of $25.0 million per quarter in 2002. In 2003 and 2004, the debt amortizes at a rate of $37.5 million per quarter.

The Term Loan Agreement and the Revolving Credit Agreements require compliance with various covenants and provisions customary for agreements of this nature, including an interest coverage ratio of not less than 3 to 1, a debt to total capital ratio of not greater than 40 percent, and limitations on mergers and sale of substantially all assets, creating liens, incurring debt, transactions with affiliates and sale/leaseback transactions. Furthermore, the agreements contain a "material adverse effect" representation that may prevent the Company from borrowing under the agreements should an event occur which materially impacts the Company's business or its ability to meet any of its obligations under the agreements.

6.625% Notes and 7.5% Notes - In April 2001, the Company issued $700.0 million aggregate principal amount of 6.625% Notes due April 15, 2011 and $600.0 million aggregate principal amount of 7.5% Notes due April 15, 2031. The fair value of the 6.625% Notes and 7.5% Notes at December 31, 2001 was approximately $689.0 million and $599.0 million, respectively, based on the estimated yield to maturity as of that date. At December 31, 2001, $700.0 million and $600.0 million principal amount of these notes was outstanding, respectively.

The Company entered into interest rate swaps relating to the 6.625% Notes and 7.5% Notes. See Note 9.

1.5% Convertible Debentures - In May 2001, the Company issued $400.0 million aggregate principal amount of 1.5% Convertible Debentures due May 2021. The Company has the right to redeem the debentures after five years for a price equal to 100 percent of the principal. Each holder has the right to require the Company to repurchase the debentures after five, 10 and 15 years at 100 percent of the principal amount. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 13.8627 shares per $1,000 principal amount debenture, subject to adjustments if certain events take place, if the closing sale price per ordinary share exceeds 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 are met. At December 31, 2001, $400.0 million principal amount of these notes was outstanding. The fair value of the 1.5% Convertible Debentures at December 31, 2001 was approximately $354.0 million based on the estimated yield to maturity as of that date.

Zero Coupon Convertible Debentures - In May 2000, the Company issued Zero Coupon Convertible Debentures due May 2020 with a face value at maturity of $865.0 million. The debentures were issued at a price to the public of $579.12 per debenture and accrue 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. The Company will pay no interest on the debentures prior to maturity and has the right to redeem the debentures after three years for a price equal to the issuance price plus accrued original issue discount to the date of redemption. Each holder has the right to require the Company 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. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 8.1566 shares per debenture subject to adjustments if certain events take place. At December 31, 2001, $865.0 million principal

amount of these notes was outstanding. The fair value of the Zero Coupon Convertible Debentures at December 31, 2001 was approximately $513.0 million based on the estimated yield to maturity as of that date.

6.5%, 6.75%, 6.95% and 7.375% Senior Notes - In April 1998, R&B Falcon issued 6.5% Senior Notes, 6.75% Senior Notes, 6.95% Senior Notes and 7.375% Senior Notes with an aggregate principal amount of $1.1 billion. These notes were recorded at fair value on January 31, 2001 as part of the R&B Falcon merger. At December 31, 2001, approximately $239.5 million, $350.0 million, $250.0 million and $250.0 million principal amount of these notes was outstanding, respectively. The fair value of the 6.5%, 6.75%, 6.95% and 7.375% Senior Notes at December 31, 2001 was approximately $247.0 million, $363.0 million, $254.0 million and $246.0 million, respectively, based on the estimated yield to maturity as of that date.

The 6.75% Senior Notes, 6.95% Senior Notes and 7.375% Senior Notes are redeemable at the option of the Company at a make-whole premium. The 6.5% Senior Notes are not redeemable at the option of the Company .

9.125% and 9.5% Senior Notes - In December 1998, R&B Falcon issued 9.125% Senior Notes and 9.5% Senior Notes with an aggregate principal amount of $400.0 million. These notes were recorded at fair value on January 31, 2001 as part of the R&B Falcon merger. These notes are redeemable at the option of the Company at a make-whole premium. At December 31, 2001, approximately $87.2 million and $300.0 million principal amount of these notes was outstanding, respectively. The fair value of the 9.125% and 9.5% Senior Notes at December 31, 2001 was approximately $94.0 million and $345.0 million, respectively, based on the estimated yield to maturity as of that date.

7.45% Notes and 8% Debentures - In April 1997, the Company issued $100.0 million aggregate principal amount of 7.45% Notes due April 15, 2027 and $200.0 million aggregate principal amount of 8% Debentures due April 15, 2027. Holders of the 7.45% Notes may elect to have all or any portion of the 7.45% Notes repaid on April 15, 2007 at 100 percent of the principal amount. The 7.45% Notes, at any time after April 15, 2007, and the 8% Debentures, at any time, are redeemable at the Company's option at a make-whole premium. At December 31, 2001, $100.0 million and $200.0 million principal amount of these notes was outstanding, respectively. The fair value of the 7.45% Notes and 8% Debentures at December 31, 2001 was approximately $98.0 million and $209.0 million, respectively, based on the estimated yield to maturity as of that date.

All of the notes, debentures and bank agreements described above are senior and unsecured.

Nautilus Class A1 and A2 Notes - In August 1999, a subsidiary of R&B Falcon completed a $250.0 million project financing for the construction of the Deepwater Nautilus that consisted of two five-year notes. The first note with an original principal amount of $200.0 million and bearing interest at 7.31 percent calls for monthly interest and principal payments and matures in May 2005. The second note with a principal amount of $50.0 million and bearing interest at 9.41 percent calls for monthly interest payments and a balloon principal payment due at maturity in May 2005. Both notes are collateralized by the Deepwater Nautilus and drilling contract revenues from such rig. At December 31, 2001, approximately $144.0 million and $50.0 million principal amount of these notes was outstanding, respectively. These notes were recorded at fair value on January 31, 2001 as part of the R&B Falcon merger. The fair value of the Nautilus Class A1 and A2 Notes at December 31, 2001 was approximately $154.0 million and $55.0 million, respectively, based on the estimated yield to maturity as of that date.

Secured Rig Financing - At December 31, 2001, the Company had outstanding $50.6 million of debt secured by the Trident IX and Trident 16. Payments under these financing agreements include an interest component of 7.95 percent for the Trident IX and 7.20 percent for the Trident 16. The Trident IX facility expires in April 2003 while the Trident 16 facility expires in September 2004. The financing arrangements provide for a call right on the part of the Company to repay the financing prior to expiration of their scheduled terms and in some circumstances a put right on the part of the banks to require the Company to repay the financing. Under either circumstance, the Company would retain ownership of the rigs. See Note 23. The fair value of the Secured Rig Financing at December 31, 2001 was approximately $53.0 million based on the estimated yield to maturity as of that date.

Redeemed and Repurchased Debt - On May 18, 2001, Cliffs Drilling, an indirect wholly owned subsidiary of the Company, redeemed all of the approximately $200.0 million principal amount outstanding 10.25% Senior Notes due 2003, at 102.5 percent, or $1,025 per $1,000 principal amount, plus interest accrued to the redemption date. The Company recognized an extraordinary gain, net of tax, of approximately $1.6 million ($0.01 per diluted share) in the second quarter of 2001 relating to the early extinguishment of this debt.

On April 10, 2001, R&B Falcon acquired, pursuant to a tender offer, all of the approximately $400.0 million principal amount outstanding 11.375% Senior Secured Notes due 2009 of its affiliate, RBF Finance Co., at 122.51 percent of principal amount, or $1,225.10 per $1,000 principal amount, plus accrued and unpaid interest.

On April 6, 2001, RBF Finance Co., an indirect wholly owned subsidiary of the Company, redeemed all of the approximately $400.0 million principal amount outstanding 11% Senior Secured Notes due 2006 at 125.282 percent, or $1,252.82 per $1,000 principal amount, plus accrued and unpaid interest, and R&B Falcon redeemed all of the approximately $200.0 million principal amount outstanding 12.25% Senior Notes due 2006 at 130.675 percent or $1,306.75 per $1,000 principal amount, plus accrued and unpaid interest. The Company funded the redemption from the issuance of the 6.625% Notes and 7.5% Notes in April 2001.

In the second quarter of 2001, the Company recognized an extraordinary loss, net of tax, of approximately $18.9 million ($0.06 per diluted share) on the early retirement of these three debt instruments.

On November 30, 2001, the Company repaid all amounts outstanding related to the 6.9% Notes using cash on hand. As a result, the Company recognized an extraordinary loss, net of tax, of approximately $1.4 million in the fourth quarter of 2001 relating to the early extinguishment of this debt.

In November and December of 2001, the Company repurchased and retired approximately $11.3 million face value of the 9.125% Senior Notes due 2003 and $10.5 million face value of the 6.5% Senior Notes due 2003. The Company funded the repurchases from cash on hand. As a result, the Company recognized an extraordinary loss, net of tax, of approximately $0.6 million in the fourth quarter of 2001 relating to the early extinguishment of this debt.

Note 9 - Financial Instruments and Risk Concentration

Foreign Exchange Risk - The Company's international operations expose the Company to foreign exchange risk. This risk is primarily associated with compensation costs denominated in currencies other than the U.S. dollar and with purchases from foreign suppliers. The Company uses a variety of techniques to minimize exposure to foreign exchange risk, including customer contract payment terms and foreign exchange derivative instruments.

The Company's 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. Foreign exchange derivative instruments, specifically foreign exchange forward contracts, may be used to minimize foreign exchange risk in instances where the primary strategy is not attainable. A foreign exchange forward contract obligates the Company 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.

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, 2001 and 2000, the Company did not have any foreign exchange derivative instruments not qualifying as accounting hedges.

Interest Rate Risk -The Company's use of debt directly exposes the Company 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 the Company 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 the Company to changes in market interest rates should the Company refinance maturing debt with new debt.

In addition, the Company is exposed to interest rate risk in its cash investments, as the interest rates on these investments change with market interest rates.

The Company, from time to time, 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 as other comprehensive income and recognized as an adjustment to interest expense related to the debt over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income.

The major risks in using interest rate derivatives include changes in interest rates affecting the value of such instruments, potential increases in the interest expense of the Company due to market increases in floating interest rates in the case of derivatives which exchange fixed interest rates for floating interest rates and the credit worthiness of the counterparties in such transactions.

The Company has entered into interest rate swap transactions hedging debt. The Company has not hedged any of its other assets or liabilities against interest rate movements. The swaps are traded in liquid, over-the-counter, bank markets. None of the swaps are traded on an exchange. All but one of the swaps have industry standard "mutual puts" that allow either party, the Company or the counterparty, to end the transaction on the fifth anniversary of the inception of the swap. One swap, instead of a mutual put, requires the Company or its counterparty to provide cash as collateral on the fifth anniversary, depending upon the value of the swap and the debt rating of the party with the net liability. This swap is to be revalued and re-collateralized monthly after the fifth anniversary.

The market value of the Company's swaps is carried on its consolidated balance sheet as an asset or liability depending on the movement of interest rates after the transaction is entered into and depending on the security being hedged. Because the Company's swaps are considered to be perfectly effective, the carrying value of the debt being hedged is adjusted for the market value of the swaps.

Should a counterparty default, and the market value of the swap with that counterparty is classified as an asset in the Company's consolidated balance sheet at the time of the default, the Company may be unable to collect on that asset. To mitigate such risk of failure, the Company enters into swap transactions with a diverse group of high-quality institutions.

On March 13, 2001, the Company entered into interest rate swap agreements relating to the anticipated private placement of $700.0 million aggregate principal amount of 6.625% Notes due April 15, 2011 and $600.0 million aggregate principal amount of 7.5% Notes due April 15, 2031 in the notional amounts of $200.0 million and $400.0 million, respectively. The objective of each transaction was to hedge a portion of the forecasted payments of interest resulting from the anticipated issuance of fixed rate debt. Under each forward interest rate swap, the Company paid a LIBOR swap rate and received the floating rate of three-month LIBOR. Hedge effectiveness was assessed by the dollar-offset method by comparing the changes in expected cash flows from the hedges with the change in the LIBOR swap rates and the forward interest rate swaps were determined to be highly effective. The hedge transactions were closed out on March 30, 2001. The gain on these hedge transactions ($3.9 million as of December 31, 2001) is a component of accumulated other comprehensive income in the consolidated balance sheet at December 31, 2001 and had no material effect on the results of operations for the year ended December 31, 2001. This gain is being recognized as a reduction of interest expense over the life of the 7.5% Notes beginning in April 2001. Over the 12-month period commencing January 1, 2002, the amount of gain to be recognized will be approximately $0.3 million.

In June 2001, the Company entered into interest rate swap agreements in the aggregate notional amount of $700.0 million with a group of banks relating to the Company's $700.0 million aggregate principal amount of 6.625% Notes due April 15, 2011. The objective of such transactions is to protect the debt against changes in fair value due to changes in the benchmark interest rate, which has been designated as LIBOR plus a weighted average spread of 49.6 basis points per annum. Under each interest rate swap, on October 15 and April 15 of each year until the maturity on April 15, 2011, the Company receives the fixed rate equal to 6.625 percent per annum and pays the benchmark interest rate. The hedge is considered perfectly effective against changes in the fair value of the debt due to changes in the benchmark interest rate over its term. As a result, the shortcut method applies and there is no need to periodically reassess the effectiveness of the hedge during the term of the swaps. At December 31, 2001, the fair value of the interest rate swap was approximately $15.1 million and has been reflected in the consolidated balance sheet as an increase in other assets with a corresponding increase in long-term debt.

Credit Risk - Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, trade receivables, swap receivables and notes receivable from Delta Towing LLC (see Note 19). It is the Company's practice to place its 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. The Company limits the amount of exposure to any one institution and does not believe it is exposed to any significant credit risk.

The Company derives the majority of its revenue from services to international oil companies and government-owned and government-controlled oil companies. Receivables are concentrated in various countries. See Note 17. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectibility. The Company is not aware of any significant credit risks relating to its customer base and does not generally require collateral or other security to support customer receivables.

Labor Agreements - On a worldwide basis, the Company had approximately 11 percent of its employees working under collective bargaining agreements at December 31, 2001, most of whom were working in Norway, Nigeria, Brazil and Venezuela. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2002.

Note 10 - Other Current Liabilities

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

	December 31,	
	2001	2000
Accrued Payroll and Employee Benefits	$134.2	$ 81.2
Contract Disputes and Legal Claims	47.5	36.8
Accrued Interest	38.8	7.0
Accrued Taxes, Other than Income	26.6	13.0
Deferred Revenue	18.2	9.2
Deferred Gain on Sale of Rigs	-	57.7
Other	18.1	18.5
Total Other Current Liabilities	$283.4	$223.4

Note 11 - Supplementary Cash Flow Information

Non-cash financing activities for the year ended December 31, 2001 included $6.7 billion related to the Company's ordinary shares issued in connection with the R&B Falcon merger. Non-cash investing activities for the year ended December 31, 2001 included $6.4 billion of net assets acquired in the R&B Falcon merger.

Concurrent with and subsequent to the R&B Falcon merger, the Company removed certain non-strategic assets from the active rig fleet and categorized them as assets held for sale. These reclassifications were reflected in the December 31, 2001 consolidated balance sheet as a decrease in property and equipment, net of $177.8 million, with a corresponding increase in other assets.

In February 2001, the Company received a distribution from a joint venture in the form of marketable securities held for sale valued at $19.9 million. The distribution was reflected in the consolidated balance sheet as an increase in other current assets with a corresponding decrease in investments in and advances to joint ventures.

Non-cash investing activities for the year ended December 31, 2000 included $45.0 million related to accruals of capital expenditures, which was primarily due to the settlement with DCN International related to the construction of the Sedco Energy and the Sedco Express. The accruals have been reflected in the consolidated balance sheet as an increase in property and equipment, net and accounts payable.

Non-cash financing activities for the year ended December 31, 1999 included $3.0 billion related to the ordinary shares held by Transocean Offshore Inc. shareholders at the time of the Sedco Forex merger. Also included was $34.1 million of non-cash increases in equity advances from Schlumberger relating to balances retained under the Distribution Agreement (see Note 4). Non-cash investing activities for the year ended December 31, 1999 included $2.6 billion of net assets acquired in the Sedco Forex merger.

Cash payments for interest were $190.6 million, $81.3 million and $39.8 million for the years ended December 31, 2001, 2000 and 1999, respectively. Cash payments for income taxes, net, were $122.5 million, $63.3 million and $35.3 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Note 12 - Income Taxes

Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries 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. Transocean Sedco Forex Inc., a Cayman Islands company, is not subject to income tax in the Cayman Islands. The effective tax rate for the years ended December 31, 2001, 2000 and 1999 was 22.9 percent, 25.1 percent and (19.0) percent, respectively.

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

	Years ended December 31,		
	2001	2000	1999
Current provision	$174.2	$ 66.5	$ 15.0
Deferred benefit	(98.2)	(30.1)	(24.3)
Income tax expense (benefit) after extraordinary items.	76.0	36.4	(9.3)
Tax effect of extraordinary items	9.7	0.3	-
Income Tax Expense (Benefit) before Extraordinary Items	$ 85.7	$ 36.7	$ (9.3)

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

	DECEMBER 31,	
	2001	2000
DEFERRED TAX ASSETS-CURRENT		
Accrued personnel taxes	$ 1.4	$ 1.3
Accrued workers' compensation insurance	4.4	1.7
Other accruals	17.9	11.4
Other	3.7	5.0
Total Current Deferred Tax Assets	27.4	19.4
DEFERRED TAX LIABILITIES-CURRENT		
Insurance accruals	(3.5)	-
Deferred drydock	(2.7)	(1.3)
Other accruals	(0.2)	-
Total Current Deferred Tax Liabilities	(6.4)	(1.3)
Net Current Deferred Tax Assets	$ 21.0	$ 18.1
DEFERRED TAX ASSETS-NONCURRENT		
Net operating loss carryforwards	$ 447.0	$ 78.5
Foreign tax credit carryforwards	185.6	12.4
Retirement and benefit plan accruals	0.8	3.1
Other accruals	7.9	6.6
Deferred income and other	41.3	3.5
Valuation allowance for noncurrent deferred tax assets	(115.4)	(24.7)
Total Noncurrent Deferred Tax Assets	567.2	79.4
DEFERRED TAX LIABILITIES-NONCURRENT		
Depreciation and amortization	(680.0)	(383.2)
Deferred gains	(123.2)	(28.4)
Investment in subsidiaries	(72.1)	(22.6)
Other	(9.0)	(4.4)
Total Noncurrent Deferred Tax Liabilities	(884.3)	(438.6)
Net Noncurrent Deferred Tax Liabilities	$ (317.1)	$ (359.2)

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 the Company's 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.

In 2001 and 2000, the Company provided a valuation allowance to offset deferred tax assets on net operating losses incurred during the year in certain jurisdictions where, in the opinion of management, it is more likely than not that the financial statement benefit of these losses would not be realized. The Company has also provided a valuation allowance for foreign tax credit carryforwards reflecting the possible expiration of their benefits prior to their utilization. The valuation allowance for noncurrent deferred tax assets of $115.4 million increased $90.7 million from $24.7 million at December 31, 2000. The increase is primarily related to R&B Falcon's valuation allowance at the time of the merger.

The Company's net operating loss carryforwards include a tax effected U.S. loss of $392.4 million which will expire between 2005 and 2021. The remaining $54.6 million of tax effected U.K. net operating losses do not expire. The Company's fully benefited foreign tax credit carryforwards will expire between 2004 and 2006.

Transocean Sedco Forex Inc., a Cayman Islands company, is not subject to income taxes in the Cayman Islands. For the two years ended December 31, 2001, there was no Cayman Islands income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a Cayman Islands company or its shareholders. The Company has obtained an assurance from the Cayman Islands government under the Tax Concessions Law (1995 Revision) that, in the event that any legislation is enacted in the Cayman Islands imposing tax computed on profits or income, or computed on 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 the Company or to any of its operations or to the shares, debentures or other obligations of the Company. Therefore, under present law there will be no Cayman Islands tax consequences affecting distributions.

The Company's income tax returns are subject to review and examination in the various jurisdictions in which the Company operates. The U.S. Internal Revenue Service is currently auditing the years 1998 through 2000. In addition, other tax authorities have questioned the amounts of income and expense subject to tax in their jurisdiction for prior periods. The Company is currently contesting additional assessments which have been asserted and may contest any future assessments. In the opinion of management, the ultimate resolution of these asserted income tax liabilities will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

In connection with the distribution of Sedco Forex to the Schlumberger shareholders, Sedco Forex and Schlumberger entered into a Tax Separation Agreement. In accordance with the terms of the Tax Separation Agreement, Schlumberger agreed to indemnify Sedco Forex for any tax liabilities incurred directly in connection with the preparation of Sedco Forex for this distribution. In addition, Schlumberger agreed to indemnify Sedco Forex for tax liabilities associated with Sedco Forex operations conducted through Schlumberger entities prior to the merger and any tax liabilities associated with Sedco Forex assets retained by Schlumberger.

Transocean Offshore Inc. was included in the consolidated federal income tax returns filed by a former parent, Sonat Inc. ("Sonat") during all periods in which Sonat's ownership was greater than or equal to 80 percent ("Affiliation Years"). Transocean Offshore Inc. and Sonat entered into a Tax Sharing Agreement providing for the manner of determining payments with respect to federal income tax liabilities and benefits arising in the Affiliation Years. Under the Tax Sharing Agreement, the Company will pay to Sonat an amount equal to the Company's share of the Sonat consolidated federal income tax liability, generally determined on a separate return basis. In addition, Sonat will pay the Company for Sonat's utilization of deductions, losses and credits which are attributable to the Company and in excess of that which would be utilized on a separate return basis.

Note 13 - Commitments and Contingencies

Operating Leases - The Company has operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and rig bareboat charters. In addition to rental payments, some leases provide that the Company pay a pro rata share of operating costs applicable to the leased property. As of December 31, 2001, future minimum rental payments related to noncancellable operating leases are as follows (in millions):

	Years ended December 31,
2002	$ 27.9
2003	24.8
2004	22.2
2005	18.9
2006	6.7
Thereafter	26.6
Total	$ 127.1

The Company is a party to an operating lease on the M. G. Hulme, Jr. Under this lease, the Company may purchase the rig for $35.7 million at the end of the lease term of November 29, 2005. At December 31, 2001, the future minimum lease payments, excluding the purchase option, was $50.8 million.

Rental expense for all operating leases, including leases with terms of less than one year, was $96 million, $50 million and $37 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Legal Proceedings - In 1990 and 1991, two of the Company's subsidiaries were served with various assessments collectively valued at approximately $7 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. The Company believes that neither subsidiary is liable for the taxes and has contested the assessments in the Brazilian administrative and court systems. In October 2001, the Brazil Supreme Court rejected the Company's appeal of an adverse lower court's ruling with respect to a June 1991 assessment, which was valued at approximately $6 million. The Company is challenging the assessment in a separate proceeding, which is currently at the trial court level. The Company has received adverse rulings at various levels in connection with a disputed August 1990 assessment which is still pending before the Brazil Superior Court of Justice. The Company also received an adverse ruling from the Taxpayer's Council in connection with an October 1990 assessment and is appealing the ruling. If the Company's defenses are ultimately unsuccessful, the Company believes that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse the Company for municipal tax payments required to be paid by them. The Company does not expect the liability, if any, resulting from these assessments to have a material adverse effect on its business or consolidated financial position.

The Indian Customs Department, Mumbai, filed a "show cause notice" against a subsidiary of the Company and various third parties in July 1999. The show cause notice alleged that the initial entry into India in 1988 and other subsequent movements of the Trident II jackup rig operated by the subsidiary constituted imports and exports for which proper customs procedures were not followed and sought payment of customs duties of approximately $31 million based on an alleged 1998 rig value of $49 million, with interest and penalties, and confiscation of the rig. In January 2000, the Customs Department issued its order, which found that the Company had imported the rig improperly and intentionally concealed the import from the authorities, and directed the Company to pay a redemption fee of approximately $3 million for the rig in lieu of confiscation and to pay penalties of approximately $1 million in addition to the amount of customs duties owed. In February 2000, the Company filed an appeal with the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") together with an application to have the confiscation of the rig stayed pending the outcome of the appeal. In March 2000, the CEGAT ruled on the stay application, directing that the confiscation be stayed pending the appeal. The CEGAT issued its opinion on the Company's appeal on February 2, 2001, and while it found that the rig was imported in 1988 without proper documentation or payment of duties, the redemption fee and penalties were reduced to less than $0.1 million in view of the ambiguity surrounding the import practice at the time and the lack of intentional concealment by the Company. The CEGAT further sustained the Company's position regarding the value of the rig at the time of import as $13 million and ruled that subsequent movements of the rig were not liable to import documentation or duties in view of the prevailing practice of the Customs Department, thus limiting the Company's exposure as to custom duties to approximately $6 million. Following the CEGAT order, the Company tendered payment of redemption, penalty and duty in the amount specified by the order by offset against a $0.6 million deposit and $10.7 million guarantee previously made by the Company. The Customs Department attempted to draw the entire guarantee, alleging the actual duty payable is approximately $22 million based on an interpretation of the CEGAT order that the Company believes is incorrect. This action was stopped by an interim ruling of the High Court, Mumbai on writ petition filed by the Company. Both the Customs Department and the Company filed appeals with the Supreme Court of India against the order of the CEGAT, and both appeals have been admitted. The Company applied for an expedited hearing, which was denied. The Company and its customer agreed to pursue and obtained the issuance of documentation from the Ministry of Petroleum that, if accepted by the Customs Department, would reduce the duty to nil. The agreement with the customer further provides that if this reduction was not obtained by December 31, 2001, the customer would pay the duty up to a limit of $7.7 million. The Customs Department has not accepted the documentation or agreed to refund the duties already paid. The Company has requested the refund from the customer and also intends to pursue the action with the Customs Department. The Company does not expect, in any event, that the ultimate liability, if any, resulting from the matter will have a material adverse effect on its business or consolidated financial position.

In January 2000, a pipeline in the U.S. Gulf of Mexico was damaged by an anchor from one of the Company's drilling rigs while the rig was under tow. The incident resulted in damage to offshore facilities, including a crude oil pipeline, the release of hydrocarbons from the damaged section of the pipeline and the shutdown of the pipeline and allegedly affected production platforms. All appropriate governmental authorities were notified, and the Company cooperated fully with the operator and relevant authorities in support of the remediation efforts. Certain owners and operators of the pipeline (Poseidon Oil Pipeline Company LLC, Equilon Enterprises LLC, Poseidon Pipeline Company, LLC and Marathon Oil Company) filed suit in March 2000 in federal court, Eastern District of Louisiana, alleging various damages in excess of $30 million. A second suit was filed by Walter Oil & Gas Corporation and certain other plaintiffs in Harris County, Texas alleging various damages in excess of $1.8 million, and the Company obtained a summary judgement against Walter Oil & Gas Corporation and Amerada Hess. The Company has filed a limitation of liability proceeding in federal court, Eastern District of Louisiana, claiming benefit of various statutes providing limitation of liability for vessel owners, the result of

which has been to stay the first two suits and to cause potential claimants (including the plaintiffs in the existing suits) to file claims in this proceeding. El Paso Energy Corporation, the owner/operator of the platform from which a riser was allegedly damaged, and Texaco Exploration and Production Inc. have filed claims in the limitation of liability proceeding as well. The Company expects that existing insurance will substantially cover any potential liability associated with this matter and that the outcome of this matter will not have a material adverse effect on its business or consolidated financial position.

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

In November 1988, a lawsuit was filed in the U.S. District Court for the Southern District of West Virginia against Reading & Bates Coal Co., a wholly owned subsidiary of R&B Falcon, by SCW Associates, Inc. claiming breach of an alleged agreement to purchase the stock of Belva Coal Company, a wholly owned subsidiary of Reading & Bates Coal Co. with coal properties in West Virginia. When those coal properties were sold in July 1989 as part of the disposition of R&B Falcon's coal operations, the purchasing joint venture indemnified Reading & Bates Coal Co. and R&B Falcon against any liability Reading & Bates Coal Co. might incur as a result of this litigation. A judgment for the plaintiff of $32,000 entered in February 1991 was satisfied and Reading & Bates Coal Co. was indemnified by the purchasing joint venture. On October 31, 1990, SCW Associates, Inc., the plaintiff in the above-referenced action, filed a separate ancillary action in the Circuit Court, Kanawha County, West Virginia against R&B Falcon, Caymen Coal, Inc. (the former owner of R&B Falcon's West Virginia coal properties), as well as the joint venture, Mr. William B. Sturgill (the former President of Reading & Bates Coal Co.) personally, three other companies in which the Company believes Mr. Sturgill holds an equity interest, two employees of the joint venture, First National Bank of Chicago and First Capital Corporation. The lawsuit seeks to recover compensatory damages of $50 million and punitive damages of $50 million for alleged tortuous interference with the contractual rights of the plaintiff and to impose a constructive trust on the proceeds of the use and/or sale of the assets of Caymen Coal, Inc. as they existed on October 15, 1988. Currently, the case is pending review by the West Virginia Supreme Court of Appeals on a certification of a question of law as to whether denial of the Company's motion for summary judgement was appropriate, and discovery is proceeding. The Company intends to defend its interests vigorously and believes that the damages alleged by the plaintiff in this action are highly exaggerated. In any event, the Company believes that it has valid defenses and does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

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

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against Cliffs Drilling, its underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for

excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. The Company is in the process of preparing its appeal of such judgment. The Company believes that all but potentially the portion of the verdict representing excess drilling costs of approximately $4.7 million is covered by relevant primary and excess liability insurance policies of Cliffs Drilling; however, the insurers and underwriters have denied coverage. Cliffs Drilling has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

In October 2001, the Company was notified by the U.S. Environmental Protection Agency ("EPA") that the EPA had identified a subsidiary of the Company as a potentially responsible party in connection with the Palmer Barge Line superfund site located in Port Arthur, Jefferson County, Texas. Based upon the information provided by the EPA and the Company's review of its internal records to date, the Company disputes its designation as a potentially responsible party and does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

The Company and its subsidiaries are involved in a number of other lawsuits, all of which have arisen in the ordinary course of the Company's business. The Company does not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on its business or consolidated financial position.

Self Insurance - The Company is self-insured for the deductible portion of its insurance coverage. In the opinion of management, adequate accruals have been made based on known and estimated exposures up to the deductible portion of the Company's insurance coverages. Management believes that claims and liabilities in excess of the amounts accrued are adequately insured.

Letters of Credit and Surety Bonds - The Company had letters of credit outstanding at December 31, 2001 totaling $38.1 million. The total includes outstanding letters of credit of $1.1 million under a $70.0 million letter of credit facility entered into with three banks. Under this facility, the Company pays letter of credit fees of 1.5 percent per annum and commitment fees of 0.375 percent per annum, respectively. This facility, which matures in April 2004, requires a collateral value ratio of 1.75 times the commitment and is secured by mortgages on five drilling units, the J.W. McLean, J.T. Angel, Randolph Yost, D.R. Stewart and George H. Galloway. See Note 23. The remaining letter of credit amount outstanding guarantees various contract bidding and insurance activities.

As is customary in the contract drilling business, we also have various surety bonds totaling $190.0 million in place that secure customs obligations relating to the importation of our rigs and certain performance and other obligations.

Note 14 - Stock-Based Compensation Plans

Long-Term Incentive Plan - The Company has an incentive plan for key employees and outside directors (the "Incentive Plan"). Under the Incentive Plan, awards can be granted in the form of stock options, restricted stock, stock appreciation rights ("SARs") and cash performance awards. As of December 31, 2001, the Company was authorized to grant up to (i) 18.9 million ordinary shares to employees; (ii) 600,000 ordinary shares to outside directors; and (iii) 300,000 freestanding SARs to employees or directors under the Incentive Plan. Options issued under the Incentive Plan have a 10-year term and become exercisable in three equal annual installments after the date of grant. On December 31, 1999, all unvested stock options and SARs and all unvested restricted shares granted after April 1996 became fully vested as a result of the Sedco Forex merger. At December 31, 2001, there were approximately 10.5 million total shares available for future grants under the Incentive Plan.

Prior to the spin-off (see Note 4), key employees of Sedco Forex were granted stock options at various dates under the Schlumberger stock option plans. For all of the stock options granted under such plans, the exercise price of each option equaled the market price of Schlumberger stock on the date of grant, each option's maximum term was 10 years and the options generally vested in 20 percent increments over five years. Fully vested options held by Sedco Forex employees at the date of the spin-off will lapse in accordance with their provisions. Non-vested options were terminated and fully vested stock options to purchase ordinary shares of Transocean Sedco Forex Inc. were granted under a new plan (the "SF Plan"). Certain Sedco Forex employees did not join the Company; therefore, their options remained unchanged under the Schlumberger stock option plans.

Prior to the R&B Falcon merger (see Note 4), certain employees and outside directors of R&B Falcon and its subsidiaries were granted stock options under various plans. As a result of the R&B Falcon merger, the Company assumed all outstanding R&B Falcon stock options and converted them into options to purchase ordinary shares of the Company.

The following table summarizes option activities:

	NUMBER OF SHARES UNDER OPTION	WEIGHTED-AVERAGE EXERCISE PRICE
SCHLUMBERGER OPTIONS		
Outstanding at December 31, 1998.	762,920	$ 45.13
Granted	121,250	56.83
Exercised	(216,616)	33.38
Unvested options terminated	(282,000)	61.23
Options retained by Schlumberger.	(385,554)	48.56
Outstanding at December 31, 1999.	-	-
TRANSOCEAN SEDCO FOREX INC. OPTIONS		
Options outstanding at time of Sedco Forex merger	2,747,773	$ 25.04
Options issued under the SF Plan.	491,645	34.09
Options issued under the Incentive Plan	20,000	33.69
Outstanding at December 31, 1999.	3,259,418	26.46
Granted	1,636,918	37.30
Exercised	(499,428)	23.99
Forfeited	(22,500)	37.00
Outstanding at December 31, 2000.	4,374,408	30.74
Granted	2,370,840	38.53
Options assumed in the R&B Falcon merger.	8,094,010	22.25
Exercised	(1,286,554)	20.91
Forfeited	(92,025)	42.15
Outstanding at December 31, 2001.	13,460,679	$ 27.99
Exercisable at December 31, 1999.	3,239,418	$ 26.41
Exercisable at December 31, 2000.	2,754,073	$ 26.91
Exercisable at December 31, 2001.	9,977,963	$ 24.29

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Weighted-Average Remaining Contractual Life	Number Outstanding	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
$ 7.58 - $19.50	6.50 years	4,072,452	$14.88	4,072,452	$14.88
$20.12 - $34.63	6.53 years	4,156,062	$25.10	4,147,241	$25.08
$37.00 - $81.78	8.45 years	5,232,165	$40.48	1,758,270	$44.19

At December 31, 2001, there were 61,667 restricted ordinary shares and 118,785 SARs outstanding under the Incentive Plan.

Employee Stock Purchase Plan - The Company provides a stock purchase plan (the "Stock Purchase Plan") for certain full-time employees. Under the terms of the Stock Purchase Plan, employees can choose each year to have between two and 20 percent of their annual base earnings withheld to purchase up to $25,000 of the Company's ordinary shares. The purchase price of the stock is 85 percent of the lower of its beginning-of-year or end-of-year market price. At December 31, 2001, up to 1,070,159 ordinary shares were available for issuance pursuant to the Stock Purchase Plan.

As discussed in Note 2, APB 25 and related interpretations are applied in accounting for stock-based compensation plans. If compensation expense for stock options granted under the Schlumberger stock option plans for the year ended December 31, 1999 and the Incentive Plan and the Stock Purchase Plan for the years ended December 31, 2001 and 2000, were recognized using the alternative fair value method of accounting under SFAS 123, net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN MILLIONS, EXCEPT PER SHARE DATA)		
Net Income			
As Reported	$ 252.6	$ 108.5	$ 58.1
Pro Forma	239.8	101.5	56.3
Basic Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
As Reported	$ 0.82	$ 0.52	$ 0.53
Pro Forma	0.78	0.48	0.51
Diluted Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
As Reported	$ 0.80	$ 0.51	$ 0.53
Pro Forma	0.76	0.48	0.51

The above pro forma amounts are not indicative of future pro forma results. The fair value of each option grant under the Schlumberger stock option plans for the year ended December 31, 1999 and the Incentive Plan for the years ended December 31, 2001 and 2000, was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999:

	2001	2000	1999
Dividend yield	0.30%	0.25%	0.75%
Expected price volatility range	50-51%	46-47%	26-27%
Risk-free interest rate range	4.13-5.25%	6.13-6.56%	4.86-5.22%
Expected life of options (in years)	4.00	4.00	5.60
Weighted-average fair value of options granted	$16.26	$15.21	$18.31

The fair value of each option grant under the Stock Purchase Plan for the years ended December 31, 2001 and 2000, was estimated using the following weighted-average assumptions for grants in 2001:

	2001	2000
Dividend yield	0.30%	0.25%
Expected price volatility	51%	50%
Risk-free interest rate	1.71%	5.64%
Expected life of options	Less than one year	Less than one year
Weighted-average fair value of options granted	$7.22	$7.67

Note 15 - Retirement Plans and Other Postemployment Benefits

Defined Benefit Pension Plans - The change in benefit obligation, change in plan assets and funded status for the years ended December 31, 2001 and 2000 is shown in the table below (in millions).

	DECEMBER 31,	
	2001	2000
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 133.6	$ 133.2
Merger with R&B Falcon	85.7	-
Service cost	12.0	9.5
Interest cost	15.9	9.1
Actuarial losses	4.8	4.1
Plan settlements	-	(17.4)
Plan amendments	0.8	-
Benefits paid	(10.1)	(4.9)
Benefit obligation at end of year	242.7	133.6
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	117.7	134.4
Merger with R&B Falcon	99.3	-
Actual return on plan assets	(1.3)	(0.5)
Company contributions	4.8	8.8
Benefits paid	(10.1)	(25.0)
Fair value of plan assets at end of year	210.4	117.7
FUNDED STATUS	(32.3)	(15.9)
Unrecognized transition obligation	3.5	4.2
Unrecognized net actuarial loss	32.4	6.1
Unrecognized prior service cost	0.1	0.2
Accrued pension asset (liability)	$ 3.7	$ (5.4)
Comprised of:		
Prepaid benefit cost	$ 34.2	$ 18.9
Accrued benefit liability	(30.5)	(24.3)
Accrued pension asset (liability)	$ 3.7	$ (5.4)

	AS OF DECEMBER 31,	
	2001	2000
WEIGHTED-AVERAGE ASSUMPTIONS		
Discount rate	7.45%	7.36%
Expected return on plan assets	9.24%	8.69%
Rate of compensation increase	5.71%	5.83%

The aggregate projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets were $153.2 million and $112.5 million, respectively, at December 31, 2001. The aggregate projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets were $48.8 million and $15.0 million, respectively, at December 31, 2000.

The aggregate accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $23.9 million and $7.0 million, respectively, at December 31, 2001. The aggregate accumulated

benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $16.2 million and $4.0 million, respectively, at December 31, 2000.

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

	Years ended December 31,		
	2001	2000	1999
Components of Net Periodic Benefit Cost			
Service cost	$ 12.0	$ 9.5	$ 0.8
Interest cost	15.9	9.1	0.5
Expected return on plan assets	(7.5)	(8.9)	(0.6)
Amortization of transition obligation	0.3	0.4	-
Amortization of prior service cost	0.4	-	-
Recognized net actuarial gains	(11.3)	(1.4)	-
Early retirement charge	-	-	0.1
Benefit cost	$ 9.8	$ 8.7	$ 0.8

Postretirement Benefits Other Than Pensions - The change in benefit obligation, change in plan assets and funded status for the years ended December 31, 2001 and 2000 is shown in the table below (in millions).

	DECEMBER 31,	
	2001	2000
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 12.0	$ 8.8
Merger with R&B Falcon	16.1	-
Service cost	0.4	0.2
Interest cost	1.9	0.8
Actuarial losses (gains)	(0.2)	2.4
Participant's contributions	0.2	-
Plan amendments	-	0.4
Benefits paid	(1.2)	(0.6)
Benefit obligation at end of year	29.2	12.0
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	0.6	0.6
Actual return on plan assets	0.1	0.2
Company contributions	0.8	0.4
Participant's contributions	0.2	-
Benefits paid	(1.2)	(0.6)
Fair value of plan assets at end of year	0.5	0.6
FUNDED STATUS	(28.7)	(11.4)
Unrecognized net actuarial gain	0.9	1.0
Unrecognized prior service cost	0.3	0.4
Postretirement benefit liability	$ (27.5)	$ (10.0)

	AS OF DECEMBER 31,	
	2001	2000
WEIGHTED-AVERAGE ASSUMPTIONS		
Discount rate	7.00%	7.25%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	5.50%	5.50%

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost.	$ 0.4	$ 0.2	$ 0.2
Interest cost	1.9	0.8	0.3
Amortization of prior service cost. . .	-	0.1	-
Recognized net actuarial gain	(0.1)	-	-
Benefit Cost.	$ 2.2	$ 1.1	$ 0.5

For measurement purposes, the rate of increase in the per capita costs of covered health care benefits was assumed to be 8.5 percent in 2001, decreasing gradually to 5.0 percent by the year 2021.

The assumed health care cost trend rate has 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 have the following effects (in millions):

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest cost components in 2001	$ 0.2	$ (0.2)
Effect on postretirement benefit obligations as of December 31, 2001 . .	$ 2.9	$ (2.7)

Defined Contribution Plans - The Company provides a defined contribution pension and savings plan covering senior non-U.S. field employees working outside the United States. Contributions and costs are determined as 4.5 percent to 6.5 percent of each covered employee's salary, based on years of service. In addition, the Company sponsors a U.S. defined contribution savings plan. It covers certain employees and limits Company contributions to no more than 4.5 percent of each covered employee's salary, based on the employee's contribution. The Company also sponsors various other defined contribution plans worldwide. The Company recorded approximately $21.6 million and $11.5 million of expense related to its defined contribution plans for the years ended December 31, 2001 and 2000, respectively.

Pursuant to an employee matters agreement with Schlumberger, Schlumberger will continue to maintain various non-U.S. defined benefit and defined contribution plans. Expenses for these funds were immaterial for the year ended December 31, 1999.

Deferred Compensation Plan - The Company provides a Deferred Compensation Plan (the "Plan"). The Plan's primary purpose is to provide tax-advantageous asset accumulation for a select group of management, highly compensated employees and non-employee members of the Board of Directors of the Company.

Eligible employees who enroll in the Plan may 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 (9 individuals appointed by the Finance and Benefits Committee of the Board of Directors) may, at its discretion, establish minimum amounts that must be deferred by anyone electing to participate in the Plan. In addition, the Executive Compensation Committee of the Board of Directors may authorize employer contributions to participants and the Chief Executive Officer of the Company (with Executive Compensation Committee approval) is authorized to cause the Company to enter into "Deferred Compensation Award Agreements" with such participants. There were no employer contributions to the Plan during the years ending December 31, 2001 or 2000.

Note 16 - Investments in and Advances to Joint Ventures

The Company has a 25 percent interest in Sea Wolf. In September 1997, Sedco Forex sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Sea Wolf. The Company operated the rigs under bareboat charters. The sale resulted in a deferred gain of $157 million which was being amortized to operating and maintenance expense over the six year life of

the bareboat charters. See Note 6. As of December 31, 2001, Sea Wolf has distributed substantially all of its assets to its shareholders.

The Company has 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. The Company manages and operates the vessel on behalf of ODL. See Note 19.

At December 31, 2000, the Company had a 24.9 percent interest in Arcade, a Norwegian offshore drilling company. Arcade owns two high-specification semisubmersible rigs, the Henry Goodrich and Paul B. Loyd, Jr. The investment in Arcade was recorded at fair value as part of the Sedco Forex merger. Because R&B Falcon owns 74.4 percent of Arcade, Arcade is now consolidated in the Company's financial statements effective with the R&B Falcon merger. In October 2001, the Company purchased the remaining minority interest in Arcade for approximately $2.0 million.

As a result of the R&B Falcon merger, the Company has a 50 percent interest in Deepwater Drilling L.L.C. ("DD LLC"). DD LLC leases and operates the Deepwater Pathfinder, which commenced operations in the first quarter of 1999. The investment in DD LLC was recorded at fair value as part of the R&B Falcon merger. See Note 19.

As a result of the R&B Falcon merger, the Company has a 60 percent interest in Deepwater Drilling II L.L.C. ("DDII LLC"). DDII LLC leases and operates the Deepwater Frontier, which commenced operations in the second quarter of 1999. The investment in DDII LLC was recorded at fair value as part of the R&B Falcon merger. See Note 19.

As a result of the R&B Falcon merger, the Company has a 25 percent interest in Delta Towing Holdings LLC. See Note 19.

Note 17 - Segments, Geographical Analysis and Major Customers

Prior to the R&B Falcon merger, the Company operated in one industry segment. As a result of acquiring shallow and inland water drilling units in the R&B Falcon merger, the Company's operations have been aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The International and U.S. Floater Contract Drilling Services segment consists of high-specification floaters, other floaters, non-U.S. jackups, other mobile offshore and land drilling units, other assets used in support of offshore drilling activities and other offshore support services. The Gulf of Mexico Shallow and Inland Water segment consists of the Gulf of Mexico jackups and submersible drilling rigs and the U.S. inland drilling barges. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of customers.

Operating revenues and income before income taxes, minority interest and extraordinary items by segment are as follows (in millions):

	Years ended December 31,		
	2001	2000	1999
Operating Revenues			
International and U.S. Floater Contract Drilling Services	$2,430.3	$1,229.5	$648.2
Gulf of Mexico Shallow and Inland Water	396.0	-	-
Elimination of intersegment revenues	(6.2)	-	-
Total Operating Revenues	$2,820.1	$1,229.5	$648.2
Income Before Income Taxes, Minority Interest and Extraordinary Items			
International and U.S. Floater Contract Drilling Services	$ 625.2	$ 144.4	$ 49.3
Gulf of Mexico Shallow and Inland Water	(17.3)	-	-
	607.9	144.4	49.3
Unallocated general and administrative expense	(57.9)	-	-
Unallocated other expense, net	(189.5)	-	-
Total Income Before Income Taxes, Minority Interest and Extraordinary Items	$ 360.5	$ 144.4	$ 49.3

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

	December 31,	
	2001	2000
International and U.S. Floater Contract Drilling Services	$14,290.0	$6,358.8
Gulf of Mexico Shallow and Inland Water	2,671.6	-
Unallocated Corporate	58.2	-
Total Assets	$17,019.8	$6,358.8

Prior to the R&B Falcon merger on January 31, 2001, the Company operated in one industry segment and, as such, there were no unallocated assets or income items for periods prior to the merger.

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

	Years ended December 31,		
	2001	2000	1999
Operating Revenues			
United States.	$ 979.5	$ 265.0	$ 2.0
Brazil	355.8	153.6	60.6
United Kingdom	354.6	158.9	124.9
Norway	227.8	248.5	-
Nigeria.	166.2	76.2	69.3
Indonesia.	70.2	54.7	88.2
Rest of the World.	666.0	272.6	303.2
Total Operating Revenues.	$ 2,820.1	$1,229.5	$648.2

	As of December 31,	
	2001	2002
Long-Lived Assets		
United States.	$ 3,853.5	$2,038.9
Brazil	1,036.2	383.8
United Kingdom	851.7	504.8
Norway	626.7	657.3
Spain.	-	777.6
Goodwill (a)	6,466.7	1,037.9
Rest of the World.	2,448.2	510.4
Total Long-Lived Assets .	$15,283.0	$5,910.7

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(a) Goodwill resulting from the Sedco Forex and R&B Falcon mergers has not been allocated to individual countries.

A substantial portion of the Company's assets are mobile. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the earnings generated by such assets during the periods.

The Company's 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, 2001, BP and Petrobras accounted for approximately 12.3 percent and 10.9 percent, respectively, of the Company's operating revenues, the majority of which was reported in the International and U.S. Floater Contract Drilling Services segment. For the year ended December 31, 2000, Statoil, BP and Petrobras accounted for approximately 16.8 percent, 14.4 percent and 12.5 percent, respectively, of the Company's operating revenues. For the year ended December 31, 1999, the Royal Dutch Shell Group accounted for approximately 16.2 percent of the Company's operating revenues. The loss of these or other significant customers could have a material adverse effect on the Company's results of operations.

Note 18 - 1999 Charges

Operating and maintenance expense for the year ended December 31, 1999 included charges totaling $42.0 million. Reduced exploration and development activity by customers, resulting from a period of low oil prices from late 1997 through early 1999 and industry consolidation over the same time period, resulted in a slowdown in the offshore drilling industry during 1999. As a result of this slowdown, approximately 1,000 operating personnel were determined to be redundant, and charges associated with termination and severance benefits of $13.2 million were recognized during 1999. Substantially all of these employees had been terminated and severance and termination costs had been paid as of December 31, 1999. Provisions for potential legal claims of $28.8 million were recognized during 1999.

Note 19 - Related Party Transactions

Schlumberger - The financial statements for the year ended December 31, 1999 included allocations from Schlumberger of certain corporate expenses, including centralized research and engineering, legal, accounting, employee benefits, real estate, insurance, information technology services, treasury and other corporate and infrastructure costs. Although not directly attributable to Sedco Forex's operations, these expenses were allocated to Sedco Forex on bases that Schlumberger and Sedco Forex considered to be a reasonable reflection of the utilization of services provided or the benefit received by Sedco Forex. The allocation methods included relative revenues, headcount, square footage, transaction processing costs, adjusted operating expenses and others. These allocations resulted in charges being recorded in the consolidated statement of operations for the year ended December 31, 1999, as follows (in millions):

	Year ended December 31, 1999
Operating and maintenance	$ 56.2
General and administrative	8.0
	$ 64.2

The Company incurred expenses amounting to approximately $3.5 million and $9.0 million for the years ended December 31, 2001 and 2000, respectively, for transitional services provided by Schlumberger.

During 1999, Sedco Forex had long-term debt due to Schlumberger. These loans bore interest at rates based on 50 basis points over LIBOR and were used to finance both Sedco Forex's existing fleet of rigs and ongoing major construction projects. Interest expense on related party indebtedness totaled $26 million for 1999. On December 31, 1999, the Company repaid these loans in connection with the Sedco Forex merger.

DD LLC and DDII LLC - The Company is party to drilling services agreements with DD LLC and DDII LLC for the operations of the Deepwater Pathfinder and Deepwater Frontier, respectively. For the year ended December 31, 2001, the Company earned $1.4 million each for such services to DD LLC and DDII LLC. Such revenue amounts are included in operating revenues in the consolidated statement of operations. At December 31, 2001, the Company had receivables from DD LLC and DDII LLC of $2.6 million and $2.3 million, respectively, which are included in accounts receivable - other.

From time to time, the Company contracts the Deepwater Frontier from DDII LLC. During this time, DDII LLC bills the Company for the full operating dayrate and issues a non-cash credit for downtime hours in excess of 24 hours in any calendar month. The Company records a dayrate rebate receivable for all such non-cash credits and is responsible for payment of 100 percent of all drilling contract invoices received. At the end of the drilling contract, the Company will receive in cash or services, at its election, the credits issued for downtime hours plus an escalation factor. At December 31, 2001, the cumulative dayrate rebate receivable from DDII LLC totaled $13.7 million and is recorded as investment and advances to joint ventures on the consolidated balance sheet. For the year ended December 31, 2001, the Company incurred $54.4 million net expense from DDII LLC under the drilling contract. This amount is included in operating and maintenance expense in the Company's consolidated statement of operations. At December 31, 2001, the Company had amounts payable to DDII LLC of $2.1 million which is recorded in accounts payable in the consolidated balance sheet.

At the expiration of the leases, each joint venture may purchase the rig for $185 million, in the case of the Deepwater Pathfinder, and $194 million, in the case of the Deepwater Frontier, or return the rig to the special purpose entities. The Company would be obligated to pay only a portion of such price equal to its percentage ownership interest in the applicable joint venture. The Company's proportionate share for such purchase options is $97 million and $112 million, respectively. Under each joint venture agreement, the consent of each venturer is generally required to approve actions of the joint venture, including the exercise of this purchase option.

If a joint venture returns the rig at the end of the lease, the special purpose entity may sell the rig. In connection with the return, DD LLC may be required to pay an amount up to $138 million, and DDII LLC may be required to pay an amount up to $145 million, plus certain expenses in each case. These payments may be reduced by a portion of the proceeds of the sale of the applicable rig. If an event of default occurs under the applicable lease documents, each joint venture may be required to pay an amount equal to the amount of debt and equity financing owed by the applicable special purpose entity plus certain

expenses. The debt and equity financing outstanding as of December 31, 2001, applicable to the owner of Deepwater Pathfinder and of Deepwater Frontier, was $219 million and $237 million, respectively. The Company and Conoco have guaranteed their respective share of the joint ventures' obligation to pay these amounts.

Delta Towing - Immediately prior to the closing of the R&B Falcon merger, R&B Falcon formed a joint venture to own and operate its U.S. inland marine support vessel business (the "Marine Business"). In connection with the formation of the joint venture, the Marine Business was transferred by a subsidiary of R&B Falcon to Delta Towing, LLC ("Delta Towing") in exchange for a 25 percent equity interest in Delta Towing Holdings, LLC, the parent of Delta Towing, and certain secured notes payable from Delta Towing. The secured notes consisted of (i) an $80 million principal amount note bearing interest at eight percent per annum due January 30, 2024 (the "Tier 1 Note"), (ii) a contingent $20 million principal amount note bearing interest at eight percent per annum with an expiration date of January 30, 2011 (the "Tier 2 Note"), and (iii) a contingent $44 million principal amount note bearing interest at eight percent per annum with an expiration date of January 30, 2011 (the "Tier 3 Note"). The 75% equity interest holder in the joint venture also loaned Delta Towing $3 million in the form of a Tier 1 Note. Until January 2011, Delta Towing must use 100% of its excess cash flow towards the payment of principal and interest on the Tier 1 Notes. After January 2011, 50 percent of its excess cash flows are to be applied towards the payment of principal and unpaid interest on the Tier 1 Notes. Interest is due and payable quarterly without regard to excess cash flow.

Delta Towing must repay at least (i) 10 percent of the aggregate principal amount of the Tier 1 Note ($8.3 million) no later than January 2004, (ii) 30 percent of the aggregate principal amount ($24.9 million) no later than January 2006, and (iii) 75 percent of the aggregate principal amount ($62.3 million) no later than January 2008. After the Tier 1 Note has been repaid, Delta Towing must apply 75 percent of its excess cash flow towards payment of the Tier 2 Note. Upon the repayment of the Tier 2 Note, Delta Towing must apply 50 percent of its excess cash to repay principal and interest on the Tier 3 Note. Any amounts not yet due under the Tier 2 and Tier 3 Notes at the time of their expiration will be waived. The Tier 1, 2 and 3 Notes are secured by mortgages and liens on the vessels and other assets of Delta Towing.

R&B Falcon valued its Tier 1, 2 and 3 Notes at $80 million immediately prior to the closing of the R&B Falcon merger the effect of which was to fully reserve the Tier 2 and 3 Notes. At December 31, 2001, $78.9 million was outstanding under the Company's Tier 1 Note. During 2001, the Company earned $5.8 million of interest income on the Tier 1 Notes. At December 31, 2001, the Company had interest receivable from Delta Towing of $1.6 million. In December 2001, the note agreement was amended to provide for a $4 million, three-year revolving credit facility (the "Delta Towing Revolver") from the Company. Amounts drawn under the Delta Towing Revolver accrue interest at eight percent per annum, with interest payable quarterly. At December 31, 2001, no amounts were outstanding under the Delta Towing Revolver. See Note 23.

As part of the formation of the joint venture on January 31, 2001, the Company entered into an agreement with Delta Towing under which the Company committed to charter certain vessels for a period of one year ending January 31, 2002, and committed to charter for a period of 2.5 years from the date of delivery 10 crewboats then under construction, four of which had been placed into service as of December 31, 2001. In 2001, the Company incurred charges totaling $15.6 million from Delta Towing for services rendered, of which $6.5 million was rebilled to the Company's customers and $9.1 million was reflected in operating and maintenance expense.

ODL - In conjunction with the management and operation of the Joides Resolution on behalf of ODL, the Company earned $1.2 million, $1.1 million and $1.1 million for the years ended December 31, 2001, 2000 and 1999, respectively. Such amounts are included in operating revenues in the Company's consolidated statements of operations. At December 31, 2001 and 2000, the Company had receivables from ODL of $2.6 million and $2.5 million, respectively, which were recorded as accounts receivable - trade in the consolidated balance sheets.

Note 20 - Earnings Per Share

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

	Years ended December 31,		
	2001	2000	1999
Income Before Extraordinary Items	$271.9	$107.1	$ 58.1
Gain (Loss) on Extraordinary Items, net of tax.	(19.3)	1.4	-
Net Income.	$252.6	$108.5	$ 58.1
Weighted Average Shares Outstanding (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Shares for basic earnings per share	309.2	210.4	109.6
Effect of dilutive securities:			
Employee stock options and unvested stock grants	3.4	1.3	-
Warrants to purchase ordinary shares	2.2	-	-
Adjusted weighted-average shares and assumed conversions for diluted earnings per share	314.8	211.7	109.6
Basic Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Income Before Extraordinary Items.	$ 0.88	$ 0.51	$ 0.53
Gain (Loss) on Extraordinary Items, net of tax	(0.06)	0.01	-
Net Income	$ 0.82	$ 0.52	$ 0.53
Diluted Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Income Before Extraordinary Items.	$ 0.86	$ 0.50	$ 0.53
Gain (Loss) on Extraordinary Items, net of tax	(0.06)	0.01	-
Net Income	$ 0.80	$ 0.51	$ 0.53

Ordinary shares subject to issuance pursuant to the conversion features of the convertible debentures (see Note 8) are not included in the calculation of adjusted weighted-average shares and assumed conversions for diluted earnings per share because the effect of including those shares is anti-dilutive.

Sedco Forex did not have a separate capital structure prior to the spin-off from Schlumberger and merger with Transocean Offshore Inc. Accordingly, historical earnings per share has not been presented for the periods prior to the merger (see Note 1). Unaudited pro forma earnings per share for the year ended December 31, 1999 was calculated using the Transocean Sedco Forex Inc. ordinary shares issued pursuant to the merger agreement and the dilutive effect of Transocean Sedco Forex Inc. stock options granted to former Sedco Forex employees at the time of the merger, as applicable.

Note 21 - Stock Warrants

In connection with the R&B Falcon merger, the Company assumed the outstanding R&B Falcon stock warrants. Each warrant enables the holder to purchase 17.5 ordinary shares at an exercise price of $19.00 per share. The warrants expire on May 1, 2009. In 2001, the Company received $10.6 million and issued 560,000 ordinary shares as a result of 32,000 warrants being exercised. At December 31, 2001 there were 261,000 warrants outstanding to purchase 4,567,500 ordinary shares.

Note 22 - Quarterly Results (Unaudited)

Shown below are selected unaudited quarterly data (in millions, except per share data):

Quarter	First	Second	Third	Fourth
2001 (a)				
Operating Revenues	$550.1	$752.2	$770.2	$747.6
Operating Income.	74.5	178.2	179.8	117.5
Income Before Extraordinary Items	30.5	85.8	97.6	58.0
Net Income (b).	30.5	68.5	97.6	56.0
Basic Earnings Per Share				
Income Before Extraordinary Items	$ 0.11	$ 0.27	$0.31	$ 0.19
Diluted Earnings Per Share				
Income Before Extraordinary Items	$ 0.11	$ 0.26	$0.30	$ 0.19
Weighted Average Shares Outstanding (c)				
Shares for basic earnings per share . . .	280.6	318.2	318.7	318.7
Shares for diluted earnings per share . .	285.5	325.0	322.7	322.7
2000 (e)				
Operating Revenues.	$300.8	$299.2	$314.5	$314.9
Operating Income (Loss) (d)	37.6	43.2	60.0	(7.7)
Income (Loss) Before Extraordinary Items.	32.5	35.9	47.9	(9.2)
Net Income (Loss)	32.5	35.9	49.3	(9.2)
Basic Earnings (Loss) Per Share				
Income (Loss) Before Extraordinary Items.	$ 0.15	$ 0.17	$ 0.22	$(0.04)
Diluted Earnings (Loss) Per Share				
Income (Loss) Before Extraordinary Items.	$ 0.15	$ 0.17	$ 0.22	$(0.04)
Weighted Average Shares Outstanding				
Shares for basic earnings per share . . .	210.2	210.4	210.5	210.6
Shares for diluted earnings per share . .	211.0	211.7	212.0	210.6

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(a) First quarter 2001 included two months of operating results for R&B Falcon and the second, third and fourth quarters of 2001 included three months of operating results of R&B Falcon, respectively. Fourth quarter 2001 included impairment charges (see Note 7) and gain on sale of RBF FPSO L.P. (see Note 6).

(b) Second and fourth quarter 2001 included extraordinary losses of $17.3 million and $2.0 million, net of income taxes, respectively, relating to the early extinguishment of debt.

(c) First quarter 2001 included approximately 106 million ordinary shares issued on January 31, 2001 in exchange for each R&B Falcon share.

(d) First and second quarter 2000 included certain reclassifications for minority interest and gain (loss) from sale of assets to conform with the current presentation.

(e) Third quarter 2000 included an extraordinary gain of $1.4 million, net of income taxes, relating to the early termination of debt. Fourth quarter 2000 included charges totaling $37.2 million related to the settlement of an arbitration proceeding with Global Marine and a $6.7 million ($4.8 million after taxes) increase in provisions for legal claims.

Note 23 - Subsequent Events (Unaudited)

Exchange Offer - In March 2002, the Company completed exchange offers and consent solicitations for the 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes of R&B Falcon. As a result of these exchange offers and consent solicitations, approximately $231.1 million, $342.9 million, $247.8 million, $246.5 million, $76.7 million, and $289.1 million principal amount of the outstanding 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes, respectively, of R&B Falcon were exchanged for newly issued 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes of the Company having the same principal amount, interest rate, redemption terms and payment and maturity dates (and accruing interest from the last date for which interest had been paid on the R&B Falcon notes). Because the holders of a majority in principal amount of each of these series of notes consented to the proposed amendments to the applicable indenture pursuant to which the notes were issued, some covenants, restrictions and events of default were eliminated from the indentures with respect to these series of notes. In connection with the exchange offers, an aggregate of $8.3 million in consent payments were made by R&B Falcon to holders of R&B Falcon notes whose notes were tendered (and not validly withdrawn) within the required time periods and accepted for exchange. The consent payments will be amortized as an increase to interest expense over the remaining term of the respective notes using the interest method. As a result of the exchange offers, interest expense for 2002 is expected to increase by approximately $1.3 million.

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

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

Letter of Credit Facility - In January 2002, the Company terminated its $70.0 million letter of credit facility. This facility was secured by mortgages on five drilling units, the J. W. McLean, J. T. Angel, Randolph Yost, D. R. Stewart and George H. Galloway.

Delta Towing - In January 2002, Delta Towing drew $4 million on the Delta Towing Revolver.

Interest Rate Swaps - In February 2002, the Company entered into interest rate swap agreements with a group of banks in the aggregate notional amount of $900.0 million relating to the Company's $350.0 million aggregate principal amount of 6.75% Senior Notes due April 2005, $250 million aggregate principal amount of 6.95% Senior Notes due April 2008 and $300.0 million aggregate principal amount of 9.50% Senior Notes due December 2008. The objective of each transaction is to protect the debt against changes in fair value due to changes in the benchmark interest rate. Under each interest rate swap, the Company receives the fixed rate equal to the coupon of the hedged item and pays the floating rate (LIBOR) plus a margin of 171 basis points, 246 basis points and 413 basis points, respectively, which are designated as the respective benchmark interest rates, on each of the interest payment dates until maturity of the respective notes. The hedges are considered perfectly effective against changes in the fair value of the debt due to changes in the benchmark interest rates over their term. As a result, the shortcut method applies and there is no need to periodically reassess the effectiveness of the hedges during the term of the swaps.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has not had a change in or disagreement with its accountants within 24 months prior to the date of its most recent financial statements or in any period subsequent to such date.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

ITEM 11. Executive Compensation

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

ITEM 13. Certain Relationships and Related Transactions

The information required by Items 10, 11, 12 and 13 is incorporated herein by reference to the Company's definitive proxy statement for its 2002 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, 2001. Certain information with respect to the executive officers of the Company is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Index to Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Financial statements of unconsolidated joint ventures are not presented herein because such joint ventures do not meet the significance test.

(2) Financial Statement Schedules

Transocean Sedco Forex 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, 1999					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ 0.8	$13.8	$12.6 (1)	$ 0.1 (3)	$27.1
Allowance for obsolete materials and supplies	10.2	1.8	12.5 (2)	1.4 (4)	23.1
Year Ended December 31, 2000					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	27.1	20.0	0.2 (3)	23.0 (3)	24.3
Allowance for obsolete materials and supplies	23.1	0.3	(0.2)(5)	(0.1)(4) (6)	23.3
Year Ended December 31, 2001					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	24.3	12.0	14.9 (7)	27.0 (3) (9)	24.2
Allowance for obsolete materials and supplies	$23.3	$ -	$ 9.2 (8)	$ 8.4 (4) (10)	$24.1

(1) Amount includes $10.5 relating to the allowance for doubtful accounts receivable assumed in the Sedco Forex merger and $2.1 in receivable reserves reclassifications.
(2) Amount includes $12.5 relating to the allowance for obsolete materials and supplies assumed in the Sedco Forex merger.
(3) Uncollectible accounts receivable written off, net of recoveries.
(4) Obsolete materials and supplies written off, net of scrap.
(5) Amount includes $0.4 related to a write-off to assets held for sale.
(6) Amount includes $0.7 related to reversals of prior year write-offs.
(7) Amount includes $15.0 relating to the allowance for doubtful accounts receivable assumed in the RBF merger.
(8) Amount includes $8.7 relating to the obsolete materials and supplies inventory assumed in the RBF merger.
(9) Amount includes $4.9 related to adjustments to the provision.
(10) Amount includes $2.7 related to sale of rigs.

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 Sedco Forex 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 10, 1997 among R&B Falcon, FDC Acquisition Corp., Reading & Bates Acquisition Corp., Falcon Drilling Company, Inc. and Reading & Bates Corporation (incorporated by reference to Exhibit 2.1 to R&B Falcon's Registration Statement on Form S-4 dated November 20, 1997)
2.6	Agreement and Plan of Merger dated as of August 21, 1998 by and among Cliffs Drilling Company, R&B Falcon Corporation and RBF Cliffs Drilling Acquisition Corp. (incorporated by reference to Exhibit 2 to R&B Falcon's Registration Statement No. 333-63471 on Form S-4 dated September 15, 1998)
3.1	Memorandum of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex E to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
3.2	Articles of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex F to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
4.1	Credit Agreement dated as of December 16, 1999 among Transocean Offshore Inc., the Lenders party thereto, and SunTrust Bank, Atlanta, as Agent (incorporated by reference to Exhibit 4.6 to the Company's Form 10-K for the year ended December 31, 1997)
4.2	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 Form 8-K dated April 29, 1997)
4.3	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 Form 8-K dated April 29, 1997)
4.4	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))

4.5 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)

4.6 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)

4.7 Form of 7.45% Notes due April 15, 2027 (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated April 29, 1997)

4.8 Form of 8.00% Debentures due April 15, 2027 (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K dated April 19, 1997)

4.9 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)

4.10 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)

4.11 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)

4.12 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)

+4.13 Officers' Certificate establishing the terms of the 6.50% Notes due 2003, 6.75% Notes due 2005, 6.95% Notes due 2008, 9.125% Notes due 2003 and 9.50% Notes due 2008

+4.14 Officers' Certificate establishing the terms of the 7.375% Notes due 2018

4.15 Indenture dated as of April 14, 1998, between R&B Falcon Corporation, as issuer, and Chase Bank of Texas, National Association, as trustee, with respect to Series A and Series B of each of $250,000,000 6 1/2% Senior Notes due 2003, $350,000,000 6 3/4% Senior Notes due 2005, $250,000,000 6.95% Senior Notes due 2008, and $250,000,000 7 3/8% Senior Notes due 2018 (incorporated by reference to Exhibit 4.1 to R&B Falcon's Registration Statement No. 333-56821 on Form S-4 dated June 15, 1998)

+4.16 First Supplemental Indenture dated as of February 14, 2002 between R&B Falcon Corporation and The Bank of New York

+4.17 Second Supplemental Indenture dated as of March 13, 2002 between R&B Falcon Corporation and The Bank of New York

4.18 Indenture dated as of December 22, 1998, between R&B Falcon Corporation, as issuer and Chase Bank of Texas, National Association, as trustee, with respect to $400,000,000 Series A and Series B 9 1/8% Senior Notes due 2003, and 9 1/2% Senior Notes due 2008 (incorporated by reference to Exhibit 4.21 to R&B Falcon's Annual Report on Form 10-K for 1998)

+4.19 First Supplemental Indenture dated as of February 14, 2002 between R&B Falcon Corporation and The Bank of New York

4.20 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)

4.21 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)

4.22 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 Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)

4.23 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)

4.24 Exchange and Registration Rights Agreement dated April 5, 2001 by and between the Company and Goldman, Sachs & Co., as representatives of the initial purchasers (incorporated by reference to the Company's Current Report on Form 8-K dated March 30, 2001)

4.25 Credit Agreement dated as of December 29, 2000 among the Company, the Lenders party thereto, Suntrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent (incorporated by reference to Exhibit 4.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

+4.26 364-Day Credit Agreement dated as of December 27, 2001 among the Company, the Lenders party thereto, Suntrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent

4.27 Note Agreement dated as of January 30, 2001 among Delta Towing, LLC, as Borrower, R&B Falcon Drilling USA, Inc., as RBF Noteholder and Beta Marine Services, L.L.C., as Beta Noteholder (incorporated by reference to Exhibit 4.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

4.28 Trust Indenture and Security Agreement dated as of August 12, 1999 between RBF Exploration Co., a Nevada corporation, and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 10.6 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999)

4.29 Supplemental Indenture and Amendment dated as of February 1, 2000 to the Trust Indenture and Security Agreement dated as of August 12, 1999 among RBF Exploration Co., BTM Capital Corporation and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 10.251 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1999)

+4.30 Second Supplemental Indenture and Amendment dated as of June 2, 2000 among RBF Exploration Co., BTM Capital Corporation, Nautilus Exploration Limited, R&B Falcon Deepwater (UK) Limited and Chase Bank of Texas, National Association, as trustee

+4.31 Third Supplemental Indenture and Amendment dated as of February 20, 2001 among RBF Exploration Co., BTM Capital Corporation, RBF Nautilus Corporation, Nautilus Exploration Limited, R&B Falcon Deepwater (UK) Limited and The Chase Manhattan Bank, as trustee

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 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 Form 10-K for the year ended December 31, 1993)

*10.4 Employee Stock Purchase Plan, as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)

*10.5 First Amendment to the Amended and Restated Employee Stock Purchase Plan of Transocean Sedco Forex Inc., effective as of January 31, 2001 (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

*10.6 Long-Term Incentive Plan of Transocean Sedco Forex Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Annex B to the Company's Proxy Statement dated April 3, 2001)

*10.7 First Amendment to the Amended and Restated Long-Term Incentive Plan of Transocean Sedco Forex Inc., effective as of January 31, 2001 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

*10.8 Second Amendment to the Amended and Restated Long-Term Incentive Plan of Transocean Sedco Forex Inc., effective May 11, 2001 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001)

*10.9 Form of Employment Agreement dated May 14, 1999 between J. Michael Talbert, W. Dennis Heagney, Robert L. Long, Jon C. Cole, Donald R. Ray, Eric B. Brown, Barbara S. Koucouthakis and Alan A. Broussard, individually, and the Company (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1999)

*10.10 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.

*10.11 Employment Matters Agreement dated as of December 13, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited and Transocean Offshore Inc. (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)

*10.12 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)

*10.13 Employment Agreement dated September 22, 2000 between J. Michael Talbert and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.14 Employment Agreement dated October 3, 2000 between Jon C. Cole and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.15 Employment Agreement dated September 17, 2000 between Robert L. Long and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.16 Employment Agreement dated September 26, 2000 between Donald R. Ray and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.17 Agreement dated October 8, 2000 between W. Dennis Heagney and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.18 Agreement dated September 20, 2000 between Eric B. Brown and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.19 Agreement dated October 4, 2000 between Barbara S. Koucouthakis and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended September 30, 2000)

*10.20 Consulting Agreement dated January 31, 2001 between Paul B. Loyd, Jr. and R&B Falcon Corporation (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

+*10.21 Consulting Agreement dated December 13, 1999 between Victor E. Grijalva and Transocean Offshore Inc.

*10.22 1992 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit B to Reading & Bates' Proxy Statement dated April 27, 1992)

*10.23 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)

*10.24 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)

*10.25 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)

*10.26 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)

*10.27 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)

*10.28 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)

*10.29 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)

10.30 Memorandum of Agreement dated November 28, 1995 between Reading and Bates, Inc., a subsidiary of Reading & Bates Corporation, and Deep Sea Investors, L.L.C. (incorporated by reference to Exhibit 10.110 to Reading & Bates' Annual Report on Form 10-K for 1995)

10.31 Amended and Restated Bareboat Charter dated July 1, 1998 to Bareboat Charter M. G. Hulme, Jr. dated November 28, 1995 between Deep Sea Investors, L.L.C. and Reading & Bates Drilling Co., a subsidiary of Reading & Bates Corporation (incorporated by reference to Exhibit 10.177 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.32 Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.162 to Reading & Bates' Annual Report on Form 10-K for the year ended December 31, 1996)

10.33 Amendment No. 1 dated February 7, 1997 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.183 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.34 Amendment No. 2 dated April 30, 1997 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.184 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.35 Amendment No. 3 dated April 24, 1998 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.185 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.36 Amendment No. 4 dated August 7, 1998 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.186 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

+10.37 Participation Agreement dated as of July 30, 1998 among Deepwater Drilling L.L.C., Deepwater Investment Trust 1998-A, Wilmington Trust FSB and other Financial Institutions, as Certificate Purchasers, and RBF Deepwater Exploration Inc. and Conoco Development Company solely with respect to Sections 5.2 and 6.4

10.38 Limited Liability Company Agreement dated April 30, 1997 between Conoco Development II Inc. and RB Deepwater Exploration II Inc. (incorporated by reference to Exhibit 10.159 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1997)

10.39 Amendment No. 1 dated April 24, 1998 to Limited Liability Company Agreement dated April 30, 1997 between Conoco Development II Inc. and RB Deepwater Exploration II Inc. (incorporated by reference to Exhibit 10.188 to R&B Falcon's Annual Report on Form 10-K for the year ended December 31, 1998)

10.40 Guaranty, dated as of July 30, 1998, made by R&B Falcon in favor of the Deepwater Investment Trust 1998-A, Wilmington Trust FSB, not in its individual capacity, but solely as Investment Trustee, Wilmington Trust Company, not in its individual capacity, except as specified herein, but solely as Charter Trustee, BA Leasing & Capital Corporation, as Documentation Agent, ABN Amro Bank N.V., as Administrative Agent, The Bank of Nova Scotia, as Syndication Agent, BA Leasing & Capital Corporation, ABN Amro Bank N.V., Bank Austria Aktiengesellschaft New York Branch, The Bank of Nova Scotia, Bayerische Vereinsbank AG New York Branch, Commerzbank Aktiengesellschaft, Atlanta Agency, Credit Lyonnais New York Branch, Great-West Life and Annuity Insurance Company, Mees Pierson Capital Corporation, Westdeutsche Landesbank Girozentrale, New York Branch, as Certificate Purchasers, and ABN Amro Bank, N.V., Bank of America National Trust and Savings Association and The Bank of Nova Scotia, New York Branch, as Swap Counterparties, and the other parties named therein (incorporated by reference to Exhibit 10.1 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

10.41 Letter agreement dated as of August 7, 1998 between RBF Deepwater Exploration Inc., an indirect subsidiary of R&B Falcon, and Conoco Development Company and Acknowledgment by Conoco Inc. and R&B Falcon (incorporated by reference to Exhibit 10.2 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

10.42 Letter agreement dated as of August 7, 1998 between RBF Deepwater Exploration Inc., an indirect subsidiary of R&B Falcon, and Conoco Development Company and Acknowledgment by Conoco Inc. and R&B Falcon (incorporated by reference to Exhibit 10.3 to R&B Falcon's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)

+10.43 Amended and Restated Participation Agreement dated as of December 18, 2001 among Deepwater Drilling II L.L.C., Deepwater Investment Trust 1999-A, Wilmington Trust FSB, Wilmington Trust Company and other Financial Institutions, as Certificate Purchasers, solely with respect to Sections 2.15, 9.4, 12.13(b) and 12.13(d) Transocean Sedco Forex Inc. and Conoco Inc., and solely with respect to Sections 5.2 and 6.4, RBF Deepwater Exploration II Inc. and Conoco Development II Inc.

+10.44 Appendix 1 to Amended and Restated Participation Agreement dated as of December 18, 2001

10.45 Agreement dated as of August 31, 1991 among Reading & Bates, Arcade Shipping AS and Sonat Offshore Drilling, Inc. (incorporated by reference to Exhibit 10.40 to Reading & Bates' Annual Report on Form 10-K for the year ended December 30, 1991)

+*10.46 Separation Agreement dated as of December 21, 2001 by and between Transocean Offshore Deepwater Drilling Inc. and W. Dennis Heagney

+21 Subsidiaries of the Company

+23.1 Consent of Ernst & Young LLP

+24 Powers of Attorney

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*Compensatory plan or arrangement.
+Filed herewith.

Exhibits listed above as previously having been filed with the Securities and Exchange Commission 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 long-term debt of the Company and its subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of each such instrument to the Commission upon request.

Reports on Form 8-K

The Company filed a Current Report on Form 8-K on October 29, 2001 to report the availability of drilling rig status and contract information as of October 29, 2001 and a Current Form on Form 8-K on November 30, 2001 to report the availability of drilling rig status and contract information as of November 30, 2001.

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 March 25, 2002.

TRANSOCEAN SEDCO FOREX INC.

By: /s/ Gregory L. Cauthen

Gregory L. Cauthen
Vice President, Chief Financial Officer and Treasurer

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 March 25, 2002.

Signature	Title
*	Chairman of the Board of Directors
Victor E. Grijalva	
/s/ J. Michael Talbert	Chief Executive Officer and Director (Principal Executive Officer)
J. Michael Talbert	
/s/ Gregory L. Cauthen	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Gregory L. Cauthen	
/s/ Ricardo H. Rosa	Vice President and Controller (Principal Accounting Officer)
Ricardo H. Rosa	
*	Director
Richard D. Kinder	
*	Director
Ronald L. Kuehn, Jr.	
*	Director
Arthur Lindenauer	
*	Director
Paul B. Loyd, Jr	
*	Director
Martin B. McNamara	

*	Director
Roberto Monti	
*	Director
Richard A. Pattarozzi	
*	Director
Alain Roger	
*	Director
Kristian Siem	
*	Director
Ian C. Strachan	

By: /s/ William E. Turcotte
William E. Turcotte
(Attorney-in-Fact)

TRANSOCEAN SEDCO FOREX INC.

OFFICERS' CERTIFICATE

The undersigned, Eric B. Brown and William E. Turcotte, do hereby certify that they are the duly appointed and acting Senior Vice President, General Counsel and Corporate Secretary and Associate General Counsel and Assistant Secretary, respectively, of Transocean Sedco Forex Inc., a Cayman Islands exempted company (the "Company"). Each of the undersigned also hereby certifies, pursuant to Sections 103 and 301 of the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), that:

A. There is hereby established pursuant to resolutions duly adopted by the Board of Directors of the Company on December 13, 2001 (a copy of such resolutions being attached hereto as Exhibit A) a series of Securities (as that term is defined in the Indenture) to be issued under the Indenture designated 6.50% Notes due April 15, 2003 ("6.50% Notes").

B. There is hereby established pursuant to resolutions duly adopted by the Board of Directors of the Company on December 13, 2001 (a copy of such resolutions being attached hereto as Exhibit A) a series of Securities (as that term is defined in the Indenture) to be issued under the Indenture designated 6.75% Notes due April 15, 2005 ("6.75% Notes").

C. There is hereby established pursuant to resolutions duly adopted by the Board of Directors of the Company on December 13, 2001 (a copy of such resolutions being attached hereto as Exhibit A) a series of Securities (as that term is defined in the Indenture) to be issued under the Indenture designated 6.95% Notes due April 15, 2008 ("6.95% Notes").

D. There is hereby established pursuant to resolutions duly adopted by the Board of Directors of the Company on December 13, 2001 (a copy of such resolutions being attached hereto as Exhibit A) a series of Securities (as that term is defined in the Indenture) to be issued under the Indenture designated 9.125% Notes due December 15, 2003 ("9.125% Notes").

E. There is hereby established pursuant to resolutions duly adopted by the Board of Directors of the Company on December 13, 2001 (a copy of such resolutions being attached hereto as Exhibit A) a series of Securities (as that term is defined in the Indenture) to be issued under the Indenture designated 9.50% Notes due December 15, 2008 ("9.50% Notes").

F. The terms and form of the 6.50% Notes shall be as set forth in Exhibit B and Exhibit C, respectively.

G. The terms and form of the 6.75% Notes shall be as set forth in Exhibit D and Exhibit E, respectively.

H. The terms and form of the 6.95% Notes shall be as set forth in Exhibit F and Exhibit G, respectively.

I. The terms and form of the 9.125% Notes shall be as set forth in Exhibit H and Exhibit I, respectively.

J. The terms and form of the 9.50% Notes shall be as set forth in Exhibit J and Exhibit K, respectively.

K. Each of the undersigned has read the provisions of Section 301 and 303 of the Indenture and the definitions relating thereto and the resolutions adopted by the Board of Directors of the Company referred to above. In the opinion of each of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not all conditions precedent provided in the Indenture relating to the establishment, authentication and delivery of the 6.50% Notes, the 6.75% Notes, the 6.95% Notes, the 9.125% Notes and the 9.50% Notes have been complied with.

L. In the opinion of each of the undersigned, all such conditions precedent have been complied with.

IN WITNESS WHEREOF, the undersigned have hereunto executed this Certificate as of March 7, 2002.

/s/ ERIC B. BROWN

Eric B. Brown
Senior Vice President, General Counsel
Corporate Secretary

/s/ WILLIAM E. TURCOTTE

William E. Turcotte
Associate General Counsel and
Assistant Secretary

TRANSOCEAN SEDCO FOREX INC.

6.50% NOTES DUE APRIL 15, 2003

1. The title of the Securities of the series shall be "6.50% Notes due April 15, 2003" (the "Notes").

2. The limit upon the aggregate principal amount of the Notes which may be authenticated and delivered under the Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Notes pursuant to Sections 304, 305, 306, 906 or 1107 of the Indenture) is $239,500,000.

3. Interest on the Notes shall be payable to the persons in whose name the Notes are registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest payment.

4. The date on which the principal of the Notes is payable, unless accelerated pursuant to the Indenture, shall be April 15, 2003.

5. The rate at which each of the Notes shall bear interest shall be 6.50% per annum. The date from which interest shall accrue for each of the Notes shall be October 15, 2001. The Interest Payment Dates on which interest on the Notes shall be payable are April 15 and October 15, commencing on April 15, 2002. The Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

6. The place or places where the principal of and interest on the Notes shall be payable, the Notes may be surrendered for registration of transfer, the Notes may be surrendered for exchange and notices may be given to the Company in respect of the Notes is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; 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 specified by the Holder (as defined in the Indenture) of such Notes.

7. The Notes are not redeemable. The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

8. Additional Amounts (as defined in the Indenture) with respect to the Notes shall be payable in accordance with the Indenture and the provisions of this paragraph 8. The Company agrees that any amounts to be paid by the Company hereunder with respect to any Note shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by

the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Note with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any) and interest (if any), in accordance with the terms of the Notes and the Indenture, as the case may be, in order that the amounts received by the Holder of the Note, after such deduction or withholding, shall equal the respective amounts of principal amount, premium (if any) and interest (if any), in accordance with the terms of the Notes and the Indenture, as specified in such Notes to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) the Holder of a 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Note or the collection of principal amount, premium (if any) and interest (if any), in accordance with the terms of the Note and the Indenture, or the enforcement of such Note or (B) where presentation is required, such Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, premium (if any) and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Note, if such compliance is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4).

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Note.

9. The Notes shall be in fully registered form without coupons in denominations of $1,000 of principal amount thereof or any integral multiple thereof.

10. Section 403 of the Indenture shall be applicable to the Notes.

11. The Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit C to the Officers' Certificate to which this Exhibit is attached (the "Global Securities"), as a Book-Entry Security. Each Global Security shall represent such of the Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Notes from time to time endorsed thereon and that the aggregate amount of Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Note to reflect the amount, or any increase or decrease in the amount, of 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.

12. The Company initially appoints the Trustee to act as Paying Agent with respect to the Notes.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS 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.

6.50% NOTE DUE APRIL 15, 2003

TRANSOCEAN SEDCO FOREX INC.

Issue Date: ---------, 2002 Maturity: April 15, 2003

Principal Amount: $ ---------- CUSIP:

Registered: No. R-

Transocean Sedco Forex 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 _____, or registered assigns, the principal sum of ($) on April 15, 2003 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Global Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, 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 Security Register or by wire transfer of immediately available funds to the accounts designated to the Holder of this Security.

Reference is hereby made to the further provisions of this Global 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 Global 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 under its corporate seal.

Dated:

TRANSOCEAN SEDCO FOREX 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.

THE BANK OF NEW YORK,
as Trustee

Authorized Signature

[FORM OF REVERSE SIDE OF SECURITY]

TRANSOCEAN SEDCO FOREX INC.

6.50% NOTE DUE APRIL 15, 2003

This Global Security is one of a duly authorized issue of senior securities of the Company (herein called the "Global Securities"), issued and to be issued in one or more series under the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), to which Indenture 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 Global Security is one of the series designated on the face hereof, limited in aggregate principal amount to $239,500,000.

INTEREST

The rate at which this Global Security shall bear interest shall be 6.50% per annum. The date from which interest shall accrue for this Global Security shall be October 15, 2001. The Interest Payment Dates on which interest on this Global Security shall be payable are April 15 and October 15 of each year, commencing on April 15, 2002. The Regular Record Date for the interest payable on this Global Security on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

TAX ADDITIONAL AMOUNTS

The Company agrees that any amounts to be paid by the Company hereunder with respect to any Security shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Security with any relevant administrative

requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any) and interest (if any), in accordance with the terms of the Securities and the Indenture, as the case may be, in order that the amounts received by the Holder of the Security, after such deduction or withholding, shall equal the respective amounts of principal, premium (if any) and interest (if any), in accordance with the terms of the Securities and the Indenture, as specified in such Securities to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Security or the collection of the respective amounts of principal, premium (if any) and interest (if any), in accordance with the terms of the Security and the Indenture, or the enforcement of such Security or (B) where presentation is required, such Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of the respective amounts of principal, premium (if any) and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Security, if such compliance is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4);

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Global Security is registrable in the Security Register, upon surrender of this Global 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 satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof

or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any 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 Global 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 Global 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 Global Security is registered as the owner hereof for all purposes, whether or not this Global 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 a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Global 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 Global Security.

Subject to the right of the Holder of any Securities of this series to receive payment of the principal thereof (and premium, if any) and interest thereon and any Tax Additional Amounts with respect thereto, 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) an Event of Default with respect to the Securities of this series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, 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 Outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have any 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 corporation 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 corporation 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 plus accrued 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.

DEFEASANCE

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Global Security or certain restrictive covenants and Events of Default with respect to this Global Security, in each case upon compliance with certain conditions set forth 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 Global 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 directory, 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 Global 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.

DEFINITIONS

All terms defined in the Indenture and used in this Global Security but not specifically defined herein are used herein as so defined.

TRANSOCEAN SEDCO FOREX INC.

6.75% NOTES DUE APRIL 15, 2005

1. The title of the Securities of the series shall be "6.75% Notes due April 15, 2005" (the "Notes").

2. The limit upon the aggregate principal amount of the Notes which may be authenticated and delivered under the Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Notes pursuant to Sections 304, 305, 306, 906 or 1107 of the Indenture) is $350,000,000.

3. Interest on the Notes shall be payable to the persons in whose name the Notes are registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest payment.

4. The date on which the principal of the Notes is payable, unless accelerated pursuant to the Indenture, shall be April 15, 2005.

5. The rate at which each of the Notes shall bear interest shall be 6.75% per annum. The date from which interest shall accrue for each of the Notes shall be October 15, 2001. The Interest Payment Dates on which interest on the Notes shall be payable are April 15 and October 15, commencing on April 15, 2002. The Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

6. The place or places where the principal of and interest on the Notes shall be payable, the Notes may be surrendered for registration of transfer, the Notes may be surrendered for exchange and notices may be given to the Company in respect of the Notes is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; 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 specified by the Holder (as defined in the Indenture) of such Notes.

7. The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 20 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

8. Additional Amounts (as defined in the Indenture) with respect to the Notes shall be payable in accordance with the Indenture and the provisions of this paragraph 8. The Company agrees that any amounts to be paid by the Company hereunder with respect to any Note shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Note with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as the case may be, in order that the amounts received by the Holder of the Note, after such deduction or withholding, shall equal the respective amounts of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as specified in such Notes to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) the Holder of a 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Note or the collection of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Note and the Indenture, or the enforcement of such Note or (B) where presentation is required, such Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, premium (if any), Redemption Price, and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Note, if such compliance is

required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4).

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Note.

9. The Notes shall be in fully registered form without coupons in denominations of $1,000 of principal amount thereof or any integral multiple thereof.

10. Section 403 of the Indenture shall be applicable to the Notes.

11. The Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit E to the Officers' Certificate to which this Exhibit is attached (the "Global Securities"), as a Book-Entry Security. Each Global Security shall represent such of the Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Notes from time to time endorsed thereon and that the aggregate amount of Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Note to reflect the amount, or any increase or decrease in the amount, of 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.

12. The Company initially appoints the Trustee to act as Paying Agent with respect to the Notes.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS 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.

6.75% NOTE DUE APRIL 15, 2005

TRANSOCEAN SEDCO FOREX INC.

Issue Date: , 2002 Maturity: April 15, 2005

Principal Amount: $ CUSIP:

Registered: No. R-

Transocean Sedco Forex 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 _____, or registered assigns, the principal sum of ($) on April 15, 2005 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Global Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, 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 Security Register or by wire transfer of immediately available funds to the accounts designated to the Holder of this Security.

Reference is hereby made to the further provisions of this Global 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 Global 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 under its corporate seal.

Dated:

TRANSOCEAN SEDCO FOREX 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.

THE BANK OF NEW YORK,
as Trustee

Authorized Signature

[FORM OF REVERSE SIDE OF SECURITY]

TRANSOCEAN SEDCO FOREX INC.

6.75% NOTE DUE APRIL 15, 2005

This Global Security is one of a duly authorized issue of senior securities of the Company (herein called the "Global Securities"), issued and to be issued in one or more series under the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), to which Indenture 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 Global Security is one of the series designated on the face hereof, limited in aggregate principal amount to $350,000,000.

INTEREST

The rate at which this Global Security shall bear interest shall be 6.75% per annum. The date from which interest shall accrue for this Global Security shall be October 15, 2001. The Interest Payment Dates on which interest on this Global Security shall be payable are April 15 and October 15 of each year, commencing on April 15, 2002. The Regular Record Date for the interest payable on this Global Security on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

OPTIONAL REDEMPTION

The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date

that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 20 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

TAX ADDITIONAL AMOUNTS

The Company agrees that any amounts to be paid by the Company hereunder with respect to any Security shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Security with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as the case may be, in order that the amounts received by the Holder of the Security, after such deduction or withholding, shall equal the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as specified in such Securities to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Security or the collection of the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Security and the Indenture, or the enforcement of such Security or (B) where presentation is required, such Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of the respective amounts of principal, premium (if any), Redemption Price and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Security, if such compliance

is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4);

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Global Security is registrable in the Security Register, upon surrender of this Global 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 satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any 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 Global 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 Global 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 Global Security is registered as the owner hereof for all purposes, whether or not this Global 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 a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to

waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Global 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 Global Security.

Subject to the right of the Holder of any Securities of this series to receive payment of the principal thereof (and premium, if any) and interest thereon and any Tax Additional Amounts with respect thereto, 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) an Event of Default with respect to the Securities of this series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding
Securities of this series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, 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 Outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have any 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 corporation 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 corporation 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 plus accrued 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.

DEFEASANCE

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Global Security or certain restrictive covenants and Events of Default with respect to this Global Security, in each case upon compliance with certain conditions set forth 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 Global 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 directory, 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 Global 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.

DEFINITIONS

All terms defined in the Indenture and used in this Global Security but not specifically defined herein are used herein as so defined.

TRANSOCEAN SEDCO FOREX INC.

6.95% NOTES DUE APRIL 15, 2008

1. The title of the Securities of the series shall be "6.95% Notes due April 15, 2008" (the "Notes").

2. The limit upon the aggregate principal amount of the Notes which may be authenticated and delivered under the Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Notes pursuant to Sections 304, 305, 306, 906 or 1107 of the Indenture) is $250,000,000.

3. Interest on the Notes shall be payable to the persons in whose name the Notes are registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest payment.

4. The date on which the principal of the Notes is payable, unless accelerated pursuant to the Indenture, shall be April 15, 2008.

5. The rate at which each of the Notes shall bear interest shall be 6.95% per annum. The date from which interest shall accrue for each of the Notes shall be October 15, 2001. The Interest Payment Dates on which interest on the Notes shall be payable are April 15 and October 15, commencing on April 15, 2002. The Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

6. The place or places where the principal of and interest on the Notes shall be payable, the Notes may be surrendered for registration of transfer, the Notes may be surrendered for exchange and notices may be given to the Company in respect of the Notes is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; 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 specified by the Holder (as defined in the Indenture) of such Notes.

7. The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 20 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

8. Additional Amounts (as defined in the Indenture) with respect to the Notes shall be payable in accordance with the Indenture and the provisions of this paragraph 8. The Company agrees that any amounts to be paid by the Company hereunder with respect to any Note shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Note with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as the case may be, in order that the amounts received by the Holder of the Note, after such deduction or withholding, shall equal the respective amounts of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as specified in such Notes to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) the Holder of a 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Note or the collection of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Note and the Indenture, or the enforcement of such Note or (B) where presentation is required, such Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, premium (if any), Redemption Price, and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Note, if such compliance is

required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4).

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Note.

9. The Notes shall be in fully registered form without coupons in denominations of $1,000 of principal amount thereof or any integral multiple thereof.

10. Section 403 of the Indenture shall be applicable to the Notes.

11. The Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit G to the Officers' Certificate to which this Exhibit is attached (the "Global Securities"), as a Book-Entry Security. Each Global Security shall represent such of the Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Notes from time to time endorsed thereon and that the aggregate amount of Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Note to reflect the amount, or any increase or decrease in the amount, of 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.

12. The Company initially appoints the Trustee to act as Paying Agent with respect to the Notes.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS 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.

6.95% NOTE DUE APRIL 15, 2008

TRANSOCEAN SEDCO FOREX INC.

Issue Date: --------, 2002 -- Maturity: April 15, 2008

Principal Amount: $---------- CUSIP:

Registered: No. R-

Transocean Sedco Forex 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 _____, or registered assigns, the principal sum of ($) on April 15, 2008 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Global Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, 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 Security Register or by wire transfer of immediately available funds to the accounts designated to the Holder of this Security.

Reference is hereby made to the further provisions of this Global 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 Global 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 under its corporate seal.

Dated:

TRANSOCEAN SEDCO FOREX 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.

THE BANK OF NEW YORK,
as Trustee

Authorized Signature

[FORM OF REVERSE SIDE OF SECURITY]

TRANSOCEAN SEDCO FOREX INC.

6.95% NOTE DUE APRIL 15, 2008

This Global Security is one of a duly authorized issue of senior securities of the Company (herein called the "Global Securities"), issued and to be issued in one or more series under the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), to which Indenture 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 Global Security is one of the series designated on the face hereof, limited in aggregate principal amount to $250,000,000.

INTEREST

The rate at which this Global Security shall bear interest shall be 6.95% per annum. The date from which interest shall accrue for this Global Security shall be October 15, 2001. The Interest Payment Dates on which interest on this Global Security shall be payable are April 15 and October 15 of each year, commencing on April 15, 2002. The Regular Record Date for the interest payable on this Global Security on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

OPTIONAL REDEMPTION

The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date

that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 20 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

TAX ADDITIONAL AMOUNTS

The Company agrees that any amounts to be paid by the Company hereunder with respect to any Security shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Security with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as the case may be, in order that the amounts received by the Holder of the Security, after such deduction or withholding, shall equal the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as specified in such Securities to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Security or the collection of the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Security and the Indenture, or the enforcement of such Security or (B) where presentation is required, such Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of the respective amounts of principal, premium (if any), Redemption Price and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Security, if such compliance

is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4);

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Global Security is registrable in the Security Register, upon surrender of this Global 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 satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any 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 Global 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 Global 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 Global Security is registered as the owner hereof for all purposes, whether or not this Global 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 a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to

waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Global 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 Global Security.

Subject to the right of the Holder of any Securities of this series to receive payment of the principal thereof (and premium, if any) and interest thereon and any Tax Additional Amounts with respect thereto, 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) an Event of Default with respect to the Securities of this series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, 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 Outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have any 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 corporation 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 corporation 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 plus accrued 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.

DEFEASANCE

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Global Security or certain restrictive covenants and Events of Default with respect to this Global Security, in each case upon compliance with certain conditions set forth 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 Global 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 directory, 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 Global 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.

DEFINITIONS

All terms defined in the Indenture and used in this Global Security but not specifically defined herein are used herein as so defined.

TRANSOCEAN SEDCO FOREX INC.

9.125% NOTES DUE DECEMBER 15, 2003

1. The title of the Securities of the series shall be "9.125% Notes due December 15, 2003" (the "Notes").

2. The limit upon the aggregate principal amount of the Notes which may be authenticated and delivered under the Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Notes pursuant to Sections 304, 305, 306, 906 or 1107 of the Indenture) is $87,112,000.

3. Interest on the Notes shall be payable to the persons in whose name the Notes are registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest payment.

4. The date on which the principal of the Notes is payable, unless accelerated pursuant to the Indenture, shall be December 15, 2003.

5. The rate at which each of the Notes shall bear interest shall be 9.125% per annum. The date from which interest shall accrue for each of the Notes shall be December 15, 2001. The Interest Payment Dates on which interest on the Notes shall be payable are June 15 and December 15, commencing on June 15, 2002. The Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the June 1 or December 1, as the case may be, immediately preceding such interest payment date.

6. The place or places where the principal of and interest on the Notes shall be payable, the Notes may be surrendered for registration of transfer, the Notes may be surrendered for exchange and notices may be given to the Company in respect of the Notes is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; 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 specified by the Holder (as defined in the Indenture) of such Notes.

7. The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 50 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

8. Additional Amounts (as defined in the Indenture) with respect to the Notes shall be payable in accordance with the Indenture and the provisions of this paragraph 8. The Company agrees that any amounts to be paid by the Company hereunder with respect to any Note shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Note with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as the case may be, in order that the amounts received by the Holder of the Note, after such deduction or withholding, shall equal the respective amounts of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as specified in such Notes to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) the Holder of a 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Note or the collection of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Note and the Indenture, or the enforcement of such Note or (B) where presentation is required, such Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, premium (if any), Redemption Price, and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Note, if such compliance is

required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4).

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Note.

9. The Notes shall be in fully registered form without coupons in denominations of $1,000 of principal amount thereof or any integral multiple thereof.

10. Section 403 of the Indenture shall be applicable to the Notes.

11. The Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit I to the Officers' Certificate to which this Exhibit is attached (the "Global Securities"), as a Book-Entry Security. Each Global Security shall represent such of the Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Notes from time to time endorsed thereon and that the aggregate amount of Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Note to reflect the amount, or any increase or decrease in the amount, of 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.

12. The Company initially appoints the Trustee to act as Paying Agent with respect to the Notes.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS 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.

9.125% NOTE DUE DECEMBER 15, 2003

TRANSOCEAN SEDCO FOREX INC.

Issue Date: , 2002 Maturity: December 15, 2003

Principal Amount: $ CUSIP:

Registered: No. R-

Transocean Sedco Forex 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 _____, or registered assigns, the principal sum of ($) on December 15, 2003 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Global Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, 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 Security Register or by wire transfer of immediately available funds to the accounts designated to the Holder of this Security.

Reference is hereby made to the further provisions of this Global 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 Global 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 under its corporate seal.

Dated:

TRANSOCEAN SEDCO FOREX 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.

THE BANK OF NEW YORK,
as Trustee

Authorized Signature

[FORM OF REVERSE SIDE OF SECURITY]

TRANSOCEAN SEDCO FOREX INC.

9.125% NOTE DUE DECEMBER 15, 2003

This Global Security is one of a duly authorized issue of senior securities of the Company (herein called the "Global Securities"), issued and to be issued in one or more series under the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), to which Indenture 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 Global Security is one of the series designated on the face hereof, limited in aggregate principal amount to $87,112,000.

INTEREST

The rate at which this Global Security shall bear interest shall be 9.125% per annum. The date from which interest shall accrue for this Global Security shall be December 15, 2001. The Interest Payment Dates on which interest on this Global Security shall be payable are June 15 and December 15 of each year, commencing on June 15, 2002. The Regular Record Date for the interest payable on this Global 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 on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

OPTIONAL REDEMPTION

The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date

that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 50 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

TAX ADDITIONAL AMOUNTS

The Company agrees that any amounts to be paid by the Company hereunder with respect to any Security shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Security with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as the case may be, in order that the amounts received by the Holder of the Security, after such deduction or withholding, shall equal the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as specified in such Securities to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Security or the collection of the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Security and the Indenture, or the enforcement of such Security or (B) where presentation is required, such Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of the respective amounts of principal, premium (if any), Redemption Price and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Security, if such compliance

is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4);

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Global Security is registrable in the Security Register, upon surrender of this Global 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 satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any 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 Global 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 Global 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 Global Security is registered as the owner hereof for all purposes, whether or not this Global 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 a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to

waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Global 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 Global Security.

Subject to the right of the Holder of any Securities of this series to receive payment of the principal thereof (and premium, if any) and interest thereon and any Tax Additional Amounts with respect thereto, 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) an Event of Default with respect to the Securities of this series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, 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 Outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have any 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 corporation 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 corporation 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 plus accrued 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.

DEFEASANCE

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Global Security or certain restrictive covenants and Events of Default with respect to this Global Security, in each case upon compliance with certain conditions set forth 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 Global 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 directory, 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 Global 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.

DEFINITIONS

All terms defined in the Indenture and used in this Global Security but not specifically defined herein are used herein as so defined.

TRANSOCEAN SEDCO FOREX INC.

9.50% NOTES DUE DECEMBER 15, 2008

1. The title of the Securities of the series shall be "9.50% Notes due December 15, 2008" (the "Notes").

2. The limit upon the aggregate principal amount of the Notes which may be authenticated and delivered under the Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Notes pursuant to Sections 304, 305, 306, 906 or 1107 of the Indenture) is $300,000,000.

3. Interest on the Notes shall be payable to the persons in whose name the Notes are registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest payment.

4. The date on which the principal of the Notes is payable, unless accelerated pursuant to the Indenture, shall be December 15, 2008.

5. The rate at which each of the Notes shall bear interest shall be 9.50% per annum. The date from which interest shall accrue for each of the Notes shall be December 15, 2001. The Interest Payment Dates on which interest on the Notes shall be payable are June 15 and December 15, commencing on June 15, 2002. The Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the June 1 or December 1, as the case may be, immediately preceding such interest payment date.

6. The place or places where the principal of and interest on the Notes shall be payable, the Notes may be surrendered for registration of transfer, the Notes may be surrendered for exchange and notices may be given to the Company in respect of the Notes is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; 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 specified by the Holder (as defined in the Indenture) of such Notes.

7. The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 50 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

8. Additional Amounts (as defined in the Indenture) with respect to the Notes shall be payable in accordance with the Indenture and the provisions of this paragraph 8. The Company agrees that any amounts to be paid by the Company hereunder with respect to any Note shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Note with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as the case may be, in order that the amounts received by the Holder of the Note, after such deduction or withholding, shall equal the respective amounts of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as specified in such Notes to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) the Holder of a 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Note or the collection of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Note and the Indenture, or the enforcement of such Note or (B) where presentation is required, such Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, premium (if any), Redemption Price, and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Note, if such compliance is

required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4).

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Note.

9. The Notes shall be in fully registered form without coupons in denominations of $1,000 of principal amount thereof or any integral multiple thereof.

10. Section 403 of the Indenture shall be applicable to the Notes.

11. The Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit K to the Officers' Certificate to which this Exhibit is attached (the "Global Securities"), as a Book-Entry Security. Each Global Security shall represent such of the Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Notes from time to time endorsed thereon and that the aggregate amount of Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Note to reflect the amount, or any increase or decrease in the amount, of 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.

12. The Company initially appoints the Trustee to act as Paying Agent with respect to the Notes.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS 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.

9.50% NOTE DUE DECEMBER 15, 2008

TRANSOCEAN SEDCO FOREX INC.

Issue Date: , 2002 Maturity: December 15, 2008

Principal Amount: $ CUSIP:

Registered: No. R-

Transocean Sedco Forex 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 _____, or registered assigns, the principal sum of ($) on December 15, 2008 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Global Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, 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 Security Register or by wire transfer of immediately available funds to the accounts designated to the Holder of this Security.

Reference is hereby made to the further provisions of this Global 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 Global 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 under its corporate seal.

Dated:

TRANSOCEAN SEDCO FOREX 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.

THE BANK OF NEW YORK,
as Trustee

Authorized Signature

[FORM OF REVERSE SIDE OF SECURITY]

TRANSOCEAN SEDCO FOREX INC.

9.50% NOTE DUE DECEMBER 15, 2008

This Global Security is one of a duly authorized issue of senior securities of the Company (herein called the "Global Securities"), issued and to be issued in one or more series under the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), to which Indenture 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 Global Security is one of the series designated on the face hereof, limited in aggregate principal amount to $300,000,000.

INTEREST

The rate at which this Global Security shall bear interest shall be 9.50% per annum. The date from which interest shall accrue for this Global Security shall be December 15, 2001. The Interest Payment Dates on which interest on this Global Security shall be payable are June 15 and December 15 of each year, commencing on June 15, 2002. The Regular Record Date for the interest payable on this Global 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 on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

OPTIONAL REDEMPTION

The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date

that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 50 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

TAX ADDITIONAL AMOUNTS

The Company agrees that any amounts to be paid by the Company hereunder with respect to any Security shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Security with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as the case may be, in order that the amounts received by the Holder of the Security, after such deduction or withholding, shall equal the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as specified in such Securities to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Security or the collection of the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Security and the Indenture, or the enforcement of such Security or (B) where presentation is required, such Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of the respective amounts of principal, premium (if any), Redemption Price and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Security, if such compliance

is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4);

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Global Security is registrable in the Security Register, upon surrender of this Global 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 satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any 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 Global 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 Global 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 Global Security is registered as the owner hereof for all purposes, whether or not this Global 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 a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to

waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Global 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 Global Security.

Subject to the right of the Holder of any Securities of this series to receive payment of the principal thereof (and premium, if any) and interest thereon and any Tax Additional Amounts with respect thereto, 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) an Event of Default with respect to the Securities of this series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, 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 Outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have any 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 corporation 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 corporation 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 plus accrued 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.

DEFEASANCE

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Global Security or certain restrictive covenants and Events of Default with respect to this Global Security, in each case upon compliance with certain conditions set forth 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 Global 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 directory, 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 Global 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.

DEFINITIONS

All terms defined in the Indenture and used in this Global Security but not specifically defined herein are used herein as so defined.

TRANSOCEAN SEDCO FOREX INC.

OFFICERS' CERTIFICATE

The undersigned, Eric B. Brown and William E. Turcotte, do hereby certify that they are the duly appointed and acting Senior Vice President, General Counsel and Corporate Secretary and Associate General Counsel and Assistant Secretary, respectively, of Transocean Sedco Forex Inc., a Cayman Islands exempted company (the "Company"). Each of the undersigned also hereby certifies, pursuant to Sections 103 and 301 of the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), that:

A. There is hereby established pursuant to resolutions duly adopted by the Board of Directors of the Company on December 13, 2001 (a copy of such resolutions being attached hereto as Exhibit A) a series of Securities (as that term is defined in the Indenture) to be issued under the Indenture designated 7.375% Notes due April 15, 2018 (the "Notes").

B. The terms and form of the Notes shall be as set forth in Exhibit B and Exhibit C, respectively.

C. Each of the undersigned has read the provisions of Section 301 and 303 of the Indenture and the definitions relating thereto and the resolutions adopted by the Board of Directors of the Company referred to above. In the opinion of each of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not all conditions precedent provided in the Indenture relating to the establishment, authentication and delivery of the Notes have been complied with.

D. In the opinion of each of the undersigned, all such conditions precedent have been complied with.

IN WITNESS WHEREOF, the undersigned have hereunto executed this Certificate as of March 19, 2002.

/s/ ERIC B. BROWN

Eric B. Brown
Senior Vice President, General Counsel
Corporate Secretary

/s/ WILLIAM E. TURCOTTE

William E. Turcotte
Associate General Counsel and
Assistant Secretary

EXHIBIT B

TRANSOCEAN SEDCO FOREX INC.

7.375% NOTES DUE APRIL 15, 2018

The title of the Securities of the series shall be "7.375% Notes due April 15, 2018" (the "Notes").

1. The limit upon the aggregate principal amount of the Notes which may be authenticated and delivered under the Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Notes pursuant to Sections 304, 305, 306, 906 or 1107 of the Indenture) is $250,000,000.

2. Interest on the Notes shall be payable to the persons in whose name the Notes are registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest payment.

3. The date on which the principal of the Notes is payable, unless accelerated pursuant to the Indenture, shall be April 15, 2018.

4. The rate at which each of the Notes shall bear interest shall be 7.375% per annum. The date from which interest shall accrue for each of the Notes shall be October 15, 2001. The Interest Payment Dates on which interest on the Notes shall be payable are April 15 and October 15, commencing on April 15, 2002. The Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

5. The place or places where the principal of and interest on the Notes shall be payable, the Notes may be surrendered for registration of transfer, the Notes may be surrendered for exchange and notices may be given to the Company in respect of the Notes is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; 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 specified by the Holder (as defined in the Indenture) of such Notes.

6. The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 25 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

7. Additional Amounts (as defined in the Indenture) with respect to the Notes shall be payable in accordance with the Indenture and the provisions of this paragraph 8. The Company agrees that any amounts to be paid by the Company hereunder with respect to any Note shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Note with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as the case may be, in order that the amounts received by the Holder of the Note, after such deduction or withholding, shall equal the respective amounts of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Notes and the Indenture, as specified in such Notes to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) the Holder of a 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Note or the collection of principal amount, premium (if any), Redemption Price, and interest (if any), in accordance with the terms of the Note and the Indenture, or the enforcement of such Note or (B) where presentation is required, such Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, premium (if any), Redemption Price, and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Note, if such compliance is

required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4).

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Note.

8. The Notes shall be in fully registered form without coupons in denominations of $1,000 of principal amount thereof or any integral multiple thereof.

9. Section 403 of the Indenture shall be applicable to the Notes.

10. The Notes will initially be issued in permanent global form, substantially in the form set forth in Exhibit C to the Officers' Certificate to which this Exhibit is attached (the "Global Securities"), as a Book-Entry Security. Each Global Security shall represent such of the Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Notes from time to time endorsed thereon and that the aggregate amount of Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Note to reflect the amount, or any increase or decrease in the amount, of 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.

11. The Company initially appoints the Trustee to act as Paying Agent with respect to the Notes.

EXHIBIT C

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS 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.

7.375% NOTE DUE APRIL 15, 2018

TRANSOCEAN SEDCO FOREX INC.

Issue Date: _____ ___, 2002 Maturity: April 15, 2018
Principal Amount: $_____ CUSIP:

Registered: No. R-

Transocean Sedco Forex 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 _____, or registered assigns, the principal sum of ($) on April 15, 2018 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Global Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, 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 Security Register or by wire transfer of immediately available funds to the accounts designated to the Holder of this Security.

Reference is hereby made to the further provisions of this Global 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 Global 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 under its corporate seal.

Dated:

TRANSOCEAN SEDCO FOREX 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.

THE BANK OF NEW YORK,
as Trustee

Authorized Signature

[FORM OF REVERSE SIDE OF SECURITY]

TRANSOCEAN SEDCO FOREX INC.

7.375% NOTE DUE APRIL 15, 2018

This Global Security is one of a duly authorized issue of senior securities of the Company (herein called the "Global Securities"), issued and to be issued in one or more series under the Indenture dated as of April 15, 1997, between Transocean Offshore Inc. ("Transocean-Delaware"), a Delaware corporation and a predecessor of the Company, and The Bank of New York, as the successor trustee to The Chase Manhattan Bank (formerly known as Texas Commerce Bank National Association) (the "Trustee"), as supplemented by the First Supplemental Indenture between Transocean-Delaware and the Trustee, dated as of April 15, 1997, the Second Supplemental Indenture among Transocean Offshore (Texas) Inc., a Texas corporation and a predecessor of the Company, the Company and the Trustee, dated as of May 14, 1999, the Third Supplemental Indenture between the Company and the Trustee, dated as of May 24, 2000 and the Fourth Supplemental Indenture between the Company and the Trustee, dated as of May 11, 2001 (such Indenture, as supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and Fourth Supplemental Indenture, the "Indenture"), to which Indenture 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 Global Security is one of the series designated on the face hereof, limited in aggregate principal amount to $250,000,000.

INTEREST

The rate at which this Global Security shall bear interest shall be 7.375% per annum. The date from which interest shall accrue for this Global Security shall be October 15, 2001. The Interest Payment Dates on which interest on this Global Security shall be payable are April 15 and October 15 of each year, commencing on April 15, 2002. The Regular Record Date for the interest payable on this Global Security on any Interest Payment Date shall be the April 1 or October 1, as the case may be, immediately preceding such interest payment date.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

OPTIONAL REDEMPTION

The Notes are redeemable, at the option of the Company, at any time in whole or from time to time in part upon not less than 30 and not more than 60 days' notice mailed to each Holder of Notes at the Holder's address appearing in the Security Register, on any date fixed by the Company prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date

that is on or prior to the Redemption Date) plus the make-whole premium applicable to the Notes (the "Redemption Price").

The amount of the make-whole premium with respect to a Note (or portion thereof) will be equal to the excess, if any, of (1) the sum of the present values, calculated as of the Redemption Date, of each interest payment that, but for such redemption, would have been payable on the Note (or portion thereof) on each Interest Payment Date occurring after the Redemption Date (excluding any accrued and unpaid interest for the period prior to the Redemption Date), and the principal amount that, but for such redemption, would have been payable at the final maturity of the Note (or portion thereof), over (2) the principal amount of such Note (or portion thereof).

The present values of interest and principal payments referred to in clause (1) of the paragraph above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the U.S. Treasury Yield (as defined below) plus 25 basis points.

The make-whole premium will be calculated by an independent investment banking institution of national standing appointed by the Company. If the Company fails to appoint such an institution at least 45 business days prior to the Redemption Date, or if the institution appointed is unwilling or unable to make such calculation, such calculation will be made by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

"U.S. Treasury Yield" means an annual rate of interest equal to the weekly average yield to maturity of U.S. Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Notes, calculated to the nearest 1/12th of a year (the "Remaining Term"). The U.S. Treasury Yield will be determined as of the third business day immediately preceding the Redemption Date.

The weekly average yields of U.S. Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for U.S. Treasury Notes having a constant maturity that is the same as the Remaining Term, then the U.S. Treasury Yield will be equal to such weekly average yield. In all other cases, the U.S. Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the U.S. Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the U.S. Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200 of 1% or above being rounded upward. If weekly average yields for U.S. Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the U.S. Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Notes are to be redeemed, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate. The Trustee may select for redemption Notes and portions of Notes in amounts of $1,000 or integral multiples thereof.

The Notes are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

TAX ADDITIONAL AMOUNTS

The Company agrees that any amounts to be paid by the Company hereunder with respect to any Security shall be paid without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges whatsoever imposed by or for the account of the Cayman Islands or any political subdivision or taxing authority thereof or therein, or if deduction or withholding of any such taxes, levies, imposts or charges shall at any time be required by the Cayman Islands or any such subdivision or authority thereof or therein, the Company will (subject to compliance by the Holder of such Security with any relevant administrative requirements) pay such additional amounts ("Tax Additional Amounts") in respect of principal amount, premiums (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as the case may be, in order that the amounts received by the Holder of the Security, after such deduction or withholding, shall equal the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Securities and the Indenture, as specified in such Securities to which such Holder is entitled; provided, however, that the foregoing shall not apply to:

(1) any such tax, levy, impost or charge which would not be payable or due but for the fact that (A) 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 Cayman Islands or such political subdivision or otherwise having some present or former connection with the Cayman Islands other than the holding or ownership of such Security or the collection of the respective amounts of principal, premium (if any), Redemption Price and interest (if any), in accordance with the terms of the Security and the Indenture, or the enforcement of such Security or (B) where presentation is required, such Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(2) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(3) any tax, levy, impost or charge which is payable otherwise than by withholding from payment of the respective amounts of principal, premium (if any), Redemption Price and interest (if any);

(4) any tax, levy, impost or charge which would not have been imposed but for the failure to comply upon the Company's request 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 such Security, if such compliance

is required by statute or by regulation as a precondition to relief or exemption from such tax, levy, impost or charge; or

(5) any combination of (1) through (4);

nor shall any Tax Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such 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 Global Security is registrable in the Security Register, upon surrender of this Global 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 satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any 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 Global 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 Global 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 Global Security is registered as the owner hereof for all purposes, whether or not this Global 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 a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to

waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Global 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 Global Security.

Subject to the right of the Holder of any Securities of this series to receive payment of the principal thereof (and premium, if any) and interest thereon and any Tax Additional Amounts with respect thereto, 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) an Event of Default with respect to the Securities of this series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, 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 Outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have any 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 corporation 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 corporation 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 plus accrued 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.

DEFEASANCE

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Global Security or certain restrictive covenants and Events of Default with respect to this Global Security, in each case upon compliance with certain conditions set forth 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 Global 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 directory, 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 Global 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.

DEFINITIONS

All terms defined in the Indenture and used in this Global Security but not specifically defined herein are used herein as so defined.

R&B Falcon Corporation

as Issuer

$239,500,000

6.50% Senior Notes due 2003

$350,000,000

6.75% Senior Notes due 2005

$250,000,000

6.95% Senior Notes due 2008

First Supplemental Indenture

Dated as of February 14, 2002

To Indenture dated as of April 14, 1998

The Bank of New York

as Trustee

FIRST SUPPLEMENTAL INDENTURE, dated as of February 14, 2002 (this "Supplemental Indenture"), between R&B Falcon Corporation, a Delaware corporation (the "Issuer"), and The Bank of New York, as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer and The Chase Manhattan Bank, as a predecessor to the Trustee, executed and delivered an Indenture, dated as of April 14, 1998 (the "Indenture"), providing for the issuance of $250,000,000 principal amount of 6.50% Notes due 2003, $350,000,000 principal amount of 6.75% Notes due 2005, $250,000,000 principal amount of 6.95% Notes due 2008 and $250,000,000 principal amount of 7.375% Notes due 2018; all capitalized terms used herein and not defined are used herein as defined in the Indenture;

WHEREAS, pursuant to Section 8.02 of the Indenture, the Issuer and the Trustee may amend or supplement the Indenture with respect to the Securities of any series with the written consent of the Holders of a majority in aggregate principal amount of the outstanding Securities of such series;

WHEREAS, Transocean Sedco Forex Inc., a Cayman Islands company ("Transocean Sedco Forex"), has offered to exchange all of the outstanding Securities of each series, upon the terms and subject to the conditions set forth in its Prospectus and Consent Solicitation Statement, dated January 31, 2002, and in the related Letter of Transmittal and Consent (each such offer, an "Exchange Offer"); in connection therewith Transocean Sedco Forex has been soliciting written consents of the Holders to the amendments to the Indenture set forth herein (and to the execution of this Supplemental Indenture), and Transocean Sedco Forex has now obtained such written consents from the Holders of a majority in aggregate principal amount of the outstanding Securities of the following series: 6.50% Notes due 2003, 6.75% Notes due 2005 and 6.95% Notes due 2008 (the "Applicable Series"); accordingly, this Supplemental Indenture and the amendments set forth herein are authorized with respect to such Applicable Series pursuant to Section 8.02 of the Indenture referred to above;

WHEREAS, the execution and delivery of this Supplemental Indenture has been duly authorized by the parties hereto, and all other acts necessary to make this Supplemental Indenture a valid and binding supplement to the Indenture effectively amending the Indenture as set forth herein have been duly taken;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, for and in consideration of the above premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities of the Applicable Series, as follows:

Section 1. Amendments to the Indenture.

Upon consummation of the exchange by Transocean Sedco Forex of all Securities of any Applicable Series validly tendered pursuant to the applicable Exchange Offer and not withdrawn prior to the expiration date for such Exchange Offer (as notified to the Trustee by Transocean Sedco Forex upon which notification the Trustee may rely), then automatically (without further act by any person) with respect to the Securities of such Applicable Series: (a) Sections 3.03, 3.05, 3.06, 3.07, 3.09, 3.10, 4.01 and 4.02 of the Indenture shall be deleted and the Issuer shall be released from its obligations thereunder, (b) any failure by the Issuer to comply with the terms of any of the foregoing Sections of the Indenture (whether before or after the execution of this Supplemental Indenture) shall no longer constitute a default or an Event of Default under the Indenture and shall no longer have any other consequence under the Indenture and (c) Clauses (4), (5), (6) and (7) of Section 5.01 of the Indenture shall be deleted and the events described therein no longer constitute

Events of Default under the Indenture. In conjunction with the amendments identified in the immediately preceding sentence, the following defined terms used in the Indenture shall be deleted with respect to the Securities of such Applicable Series: "Attributable Indebtedness"; "Consolidated Net Worth"; "Indebtedness"; and "Sale/Leaseback Transactions".

Section 2. Ratification.

Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect.

Section 3. Governing Law.

THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED AND AMENDED HEREBY AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 4. Counterpart Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Supplemental Indenture.

Section 5. The Trustee.

The recitals in this Supplemental Indenture shall be taken as the statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee shall be responsible or accountable in any manner whatsoever for or with respect to the validly or sufficiency of this Supplemental Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

R&B Falcon Corporation
By: /s/ GREGORY L. CAUTHEN

Name: Gregory L. Cauthen
Title: Vice President and Treasurer

The Bank of New York, as Trustee
By: /s/ REMO J. REALE

Name: Remo J. Reale
Title: Vice President

R&B Falcon Corporation

as Issuer

$250,000,000

7.375% Senior Notes due 2018

Second Supplemental Indenture

Dated as of March 13, 2002

To Indenture dated as of April 14, 1998

The Bank of New York

as Trustee

SECOND SUPPLEMENTAL INDENTURE, dated as of March 13, 2002 (this "Supplemental Indenture"), between R&B Falcon Corporation, a Delaware corporation (the "Issuer"), and The Bank of New York, as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer and The Chase Manhattan Bank, as a predecessor to the Trustee, executed and delivered an Indenture, dated as of April 14, 1998 (the "Indenture"), providing for the issuance of $250,000,000 principal amount of 6.50% Notes due 2003, $350,000,000 principal amount of 6.75% Notes due 2005, $250,000,000 principal amount of 6.95% Notes due 2008 and $250,000,000 principal amount of 7.375% Notes due 2018, as supplemented by the First Supplemental Indenture thereto dated as of February 14, 2002; all capitalized terms used herein and not defined are used herein as defined in the Indenture;

WHEREAS, pursuant to Section 8.02 of the Indenture, the Issuer and the Trustee may amend or supplement the Indenture with respect to the Securities of any series with the written consent of the Holders of a majority in aggregate principal amount of the outstanding Securities of such series;

WHEREAS, Transocean Sedco Forex Inc., a Cayman Islands company ("Transocean Sedco Forex"), has offered to exchange all of the outstanding 7.375% Notes due 2018 (the "7.375% Notes"), upon the terms and subject to the conditions set forth in its Prospectus and Consent Solicitation Statement, dated January 31, 2002, as amended by a Supplement dated March 4, 2002, and in the related Letter of Transmittal and Consent (the "Exchange Offer"); in connection therewith Transocean Sedco Forex has been soliciting written consents of the Holders to the amendments to the Indenture set forth herein (and to the execution of this Supplemental Indenture), and Transocean Sedco Forex has now obtained such written consents from the Holders of a majority in aggregate principal amount of the outstanding 7.375% Notes; accordingly, this Supplemental Indenture and the amendments set forth herein are authorized with respect to the 7.375% Notes pursuant to Section 8.02 of the Indenture referred to above;

WHEREAS, the execution and delivery of this Supplemental Indenture has been duly authorized by the parties hereto, and all other acts necessary to make this Supplemental Indenture a valid and binding supplement to the Indenture effectively amending the Indenture as set forth herein have been duly taken;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, for and in consideration of the above premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the 7.375% Notes, as follows:

Section 1. Amendments to the Indenture.

Upon consummation of the exchange by Transocean Sedco Forex of all 7.375% Notes validly tendered pursuant to the Exchange Offer and not withdrawn prior to the expiration date for the Exchange Offer (as notified to the Trustee by Transocean Sedco Forex upon which notification the Trustee may rely), then automatically (without further act by any person) with respect to the 7.375% Notes: (a) Sections 3.03, 3.05, 3.06, 3.07, 3.09, 3.10, 4.01 and 4.02 of the Indenture shall be deleted and the Issuer shall be released from its obligations thereunder, (b) any failure by the Issuer to comply with the terms of any of the foregoing Sections of the Indenture (whether before or after the execution of this Supplemental Indenture) shall no longer constitute a default or an Event of Default under the Indenture and shall no longer have any other consequence under the Indenture and (c) Clauses (4), (5), (6) and (7) of Section 5.01 of the Indenture shall be deleted and the events described therein no longer constitute Events of Default under the Indenture. In conjunction with the amendments identified in the immediately preceding sentence, the following defined terms used in the Indenture shall be deleted with respect to the 7.375% Notes: "Attributable Indebtedness"; "Consolidated Net Worth"; "Indebtedness"; and "Sale/Leaseback Transactions".

Section 2. Ratification.

Except as hereby expressly amended, the Indenture is in all respects

ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect.

Section 3. Governing Law.

THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED AND AMENDED HEREBY AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 4. Counterpart Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Supplemental Indenture.

Section 5. The Trustee.

The recitals in this Supplemental Indenture shall be taken as the statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee shall be responsible or accountable in any manner whatsoever for or with respect to the validly or sufficiency of this Supplemental Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

R&B Falcon Corporation
By: /s/ GREGORY L. CAUTHEN

Name: Gregory L. Cauthen
Title: Vice President and Treasurer

The Bank of New York, as Trustee
By: /s/ REMO J. REALE

Name: Remo J. Reale
Title: Vice President

R&B Falcon Corporation

as Issuer

$87,112,000

9.125% Senior Notes due 2003

$300,000,000

9.50% Senior Notes due 2008

First Supplemental Indenture

Dated as of February 14, 2002

To Indenture dated as of December 22, 1998

The Bank of New York

as Trustee

FIRST SUPPLEMENTAL INDENTURE, dated as of February 14, 2002 (this "Supplemental Indenture"), between R&B Falcon Corporation, a Delaware corporation (the "Issuer"), and The Bank of New York, as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuer and The Chase Manhattan Bank, National Association, as a predecessor to the Trustee, executed and delivered an Indenture, dated as of December 22, 1998 (the "Indenture"), providing for the issuance of $100,000,000 principal amount of 9.125% Notes due 2003 and $300,000,000 principal amount of 9.50% Notes due 2008; all capitalized terms used herein and not defined are used herein as defined in the Indenture;

WHEREAS, pursuant to Section 8.02 of the Indenture, the Issuer and the Trustee may amend or supplement the Indenture with respect to the Securities of any series with the written consent of the Holders of a majority in aggregate principal amount of the outstanding Securities of such series;

WHEREAS, Transocean Sedco Forex Inc., a Cayman Islands company ("Transocean Sedco Forex"), has offered to exchange all of the outstanding Securities of each series, upon the terms and subject to the conditions set forth in its Prospectus and Consent Solicitation Statement, dated January 31, 2002, and in the related Letter of Transmittal and Consent (each such offer, an "Exchange Offer"); in connection therewith Transocean Sedco Forex has been soliciting written consents of the Holders to the amendments to the Indenture set forth herein (and to the execution of this Supplemental Indenture), and Transocean Sedco Forex has now obtained such written consents from the Holders of a majority in aggregate principal amount of the outstanding Securities of each series; accordingly, this Supplemental Indenture and the amendments set forth herein are authorized pursuant to Section 8.02 of the Indenture referred to above;

WHEREAS, the execution and delivery of this Supplemental Indenture has been duly authorized by the parties hereto, and all other acts necessary to make this Supplemental Indenture a valid and binding supplement to the Indenture effectively amending the Indenture as set forth herein have been duly taken;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, for and in consideration of the above premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

Section 1. Amendments to the Indenture.

Upon consummation of the exchange by Transocean Sedco Forex of all Securities of a series validly tendered pursuant to the applicable Exchange Offer and not withdrawn prior to the expiration date for such Exchange Offer (as notified to the Trustee by Transocean Sedco Forex, upon which notification the Trustee may rely), then automatically (without further act by any person) with respect to the Securities of such series: (a) Sections 3.03, 3.05, 3.06, 3.07, 3.09, 3.10, 3.11, 3.12, 3.13, 4.01 and 4.02 of the Indenture shall be deleted and the Issuer shall be released from its obligations thereunder, (b) any failure by the Issuer to comply with the terms of any of the foregoing Sections of the Indenture (whether before or after the execution of this Supplemental Indenture) shall no longer constitute a default or an Event of Default under the Indenture and shall no longer have any other consequence under the Indenture and (c) Clauses (4), (5), (6) and (7) of Section 5.01 of the Indenture shall be deleted and the events described therein no longer constitute Events of Default under the Indenture. In conjunction with the amendments identified in the immediately preceding sentence, the following defined terms used in the Indenture shall be deleted: "Attributable Indebtedness"; "Consolidated EBITDA Coverage Ratio"; "Consolidated Net Income"; "Consolidated Net Worth"; "Hedging Obligations"; "Incurrence"; "Indebtedness"; "Restricted Subsidiary"; "Sale/Leaseback Transactions"; and "Suspended Covenants".

Section 2. Ratification.

Except as hereby expressly amended, the Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect.

Section 3. Governing Law.

THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AS SUPPLEMENTED AND AMENDED HEREBY AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 4. Counterpart Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Supplemental Indenture.

Section 5. The Trustee.

The recitals in this Supplemental Indenture shall be taken as the statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee shall be responsible or accountable in any manner whatsoever for or with respect to the validly or sufficiency of this Supplemental Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

R&B Falcon Corporation
By: /s/ GREGORY L. CAUTHEN

Name: Gregory L. Cauthen
Title: Vice President and Treasurer

The Bank of New York, as Trustee
By: /s/ REMO J. REALE

Name: Remo J. Reale
Title: Vice President

364-DAY CREDIT AGREEMENT

DATED AS OF

DECEMBER 27, 2001

AMONG

TRANSOCEAN SEDCO FOREX INC.,

THE LENDERS PARTIES HERETO,

SUNTRUST BANK,
AS ADMINISTRATIVE AGENT,

ABN AMRO BANK, N.V. AND THE ROYAL BANK OF SCOTLAND PLC,
AS CO-SYNDICATION AGENTS,

BANK OF AMERICA, N.A. AND
WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION,
AS CO-DOCUMENTATION AGENTS,

AND

THE BANK OF NOVA SCOTIA, CREDIT LYONNAIS NEW YORK BRANCH,
HSBC BANK USA, AND WESTDEUTSCHE LANDESBANK GIROZENTRALE,
NEW YORK BRANCH,
AS MANAGING AGENTS

SUNTRUST ROBINSON HUMPHREY CAPITAL MARKETS,
A DIVISION OF SUNTRUST CAPITAL MARKETS, INC.,
AS LEAD ARRANGER AND BOOK RUNNER

364-DAY CREDIT AGREEMENT

THIS 364-DAY CREDIT AGREEMENT (the "Agreement"), dated as of December 27, 2001, among TRANSOCEAN SEDCO FOREX INC. (the "Borrower"), a Cayman Islands company, the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), SUNTRUST BANK, a Georgia banking corporation ("STB"), as administrative agent for the Lenders (in such capacities, the "Administrative Agent"), ABN AMRO BANK, N.V. and THE ROYAL BANK OF SCOTLAND plc, as co-syndication agents for the Lenders (in such capacities, the "Co-Syndication Agents"), BANK OF AMERICA, N.A. and WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION, as co-documentation agents for the Lenders (in such capacities, the "Co-Documentation Agents"), THE BANK OF NOVA SCOTIA, CREDIT LYONNAIS NEW YORK BRANCH, HSBC BANK USA, and WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH, as managing agents for the Lenders (in such capacities, the "Managing Agents"), and STB, as issuing bank of the Letters of Credit hereunder (STB and any other Lender that issues a Letter of Credit hereunder, in such capacity, an "Issuing Bank").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in its favor a 364-day revolving credit facility in the aggregate principal amount of U.S. $250,000,000, pursuant to which facility revolving loans would be made to, and letters of credit would be issued for the account of, the Borrower;

WHEREAS, the Borrower has further requested that, at its option, revolving loans outstanding at the end of the initial revolving credit facility period up to an aggregate principal amount of $125,000,000 be converted to term loans maturing one year after the date of such conversion;

WHEREAS, the Lenders are willing to make such credit facilities available to the Borrower on the terms and subject to the conditions and requirements hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. Unless otherwise defined herein, the following terms shall have the following meanings, which meanings shall be equally applicable to both the singular and plural forms of such terms:

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Revolving Loans or Eurocurrency Term Loans for any Interest Period, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR Rate for such Interest Period}}{\text{1.00 - Statutory Reserve Rate}}$$

"Adjusted LIBOR Loan" means a Eurocurrency Revolving Loan or Eurocurrency Term Loan bearing interest at a rate based on Adjusted LIBOR as provided in Section 2.8(b).

"Administrative Agent" means SunTrust Bank, acting in its capacity as administrative agent for the Lenders, and any successor Administrative Agent appointed hereunder pursuant to Section 9.7.

"Agreement" means this 364-Day Credit Agreement, as the same may be amended, restated and supplemented from time to time.

"Applicable Facility Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating	Percentage
A+/A1 or above	0.060%
A/A2	0.070%
A-/A3	0.080%
BBB+/Baa1	0.100%
BBB/Baa2	0.125%
BBB-/Baa3 or below	0.175%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Facility Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Facility Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Facility Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Facility Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Facility Fee Rate in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.100%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Facility Fee Rate shall thereafter be based on such ratings in

the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Facility Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Facility Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Margin" means, for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating	Percentage
A+/A1 or above	0.190%
A/A2	0.230%
A-/A3	0.320%
BBB+/Baa1	0.475%
BBB/Baa2	0.600%
BBB-/Baa3 or below	0.725%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Margin, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Margin, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Margin. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Margin shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Margin in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.475%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Margin shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Margin in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Margin in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Utilization Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the

Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating	Percentage
A+/A1 or above	0.075%
A/A2	0.100%
A-/A3	0.100%
BBB+/Baa1	0.125%
BBB/Baa2	0.125%
BBB-/Baa3 or below	0.150%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Utilization Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Utilization Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Utilization Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Utilization Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Utilization Fee Rate in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.125%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Utilization Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Utilization Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Utilization Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Application" means an application for a Letter of Credit as defined in Section 2.14(b).

"Assignment Agreement" means an agreement in substantially the form of Exhibit 10.10 whereby a Lender conveys part or all of its Commitment, Loans and participations in Letters of Credit to another Person that is, or thereupon becomes, a Lender, or increases its Commitments, outstanding Loans and outstanding participations in Letters of Credit, pursuant to Section 10.10.

"Base Rate" means for any day the greater of:

(i) the fluctuating commercial loan rate announced by the Administrative Agent from time to time at its Atlanta, Georgia office (or other corresponding office, in the case of any successor Administrative Agent) as its prime rate or base rate for U.S. Dollar loans in the United States of America in effect on such day (which base rate may not be the lowest rate charged by such Lender on loans to any of its customers), with any change in the Base Rate resulting from a change in such announced rate to be effective on the date of the relevant change; and

(ii) the sum of (x) the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the next Business Day, provided that (A) if such day is not a Business Day, the rate on such transactions on the immediately preceding Business Day as so published on the next Business Day shall apply, and (B) if no such rate is published on such next Business Day, the rate for such day shall be the average of the offered rates quoted to the Administrative Agent by two (2) federal funds brokers of recognized standing on such day for such transactions as selected by the Administrative Agent, plus (y) a percentage per annum equal to one-half of one percent (1/2%) per annum.

"Base Rate Loan" means a Revolving Loan or Term Loan bearing interest prior to maturity at the rate specified in Section 2.8(a).

"Borrower" means Transocean Sedco Forex Inc., a company organized under the laws of the Cayman Islands, and its successors.

"Borrowing" means any extension of credit of the same Type made by the Lenders on the same date by way of Revolving Loans, a Competitive Loan or group of Competitive Loans having a single Interest Period, a Letter of Credit, or, if the Borrower exercises the Term Loan Option, the Term Loans, including any Borrowing advanced, continued or converted. A Borrowing is "advanced" on the day the Lenders advance funds comprising such Borrowing to the Borrower or a Letter of Credit is issued, increased or extended, is "continued" (in the case of Eurocurrency Revolving Loans or Eurocurrency Term Loans) on the date a new Interest Period commences for such Borrowing, and is "converted" (in the case of Eurocurrency Revolving Loans or Eurocurrency Term Loans) when such Borrowing is changed from one Type of Loan to the other, all as requested by the Borrower pursuant to Section 2.4.

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Atlanta, Georgia or New York, New York and, if the applicable Business Day relates to the advance or continuation of, conversion into, or payment on a Eurocurrency Borrowing or Competitive Borrowing, on which banks are dealing in Dollar deposits in the interbank eurodollar market in London, England.

"Capitalized Lease Obligations" means, for any Person, the aggregate amount of such Person's liabilities under all leases of real or personal property (or any interest therein) which is required to be capitalized on the balance sheet of such Person as determined in accordance with GAAP.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than twelve (12) months from the date of acquisition, (ii) time deposits and certificates of deposits maturing within one year from the date of acquisition thereof or repurchase agreements with financial institutions whose short-term unsecured debt rating is A or above as obtained from either S&P or Moody's, (iii) commercial paper or Eurocommercial paper with a rating of at least A-1 by S&P or at least P-1 by Moody's, with maturities of not more than twelve (12) months from the date of acquisition, (iv) repurchase obligations entered into with any Lender, or any other Person whose short-term senior unsecured debt rating from S&P is at least A-1 or from Moody's is at least P-1, which are secured by a fully perfected security interest in any obligation of the type described in (i) above and has a market value of the time such repurchase is entered into of not less than 100% of the repurchase obligation of such Lender or such other Person thereunder, (v) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within twelve (12) months from the date of acquisition thereof or providing for the resetting of the interest rate applicable thereto not less often than annually and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, and (vi) money market funds which have at least $1,000,000,000 in assets and which invest primarily in securities of the types described in clauses (i) through (v) above.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Competitive Loans, or Term Loans.

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Documentation Agents" means, collectively, Bank of America, N.A. and Wells Fargo Bank Texas, National Association, in their capacities as co-documentation agents for the Lenders, and any successor Co-Documentation Agents appointed pursuant to Section 9.7; provided, however, that no such Co-Documentation Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Co-Syndication Agents" shall mean ABN AMRO Bank, N.V. and The Royal Bank of Scotland plc, acting in their capacities as co-syndication agents for the Lenders, and any successor Co-Syndication Agents appointed hereunder pursuant to Section 9.7; provided, however, that no such Co-Syndication Agents shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Collateral" means all property and assets of the Borrower in which the Administrative Agent or the Collateral Agent is granted a Lien for the benefit of the Lenders under the terms of Section 7.4.

"Collateral Account" means the cash collateral account for outstanding undrawn Letters of Credit defined in Section 7.4(b).

"Collateral Agent" means STB acting in its capacity as collateral agent for the Lenders, and any successor collateral agent appointed hereunder pursuant to Section 9.7.

"Commitment" means, relative to any Lender, such Lender's obligations to make Revolving Loans and participate in Letters of Credit pursuant to Sections 2.1 and 2.14, initially in the amount and percentage set forth opposite its signature hereto or pursuant to Section 10.10, as such obligations may be reduced or increased from time to time as expressly provided pursuant to this Agreement.

"Commitment Termination Date" means the earliest of (i) December 26, 2002, or such later date to which the Commitments have been extended pursuant to Section 2.16, (ii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.15, and (iii) the occurrence of any Event of Default described in Section 7.1(f) or (g) with respect to the Borrower or the occurrence and continuance of any other Event of Default and either (x) the declaration of the Loans to be due and payable pursuant to Section 7.2, or (y) in the absence of such declaration, the giving of written notice by the Administrative Agent, acting at the direction of the Required Lenders, to the Borrower pursuant to Section 7.2 that the Commitments have been terminated.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.5.

Competitive Bid Rate" means, with respect to any Competitive Bid, the Competitive Margin or the Competitive Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.5.

"Competitive Borrowing" means a Borrowing of a Competitive Loan or group of Competitive Loans pursuant to Section 2.5.

"Competitive Fixed Rate" means, with respect to any Competitive Loan (other than a Competitive Margin Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Competitive Fixed Rate Loan" means a Competitive Loan bearing interest at a Competitive Fixed Rate.

"Competitive Loan" means a Competitive Margin Loan or a Competitive Fixed Rate Loan made pursuant to Section 2.5.

"Competitive Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBOR Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBOR Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Competitive Margin Loan" means a Competitive Loan bearing interest determined by reference to the LIBOR Rate and a Competitive Margin.

"Compliance Certificate" means a certificate in the form of Exhibit 6.6.

"Confidential Information Memorandum" shall mean the Confidential Executive Summary of the Borrower dated November 2001, as the same may be amended, restated and supplemented from time to time and distributed to the Lenders prior to the Effective Date.

"Consolidated EBITDA" means, for any period, for the Borrower and its Subsidiaries, the sum of (a) net income or net loss (before discontinued operations and income or loss resulting from extraordinary items), plus (b) the sum of (i) Consolidated Interest Expense, (ii) income tax expense, (iii) depreciation expense, (iv) amortization expense, and (v) other non-cash charges, all determined in accordance with GAAP on a consolidated basis for the Borrower and its Subsidiaries (excluding, in the case of the foregoing clauses (a) and (b), any net income or net loss and expenses and charges of any SPVs or other Persons that are not Subsidiaries), plus (c) dividends or distributions received during such period by the Borrower and its Subsidiaries from SPVs and any other Persons that are not Subsidiaries. For purposes of the foregoing, Consolidated EBITDA for the Borrower and its Subsidiaries shall not include any such amounts attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such amounts relate to any period prior to the acquisition thereof.

"Consolidated Indebtedness" means all Indebtedness of the Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of such Persons prepared in accordance with GAAP.

"Consolidated Indebtedness to Total Capitalization Ratio" means, at any time, the ratio of Consolidated Indebtedness at such time to Total Capitalization at such time.

"Consolidated Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries on a consolidated basis for such period, in connection with Indebtedness, all as determined in accordance with GAAP, but excluding capitalized interest expense and interest expense attributable to expected federal income tax settlements. For purposes of the foregoing, Consolidated Interest Expense for the Borrower and its Subsidiaries shall not include any such interest expense attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such interest expense relates to any period prior to the acquisition thereof.

"Consolidated Net Assets" means, as of any date of determination, an amount equal to the aggregate book value of the assets of the Borrower, its Subsidiaries and, to the extent of the equity interest of the Borrower and its Subsidiaries therein, SPVs at such time, minus the current liabilities of the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, consolidated shareholders equity of the Borrower and its Subsidiaries determined in accordance with GAAP (but excluding the effect on shareholders equity of (i) cumulative foreign exchange translation adjustments and (ii) any non-cash asset impairment charges taken by the Borrower solely as a result of the application to the Borrower's financial statements of Financial Accounting Standards Board Statement No. 142). For purposes of this definition, SPVs shall be accounted for pursuant to the equity method of accounting.

"Controlling Affiliate" means for the Borrower, (i) any other Person that directly or indirectly through one or more intermediaries controls, or is under common control with, the Borrower (other than Persons controlled by the Borrower), and (ii) any other Person owning beneficially or controlling ten percent (10%) or more of the equity interests in the Borrower. As used in this definition, "control" means the power, directly or indirectly, to direct or cause the direction of management or policies of a Person (through ownership of voting securities or other equity interests, by contract or otherwise).

"Credit Documents" means this Agreement, the Notes, the Applications, the Letters of Credit, and any Subsidiary Guaranties in effect from time to time.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Dollar" and "U.S. Dollar" and the sign "$" mean lawful money of the United States of America.

"Effective Date" means the date this Agreement shall become effective as defined in Section 10.16.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating to any Environmental Law ("Claims") or any permit issued under any Environmental Law, including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial or administrative order, consent, decree or judgment, relating to the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by

reference to (i) in the case of a Revolving Loan or Revolving Borrowing, or a Term Loan or Term Loan Borrowing, Adjusted LIBOR and the Applicable Margin, or (ii) in the case of a Competitive Loan or Competitive Borrowing, the LIBOR Rate and the Competitive Margin.

"Eurocurrency Loan" means a Eurocurrency Revolving Loan, Eurocurrency Term Loan, or a Competitive Margin Loan, as the case may be.

"Eurocurrency Revolving Loan" means a Revolving Loan bearing interest before maturity at the rate specified in Section 2.8(b).

"Eurocurrency Term Loan" means a Term Loan bearing interest before maturity at the rate specified in Section 2.8(b).

"Event of Default" means any of the events or circumstances specified in Section 7.1.

"Existing 364-Day Revolving Credit Facility" means the 364-Day Credit Agreement dated as of December 29, 2000, among the Borrower, the lenders parties thereto, SunTrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent.

"Five-Year Credit Agreement" means the Credit Agreement dated as of December 29, 2000, among the Borrower, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, as the same may be amended, supplemented and restated from time to time.

"Foreign Plan" means any pension, profit sharing, deferred compensation, or other employee benefit plan, program or arrangement maintained by any foreign Subsidiary of the Borrower which, under applicable local law, is required to be funded through a trust or other funding vehicle, but shall not include any benefit provided by a foreign government or its agencies.

"GAAP" means generally accepted accounting principles from time to time in effect as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements, opinions and pronouncements by such other entity as may be approved by a significant segment of the U.S. accounting profession.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantor" means any Subsidiary of the Borrower required to execute and deliver a Subsidiary Guaranty hereunder pursuant to Section 6.11, in each case unless and until the relevant Subsidiary Guaranty is released pursuant to Section 6.11.

"Guaranty" by any Person means all contractual obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business) of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or to purchase any property or assets constituting security therefor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness, in each case primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iii) to lease property, or to purchase securities or other property or services, of the primary obligor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iv) otherwise to assure the owner of such Indebtedness of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any Indebtedness shall be deemed to be equal to the amount that would apply if such Indebtedness was the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of the Guaranty.

"Hazardous Material" shall have the meaning assigned to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall also include petroleum, including crude oil or any fraction thereof, or any other substance defined as "hazardous" or "toxic" or words with similar meaning and effect under any Environmental Law applicable to the Borrower or any of its Subsidiaries.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that any time or from time to time may be contracted for, taken, reserved, charged or received on any Loans, under laws applicable to any of the Lenders which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether any Loans are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, taken, reserved, charged or received from the Borrower in connection with the Loans.

"Indebtedness" means, for any Person, the following obligations of such Person, without duplication: (i) obligations of such Person for borrowed money; (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable and

accrued liabilities arising in the ordinary course of business and other than amounts which are being contested in good faith and for which reserves in conformity with GAAP have been provided; (iii) obligations of such Person evidenced by bonds, notes, bankers acceptances, debentures or other similar instruments of such Person, or obligations of such Person arising, whether absolute or contingent, out of letters of credit issued for such Person's account or pursuant to such Person's application securing Indebtedness; (iv) obligations of other Persons, whether or not assumed, secured by Liens (other than Permitted Liens) upon property or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, but only to the extent of such property's fair market value; (v) Capitalized Lease Obligations of such Person; (vi) obligations under Interest Rate Protection Agreements, and (vii) obligations of such Person pursuant to a Guaranty of any of the foregoing obligations of another Person; provided, however, Indebtedness shall exclude Non-recourse Debt. For purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture to the extent such Indebtedness is recourse to such Person.

"Initial Availability Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.11).

"Interest Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (i) Consolidated EBITDA for the four fiscal quarter period then ended, minus all cash dividends paid to shareholders of the Borrower, or to holders of preferred shares or other preferred equity interests issued by any Subsidiaries of the Borrower where such holders are Persons other than the Borrower or any of its Subsidiaries, during such four fiscal quarter period, and all cash income taxes paid during such four fiscal quarter period, to (ii) Consolidated Interest Expense for the four fiscal quarter period then ended.

"Interest Payment Date" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Competitive Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Competitive Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending (x) in the case of weekly Borrowings, on the same day of the next following week or second following week thereafter, and (y) in the case of monthly Borrowings, on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter (or with the consent of each Lender making a Loan as part of such Borrowing, any other period), in each case as the Borrower may elect, and (b) with respect to any Competitive Fixed Rate Borrowing, the period (which shall not be less than 7 days or

more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" shall mean any interest rate swap, interest rate cap, interest rate collar, or other interest rate hedging agreement or arrangement designed to protect against fluctuations in interest rates.

"Issuing Bank" is defined in the preamble.

"L/C Documents" means the Letters of Credit, any Issuance Requests and Applications with respect thereto, any draft or other document presented in connection with a drawing thereunder, and this Agreement.

"L/C Obligations" means the undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lead Arranger" means SunTrust Equitable Securities Corporation, acting in its capacity as lead arranger and book runner for the credit facilities described in this Agreement.

"Lender" is defined in the preamble.

"Lending Office" means the branch, office or affiliate of a Lender specified on the appropriate signature page hereof, or designated pursuant to Sections 8.4 or 10.10, as the office through which it will make its Loans hereunder for each type of Loan available hereunder.

"Letter of Credit" means any of the letters of credit to be issued by the Issuing Bank for the account of the Borrower pursuant to Section 2.14(a).

"LIBOR Rate" means, relative to any Interest Period for each Eurocurrency Borrowing, the rate per annum quoted at or about 11:00 a.m. (London, England time) two Business Days before the commencement of such Interest Period on that page of the Reuters, Telerate or Bloombergs reporting service (as then being used by the Administrative Agent to obtain such interest rate quotes) that displays British Bankers' Association interest settlement rates for deposits in Dollars, or if such page or such service shall cease to be available, such other page or other service (as the case may be) for the purpose of displaying British Bankers' Association interest settlement rates as reasonably determined by the Administrative Agent upon advising the Borrower as to the use of any such other service. If for any reason any such settlement interest rate for such Interest Period is not available to the Administrative Agent through any such interest rate reporting service, then the "LIBOR Rate" with respect to such Eurocurrency Borrowing will be the rate at which the Administrative Agent is offered deposits in Dollars of $5,000,000 for a period approximately equal to such Interest Period in the London interbank market at 10:00 a.m. two Business Days before the commencement of such Interest Period.

"Lien" means any interest in any property or asset in favor of a Person other than the owner of such property or asset and securing an obligation owed to, or a claim by, such Person, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes.

"Loan" means (i) a Base Rate Loan, (ii) a Eurocurrency Revolving Loan, (iii) a Competitive Margin Loan, (iv) a Competitive Fixed Rate Loan, or (v) a Eurocurrency Term Loan, as the case may be, and "Loans" means two or more of any such Loans.

"Managing Agents" means, collectively, The Bank of Nova Scotia, Credit Lyonnais New York Branch, HSBC Bank USA, and Westdeutsche Landesbank Girozentrale, New York Branch, in their capacities as managing agents for the Lenders, and any successor Managing Agents appointed pursuant to Section 9.7; provided, however, that no such Managing Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Material Adverse Effect" means a material adverse effect on (i) the business, assets, operations or condition of the Borrower and its Subsidiaries taken as a whole, or (ii) the Borrower's ability to perform any of its payment obligations under the Agreement or the Notes, or in respect of the Letters of Credit.

"Maturity Date" means the earlier of (i) the Commitment Termination Date or, if the Borrower has exercised the Term Loan Option, December 26, 2003, and (ii) the date on which the Loans have become due and payable pursuant to Section 7.2 or 7.3.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Non-recourse Debt" means with respect to any Person (i) obligations of such Person against which the obligee has no recourse to such Person except as to certain named or described present or future assets or interests of such Person, and (ii) the obligations of SPVs to the extent the obligee thereof has no recourse to the Borrower or any of its Subsidiaries, except as to certain specified present or future assets or interests of SPVs.

"Note" means any of the promissory notes of the Borrower defined in Section 2.10.

"Obligations" means all obligations of the Borrower to pay fees, costs and expenses hereunder, to pay principal or interest on Loans and Reimbursement Obligations and to pay any other obligations to the Administrative Agent or any Lender or Issuing Bank arising under any Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage" means, for each Lender, the percentage of the Commitments represented by such Lender's Commitment; provided, that, if the Commitments are terminated, each Lender's Percentage shall be calculated based on such Lender's pro rata share of the total Loans and L/C Obligations then outstanding or, if no Loans or L/C Obligations are then outstanding, its

Commitment in effect immediately before such termination, subject to any assignments by such Lender of Obligations pursuant to Section 10.10.

"Performance Guaranties" means all Guaranties of the Borrower or any of its Subsidiaries delivered in connection with the construction financing of drill ships, offshore mobile drilling units or offshore drilling rigs for which firm drilling contracts have been obtained by the Borrower, any of its Subsidiaries or a SPV.

"Performance Letters of Credit" means all letters of credit for the account of the Borrower, any Subsidiary or a SPV issued as support for Non-recourse Debt or a Performance Guaranty.

"Permitted Business" has the meaning ascribed to such term in Section 6.8.

"Permitted Liens" means the Liens permitted as described in Section 6.10.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by the Borrower or any of its Subsidiaries, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made or had an obligation to make contributions.

"Reimbursement Obligations" has the meaning ascribed to such term in Section 2.14(c).

"Related Credit Extensions" has the meaning ascribed to such term in Section 2.16(c).

"Required Lenders" means, (i) prior to the conversion of any Revolving Loans to Term Loans pursuant to Section 2.3, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article 7, and for all purposes after the Loans become due and payable pursuant to Article 7 or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders, and (ii) on and after the conversion of any Revolving Loans to Term Loans pursuant to Section 2.3, Lenders having outstanding Term Loans representing more than 50% of the sum of the total Term Loans outstanding at such time.

"Revolving Credit" means the credit facility for making Revolving Loans and issuing Letters of Credit described in Sections 2.1 and 2.14.

"Revolving Credit Commitment Amount" means an amount equal to $250,000,000, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum at such time, without duplication, of (i) such Lender's applicable Percentage of the principal amounts of the outstanding Revolving Loans, and (ii) such Lender's applicable Percentage of the aggregate outstanding L/C Obligations.

"Revolving Loan" means each of the revolving loans defined in Section 2.1.

"Revolving Obligations" means the sum of the principal amount of all Revolving Loans and L/C Obligations outstanding.

"Revolving/Term Notes" means certain promissory notes of the Borrower as defined in Section 2.10.

"Sale-Leaseback Transaction" means any arrangement whereby the Borrower or a Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

"S&P" means Standard & Poor's Ratings Group or any successor thereto.

"SPV" means any Person that is designated by the Borrower as a SPV, provided that the Borrower shall not designate as a SPV any Subsidiary that owns, directly or indirectly, any other Subsidiary that has total assets (including assets of any Subsidiaries of such other Subsidiary, but excluding any assets that would be eliminated in consolidation with the Borrower and its Subsidiaries) which equates to at least five percent (5%) of the Borrower's Total Assets, or that had net income (including net income of any Subsidiaries of such other Subsidiary, all before discontinued operations and income or loss resulting from extraordinary items, all determined in accordance with GAAP, but excluding revenues and expenses that would be eliminated in consolidation with the Borrower and its Subsidiaries) during the most recently completed fiscal year of the Borrower in excess of the greater of (i) $1,000,000, and (ii) fifteen percent (15%) of the net income (before discontinued operations and income or loss resulting from extraordinary items) for the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP during such fiscal year of the Borrower. The Borrower may elect to treat any Subsidiary as a SPV (provided such Subsidiary would otherwise qualify as such), and may rescind any such prior election, by giving written notice thereof to the Administrative Agent specifying the name of such Subsidiary or SPV, as the case may be, and the effective date of such election, which shall be a date within sixty (60) days after the date such notice is given. The election to treat a particular Person as a SPV may only be made once.

"Significant Subsidiary" has the meaning ascribed to it under Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended.

"Statutory Reserve Rate" means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number 1 and the denominator of which is the number 1 minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D of the Board of Governors of the Federal Reserve System. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, for any Person, any other Person (other than, except in the context of Section 6.6(a), a SPV) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the board of directors of such corporation, any managers of such limited liability company or similar governing body (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency), is at the time directly or indirectly owned by such former Person or by one or more of its Subsidiaries.

"Subsidiary Debt Basket Amount" has the meaning ascribed to such term in Section 6.11(i).

"Subsidiary Guaranty" means any Guaranty of any Subsidiary delivered pursuant to Section 6.11(j).

"Taxes" has the meaning set forth in Section 5.12.

"Term Loan" means each of the term loans defined in Section 2.3.

"Term Loan Option" means the Borrower's option to convert outstanding Revolving Loans to Term Loans on December 26, 2002, as provided in Section 2.3.

"Total Assets" means, as of any date of determination, the aggregate book value of the assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date.

"Total Capitalization" means, as of any date of determination, the sum of Consolidated Indebtedness plus Consolidated Net Worth as of such date.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to

Adjusted LIBOR or the Base Rate (in the case of a Revolving Loan or Revolving Loan Borrowing, or a Term Loan or Term Loan Borrowing), or the LIBOR Rate or a Competitive Fixed Rate (in the case of a Competitive Loan or Borrowing).

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower or any of its Subsidiaries to the PBGC or such Plan.

Section 1.2. Time of Day. Unless otherwise expressly provided, all references to time of day in this Agreement and the other Credit Documents shall be references to New York, New York time.

Section 1.3. Accounting Terms; GAAP. Except as otherwise expressly provided herein, and subject to the provisions of Section 10.19, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

ARTICLE 2. THE CREDIT FACILITIES.

Section 2.1. Commitments for Revolving Loans. Subject to the terms and conditions hereof, each Lender severally and not jointly agrees to make one or more loans (each a"Revolving Loan") to the Borrower from time to time prior to the Commitment Termination Date on a revolving basis in an aggregate amount not to exceed at any time outstanding an amount equal to its Commitment, subject to any reductions thereof pursuant to the terms of this Agreement;provided,however, that no Lender shall be permitted or required to make any Revolving Loan if, after giving effect thereto, (i) the aggregate principal amount of the Revolving Loans, the Competitive Loans and the L/C Obligations of all Lenders would thereby exceed the Revolving Credit Commitment Amount then in effect; or (ii) the Revolving Credit Exposure of such Lender would thereby exceed its Commitment then in effect. Each Borrowing of Revolving Loans shall be made ratably from the Lenders in proportion to their respective Percentages. Revolving Loans may be repaid, in whole or in part, and all or any portion of the principal amount thereof reborrowed, before the Commitment Termination Date, subject to the terms and conditions hereof. Funding of all Revolving Loans shall be in Dollars.

Section 2.2. Types of Revolving Loans and Minimum Borrowing Amounts. Borrowings of Revolving Loans may be outstanding as either Base Rate Loans or Adjusted LIBOR Loans, as selected by the Borrower pursuant to Section 2.4. Each such Borrowing of Base Rate Loans shall be in an amount of not less than $1,000,000 and each such Borrowing of Adjusted LIBOR Loans shall be in an amount of not less than $5,000,000 and in an integral multiple of $100,000.

Section 2.3. Term Loan Option. Unless an Event of Default has occurred and is continuing, the Borrower may elect that the Revolving Loans of each Lender outstanding on December 26, 2002, up to an aggregate principal amount for all Lenders of $125,000,000, be converted into term loans (each a "Term Loan"), maturing in one installment on December 26,

2003. In order to exercise the foregoing option, the Borrower shall give irrevocable written notice of its intent to exercise such option effective as of December 26, 2002, which notice (i) must be received by the Administrative Agent not earlier than 45 days and not later than 5 Business Days prior to December 26, 2002, (ii) shall specify the principal amount of Revolving Loans to be so converted to Term Loans on such date, and (iii) shall constitute a representation and warranty by the Borrower that all conditions set forth in Section 4.2 will be satisfied as of December 26, 2002. If the aggregate outstanding principal amount of the Revolving Loans on December 26, 2002 exceed the amount specified for conversion to Term Loans pursuant to such written notice from the Borrower, the Borrower shall repay on such date the Revolving Loans in the amount of such excess on a pro rata basis according to the Revolving Loans then held by the Lenders. Term Loans may be outstanding as either Base Rate Loans or Adjusted LIBOR Loans, as selected by the Borrower pursuant to Section 2.4(b). Borrowings of Term Loans outstanding as Base Rate Loans shall be in an amount of not less than $1,000,000, and Borrowings of Term Loans outstanding as Adjusted LIBOR Loans shall be in an amount of not less than $5,000,000 and in an integral multiple of $100,000. Term Loans may be prepaid in accordance with Section 2.11, but no amounts prepaid may be re-borrowed.

Section 2.4. Manner of Borrowings; Continuations and Conversions of Borrowings.

(a) Notice of Revolving Loan Borrowings. The Borrower shall give notice to the Administrative Agent by no later than 12:00 p.m. (i) at least three (3) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Revolving Loans, and (ii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Revolving Loans, in each case pursuant to a duly executed Borrowing Request substantially in the form of Exhibit 2.4 (each a "Borrowing Request"). The Loans included in each Revolving Borrowing shall bear interest initially at the type of rate specified in the Borrowing Request with respect to such Borrowing.

(b) Notice of Continuation or Conversion of Outstanding Borrowings. The Borrower may from time to time elect to change or continue the type of interest rate borne by each Revolving Loan Borrowing or Term Loan Borrowing, as the case may be, or, subject to the minimum amount requirements in Sections 2.2 and 2.3 for each outstanding Revolving Loan Borrowing or Term Loan Borrowing, as the case may be, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans for an Interest Period specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans on the last day of the Interest Period applicable thereto, or the Borrower may earlier convert part or all of such Borrowing into Base Rate Loans so long as it pays the breakage fees and funding losses provided in Section 2.13; and (ii) if such Borrowing is of Base Rate Loans, the Borrower may convert all or part of such Borrowing into Eurocurrency Loans for an Interest Period specified by the Borrower on any Business Day, in each case pursuant to notices of continuation or conversion as set forth below. The Borrower may select multiple Interest Periods for the Eurocurrency Loans constituting any such particular Borrowing, provided that at no time shall the number of different Interest Periods for outstanding Eurocurrency Loans exceed twenty (20) (it being understood for such purposes that (x) Interest Periods of the same duration, but commencing on different dates, shall be counted as different Interest Periods, and (y) all Interest Periods commencing on the same date

and of the same duration shall be counted as one Interest Period regardless of the number of Borrowings or Loans involved. Notices of the continuation of such Eurocurrency Loans for an additional Interest Period or of the conversion of part or all of such Eurocurrency Loans into Base Rate Loans or of such Base Rate Loans into Eurocurrency Loans must be given by no later than 12:00 p.m. at least three (3) Business Days before the date of the requested continuation or conversion.

(c) Manner of Notice. The Borrower shall give such notices concerning the advance, continuation, or conversion of a Borrowing pursuant to this Section 2.4 by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing) pursuant to a Borrowing Request which shall specify the date of the requested advance, continuation or conversion (which shall be a Business Day), the amount of the requested Borrowing, whether such Borrowing is to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or facsimile notice given by any Person it in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation and that, if any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

(d) Notice to the Lenders. The Administrative Agent shall give prompt telephonic, telex or facsimile notice to each Lender of any notice received pursuant to this Section 2.4 relating to a Revolving Loan Borrowing or Term Loan Borrowing. The Administrative Agent shall give notice to the Borrower and each Lender by like means of the interest rate applicable to each Borrowing of Eurocurrency Loans (but, if such notice is given by telephone, the Administrative Agent shall confirm such rate in writing) promptly after the Administrative Agent has made such determination.

(e) Borrower's Failure to Notify. If the Borrower fails to give notice pursuant to this Section 2.4 of (i) the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Loans, or (ii) a Borrowing of Revolving Loans to pay outstanding Reimbursement Obligations, and has not notified the Administrative Agent by 12:00 p.m. at least three (3) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Loans, or by the day such Reimbursement Obligation becomes due, as the case may be, that it intends to repay such Borrowing or Reimbursement Obligation, the Borrower shall be deemed to have requested, as applicable, (x) the continuation of such Borrowing as a Eurocurrency Loan with an Interest Period of one (1) month or (y) the advance of a new Borrowing of Base Rate Loans on such day in the amount of the Reimbursement Obligation then due, which Borrowing pursuant to this clause (y) shall be deemed to have been funded on such date by the Lenders in accordance with this Section 2.4 and to have been applied on such day to pay the Reimbursement Obligation then due, in each case so long as no Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing but otherwise disregarding the conditions to Borrowings set forth in Section 4.2. Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan, and

(ii) the obligation of the Lenders to make, continue or convert Loans into Eurocurrency Loans shall be suspended.

(f) Conversion. If the Borrower shall elect to convert any particular Borrowing pursuant to this Section 2.4 from one Type of Loan to the other only in part, then, from and after the date on which such conversion shall be effective, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence) be deemed to instead constitute two Borrowings (each originally advanced on the same date as such particular Borrowing), one comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Loans in an aggregate principal amount equal to the portion of such Borrowing so elected by the Borrower to be comprised of Eurocurrency Loans and the second comprised of (subject to subsequent conversion in accordance with this Agreement) Base Rate Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to be comprised of Base Rate Loans. If the Borrower shall elect to have multiple Interest Periods apply to any such particular Borrowing comprised of Eurocurrency Loans, then, from and after the date such multiple Interest Periods commence, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence), be deemed to constitute a number of separate Borrowings (each originally commencing on the same date as such particular Borrowing) equal to the number of, and corresponding to, the different Interest Periods so selected, each such deemed separate Borrowing corresponding to a particular selected Interest Period comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to have such Interest Period. This Section 2.4(f) shall be applied appropriately in the event that the Borrower shall make the elections described in the two preceding sentences at the same time with respect to the same particular Borrowing.

Section 2.5. Competitive Bid Procedure.

(a) Competitive Bid Requests. Subject to the terms and conditions set forth herein, from time to time before the Commitment Termination Date, the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone in the case of a Borrowing of Competitive Margin Loans, not later than 11:00 a.m., four (4) Business Days before the date of the proposed Borrowing and, in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 10:00 a.m., one (1) Business Day before the date of the proposed Borrowing; provided that a Competitive Bid Request shall not be made within five (5) Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bids received in response thereto shall have been withdrawn, rejected or accepted. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in the form of Exhibit 2.5A or such other form as shall be approved by the Administrative Agent and the Borrower and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.4(a):

(i) the aggregate amount of the requested Competitive Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to consist of Competitive Margin Loans or Competitive Fixed Rate Loans;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Competitive Bids. Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in the form of Exhibit 2.5B or such other form as shall be approved by the Administrative Agent and the Borrower and must be received by the Administrative Agent by telecopy, in the case of a Borrowing of Competitive Margin Loans, not later than 9:30 a.m., three (3) Business Days before the proposed date of such Borrowing, and in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 9:30 a.m., on the proposed date of such Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be equal to or greater than $10,000,000 and in an integral multiple of $100,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) Notice to Borrower. The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate or Rates and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Acceptance of Competitive Bids. Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of Exhibit 2.5D or such other form as shall be approved by the Administrative Agent and the Borrower, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Borrowing of Competitive Margin Loans, not later than 10:30 a.m., three (3) Business Days before the date of

the proposed Borrowing, and in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 10:30 a.m. on the date of the proposed Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made pursuant to the same Competitive Bid Request at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is equal to or greater than $10,000,000 and in an integral multiple of $100,000; provided further that if a Competitive Loan must be in an amount less than $10,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 and in any integral multiple of $100,000, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv), the amounts shall be rounded to integral multiples of $100,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) Notice of Acceptance. The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) Submission of Competitive Bid by Administrative Agent. If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

Section 2.6. Interest Periods. As provided in Sections 2.4 and 2.5, at the time of each request for a Borrowing of Eurocurrency Loans or Competitive Fixed Rate Loans, or for the continuation or conversion of any Borrowing of Eurocurrency Revolving Loans or Eurocurrency Term Loans, the Borrower shall select the Interest Period(s) to be applicable to such Loans from among the available options, subject to the limitations in Sections 2.4 and 2.5;provided, however, that:

(i) the Borrower may not select an Interest Period for a Borrowing of Revolving Loans or Competitive Bid Loans that extends beyond the Commitment Termination Date, except with respect to Revolving Loans (in an aggregate amount not to exceed the amount specified for conversion to Term Loans in the written notice specified in Section 2.3) having an Interest Period commencing after the Borrower has given the

Administrative Agent the notice of exercise of the Term Loan Option pursuant to Section 2.3;

(ii) the Borrower may not select an Interest Period for a Borrowing of Term Loans that extends beyond the Maturity Date;

(iii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall either be (i) extended to the next succeeding Business Day, or (ii) in the case of Eurocurrency Loans only, reduced to the immediately preceding Business Day if the next succeeding Business Day is in the next calendar month; and

(iv) for purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no such numerically corresponding day in the month in which an Interest Period is to end or if an Interest Period begins on the last Business Day of a calendar month, then in the case of Eurocurrency Loans only, such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7. Funding of Loans.

(a) Disbursement of Loans. Not later than 12:00 p.m. with respect to
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Borrowings of Eurocurrency Revolving Loans and Competitive Fixed Rate Loans, and 2:00 p.m. with respect to Base Rate Revolving Loans, on the date of any requested advance of a new Borrowing of Loans, each Lender, subject to all other provisions hereof, shall make available its Loan comprising its portion of such Borrowing in funds immediately available in Atlanta, Georgia for the benefit of the Administrative Agent and according to the payment instructions of the Administrative Agent. The Administrative Agent shall make the proceeds of each such Borrowing available in immediately available funds to the Borrower (or as directed in writing by the Borrower) on such date. In the event that any Lender does not make such amounts available to the Administrative Agent by the time prescribed above, but such amount is received later that day, such amount may be credited to the Borrower in the manner described in the preceding sentence on the next Business Day (with interest on such amount to begin accruing hereunder on such next Business Day) provided that acceptance by the Borrower of any such late amount shall not be deemed a waiver by the Borrower of any rights it may have against such Lender. No Lender shall be responsible to the Borrower for any failure by another Lender to fund its portion of a Borrowing, and no such failure by a Lender shall relieve any other Lender from its obligation, if any, to fund its portion of a Borrowing.

(b) Administrative Agent Reliance on Lender Funding. Unless the
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Administrative Agent shall have been notified by a Lender before the date on which such Lender is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Administrative Agent may assume that such Lender has made such payment when due and in reliance upon such assumption may (but shall not be required to) make available to the Borrower

the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Lender together with interest thereon for each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Administrative Agent at a rate per annum equal to the Administrative Agent's cost of funds for such amount. If such amount is not received from such Lender by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but the Borrower will in no event be liable to pay any amounts otherwise due pursuant to Section 2.13 in respect of such repayment. Nothing in this subsection shall be deemed to relieve any Lender from any obligation to fund any Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.8. Applicable Interest Rates.

(a) Base Rate Loans. Each Base Rate Loan shall bear interest (computed on the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Eurocurrency Revolving Loan or Eurocurrency Term Loan, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the Base Rate from time to time in effect. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise).

(b) Eurocurrency Loans. Each Eurocurrency Loan (whether a Revolving Loan, Competitive Loan or Term Loan) shall bear interest (computed on the basis of a 360-day year and actual days elapsed, excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Revolving Loans or Eurocurrency Term Loans, conversion to a Base Rate Loan at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the sum of Adjusted LIBOR plus the Applicable Margin (in the case of Eurocurrency Revolver Loans or Eurocurrency Term Loans) or LIBOR Rate plus the Competitive Margin (in the case of Competitive Margin Loans), as the case may be. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Revolving Loans or Eurocurrency Term Loans, conversion to a Base Rate Loan.

(c) Competitive Fixed Rate Loans. Each Competitive Fixed Rate Loan shall bear interest (computed on the basis of a 360-day year and actual days elapsed, in each case excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) at a rate per annum equal to the Competitive Fixed Rate applicable to such Loan. The Borrower agrees to pay such interest on each Interest Payment Date applicable to such Competitive Fixed Rate Loan and at maturity (whether by acceleration or otherwise).

(d) Rate Determinations. The Administrative Agent shall determine each interest rate applicable to the Loans and Reimbursement Obligations hereunder insofar as such interest rate involves a determination of Base Rate, Adjusted LIBOR or LIBOR Rate, or any applicable default rate pursuant to Section 2.9, and such determination shall be conclusive and binding except in the case of the Administrative Agent's manifest error or willful misconduct. The Administrative Agent shall promptly give notice to the Borrower and each Lender of each determination of Adjusted LIBOR, and to the Borrower and each Lender submitting a Competitive Bid of each determination of LIBOR Rate, with respect to each Eurocurrency Loan.

Section 2.9. Default Rate. If any payment of principal on any Loan is not made when due after the expiration of the grace period therefor provided in Section 7.1(a) (whether by acceleration or otherwise), or any Reimbursement Obligation is not paid when due as provided in Section 2.14(c), such Loan or Reimbursement Obligation shall bear interest (computed on the basis of a year of 360, 365 or 366 days, as applicable, and actual days elapsed) after any such grace period expires until such principal then due is paid in full, which the Borrower agrees to pay on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due);

(b) for any Eurocurrency Loan (whether a Eurocurrency Revolving Loan, Competitive Margin Loan, or Eurocurrency Term Loan), the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at a rate per annum equal to the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due);

(c) for any Competitive Fixed Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Competitive Fixed Rate in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at the rate of interest that would otherwise apply to a Eurocurrency Revolving Loan pursuant to paragraph (b) above; and

(d) for any unpaid Reimbursement Obligations, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due).

It is the intention of the Administrative Agent and the Lenders to conform strictly to usury laws applicable to them. Accordingly, if the transactions contemplated hereby or any Loan or other Obligation would be usurious as to any of the Lenders under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement, the Notes or any other Credit Document), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes or any other Credit

Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to such Lender that is contracted for, taken, reserved, charged or received by such Lender under this Agreement, the Notes or any other Credit Document or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or, if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Loans is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to such Lender may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Agreement, the Notes, any other Credit Document or otherwise shall be automatically canceled by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower). To the extent that the Texas Finance Code, Chapters 302 and 303, are relevant to the Administrative Agent and the Lenders for the purpose of determining the Highest Lawful Rate, the Administrative Agent and the Lenders hereby elect to determine the applicable rate ceiling under such Article by the indicated (weekly) rate ceiling from time to time in effect, subject to their right subsequently to change such method in accordance with applicable law. In the event the Loans and all Reimbursement Obligations are paid in full by the Borrower prior to the full stated term of the Loans and the interest received from the actual period of the existence of the Loans exceeds the Highest Lawful Rate, the Lenders shall refund to the Borrower the amount of the excess or shall credit the amount of the excess against amounts owing under the Loans and none of the Administrative Agent or the Lenders shall be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. The Texas Finance Code, Chapter 346, which regulates certain revolving credit loan accounts and revolving tri-party accounts, shall not apply to this Agreement or the Loans.

Section 2.10. Repayment of Loans; Evidence of Debt.

(a) Repayment of Loans. The Borrower hereby promises to pay to the
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Administrative Agent (i) for the account of each Lender, on the Commitment Termination Date, the unpaid amount of each Revolving Loan then outstanding, except to the extent such Revolving Loan is converted to a Term Loan pursuant to the Borrower's exercise of the Term Loan Option (in which case payment shall be made in respect of such Loan pursuant to clause (iii) below), (ii) for the account of each Lender that has made a Competitive Loan to the Borrower, on the last day of the Interest Period applicable to such Loan, or, if earlier, on the Commitment Termination Date, the unpaid amount of each Competitive Loan then outstanding that is owed to such Lender, and (iii) for the account of each Lender, on the Maturity Date, the unpaid amount of each Term Loan then outstanding.

(b) Record of Loans by Lenders. Each Lender shall maintain in
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accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such

Lender resulting from each Loan made by such Lender, including the amounts of principal and accrued interest payable and paid to such Lender from time to time hereunder.

(c) Record of Loans by Administrative Agent. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or accrued interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) Evidence of Obligations. The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Notes. The Revolving Loans outstanding to the Borrower from each Lender shall, at the request of such Lender, be evidenced by promissory notes of the Borrower payable to such Lender in the form of Exhibit 2.10A (each a "Revolving/Term Note"). The Competitive Loans outstanding to the Borrower from any Lender, shall at the request of such Lender, be evidenced by a promissory note of the Borrower payable to such Lender in the form of Exhibit 2.10B (each a "Competitive Note"). The Borrower agrees to execute and deliver to the Administrative Agent, for the benefit of each Lender requesting one or more promissory notes as aforesaid, an original of each such promissory note, appropriately completed, to evidence the respective Loans made by such Lender hereunder, within ten (10) Business Days after the Borrower receives a written request therefor.

(f) Recording of Loans and Payments on Notes. Each holder of a Note shall record on its books and records or on a schedule to its appropriate Note (and prior to any transfer of its Notes shall endorse thereon or on schedules forming a part thereof appropriate notations to evidence) the amount of each Loan outstanding from it to the Borrower, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan and, if a Eurocurrency Loan or a Competitive Fixed Rate Loan, the Interest Period and interest rate applicable thereto. Such record, whether shown on the books and records of a holder of a Note or on a schedule to its Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any holder to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans outstanding to it hereunder together with accrued interest thereon. At the request of any holder of a Note and upon such holder tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such holder to replace any outstanding Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11. Optional Prepayments. The Borrower shall have the privilege of prepaying Base Rate Loans without premium or penalty at any time in whole or at any time and

from time to time in part (but, if in part, then in an amount which is equal to or greater than $1,000,000);provided, however, that the Borrower shall have given notice of such prepayment to the Administrative Agent no later than 12:00 p.m. on the date of such prepayment. The Borrower shall have the privilege of prepaying Adjusted LIBOR Loans (a) without premium or penalty in whole or in part (but, if in part, then in an amount which is equal to or greater than $5,000,000 and in an integral multiple of $100,000) only on the last Business Day of an Interest Period for such Loan, and (b) at any other time so long as the breakage fees and funding losses provided for in Section 2.13 are paid; provided, however, that the Borrower shall have given notice of such prepayment to the Administrative Agent no later than 12:00 p.m. at least three (3) Business Days before the last Business Day of such Interest Period or the proposed prepayment date. The Borrower shall not have the right to prepay any Competitive Loan without the prior written consent of the Lender thereof unless the applicable Competitive Bid Request shall have so provided, the Borrower has given timely notice to the Lender of any such prepayment as may be required pursuant to the terms of the Competitive Bid Request, and the Borrower shall have paid to such Lender in connection with any such prepayment all amounts required to be paid in connection with such prepayment pursuant to the terms of the applicable Competitive Bid Request. Any such prepayments shall be made by the payment of the principal amount to be prepaid and accrued and unpaid interest thereon to the date of such prepayment. Unless otherwise specified in writing by the Borrower, optional prepayments shall be applied first, to the Revolving Loans, second, to the Reimbursement Obligations with respect to Letters of Credit, third, to the Competitive Loans, and fourth to any other Obligations then outstanding.

Section 2.12. Mandatory Prepayments of Loans. In the event and on each occasion that the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations exceeds the Revolving Credit Commitment Amount then in effect, then the Borrower shall promptly prepay Revolving Loans and/or Competitive Loans in an aggregate amount sufficient to eliminate such excess. Immediately upon determining the need to make any such prepayment, the Borrower shall notify the Administrative Agent of such required prepayment and of the identity of the particular Revolving Loans and/or Competitive Loans being prepaid. If the Administrative Agent shall notify the Borrower that the Administrative Agent has determined that any prepayment is required under this Section 2.12, the Borrower shall make such prepayment no later than the second Business Day following such notice. Any mandatory prepayment of Revolving Loans and/or Competitive Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in Section 2.11. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any applicable breakage fees and funding losses pursuant to Section 2.13.

Section 2.13. Breakage Fees. If any Lender incurs any loss, cost or expense (excluding loss of anticipated profits and other indirect or consequential damages) by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurocurrency Loan or Competitive Fixed Rate Loan as a result of any of the following events other than any such occurrence as a result of a change of circumstance described in Sections 8.1 or 8.2:

(a) any payment, prepayment or conversion of any such Loan on a date other than the last day of its Interest Period (whether by acceleration, mandatory prepayment or otherwise);

(b) any failure to make a principal payment of any such Loan on the due date therefor; or

(c) any failure by the Borrower to borrow, continue or prepay, or convert to, any such Loan on the date specified in a notice given pursuant to Section 2.4 or 2.5 (other than by reason of a default of such Lender),

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower a certificate executed by an officer of such Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) no later than ninety (90) days after the event giving rise to the claim for compensation, and the amounts shown on such certificate shall be prima facie evidence of such Lender's entitlement thereto. Within ten (10) days of receipt of such certificate, the Borrower shall pay directly to such Lender such amount as will compensate such Lender for such loss, cost or expense as provided herein, unless such Lender has failed to timely give notice to the Borrower of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.14. Letters of Credit.

(a) Letters of Credit. Subject to the terms and conditions hereof, the
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Issuing Bank agrees to issue, from time to time prior to the Commitment Termination Date, at the request of the Borrower and on behalf of the Lenders and in reliance on their obligations under this Section 2.14, one or more letters of credit (each a "Letter of Credit") for the Borrower's account in a face amount in each case of at least $500,000 and in an aggregate undrawn face amount for all Letters of Credit at any time outstanding not to exceed the Revolving Credit Commitment Amount; provided, that the Issuing Bank shall not be obligated to issue a Letter of Credit pursuant to this Section 2.14 if, after the issuance thereof, (i) the outstanding Revolving Loans, Competitive Loans, and L/C Obligations would thereby exceed the Revolving Credit Commitment Amount then in effect, or (ii) the issuance of such Letter of Credit would violate any legal or regulatory restriction then applicable to the Issuing Bank or any Lender as notified by the Issuing Bank or such Lender to the Administrative Agent before the date of issuance of such Letter of Credit. Letters of Credit and any increases and extensions thereof hereunder shall be issued in face amounts of Dollars.

(b) Issuance Procedure. To request that the Issuing Bank issue a
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Letter of Credit, the Borrower shall deliver to the Issuing Bank and the Administrative Agent (with a duplicate copy to an operations employee of the Issuing Bank as designated by the Issuing Bank from time to time) a duly executed Issuance Request substantially in the form of Exhibit 2.14A (each an
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"Issuance Request"), together with a duly executed application for the relevant Letter of Credit substantially in the form of Exhibit 2.14B (each an
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"Application"), or such other computerized issuance or application procedure, instituted from time to time by the Issuing Bank and the Administrative Agent and agreed to by the Borrower, completed to the reasonable satisfaction of the Issuing Bank and the Administrative Agent, and such other information as the Issuing Bank

and the Administrative Agent may reasonably request. In the event of any irreconcilable difference or inconsistency between this Agreement and an Application, the provisions of this Agreement shall govern. Upon receipt of a properly completed and executed Application and any other reasonably requested information at least three (3) Business Days prior to any requested issuance date, the Issuing Bank will process such Application in accordance with its customary procedures and issue the requested Letter of Credit on the requested issuance date. The Borrower may cancel any requested issuance of a Letter of Credit prior to the issuance thereof. The Issuing Bank will notify the Administrative Agent and each Lender of the amount, currency, and expiration date of each Letter of Credit it issues promptly upon issuance thereof. Each Letter of Credit shall have an expiration date no later than four (4) Business Days before the Commitment Termination Date. If the Issuing Bank issues any Letters of Credit with expiration dates that automatically extend unless the Issuing Bank gives notice that the expiration date will not so extend, the Issuing Bank will give such notice of non-renewal before the time necessary to prevent such automatic extension if (and will not give such notice of non-renewal before such time unless) before such required notice date (i) the expiration date of such Letter of Credit if so extended would be later than four (4) Business Days before the Commitment Termination Date, (ii) the Commitment Termination Date shall have occurred, (iii) a Default or an Event of Default exists and the Required Lenders have given the Issuing Bank instructions not to so permit the expiration date of such Letter of Credit to be extended, or (iv) the Issuing Bank is so directed by the Borrower. The Issuing Bank agrees to issue amendments to any Letter of Credit increasing its amount, or extending its expiration date, at the request of the Borrower, subject to the conditions precedent for all Borrowings of Section 4.2 and the other terms and conditions of this Section 2.14.

(c) The Borrower's Reimbursement Obligations.

(i) The Borrower hereby irrevocably and unconditionally agrees to reimburse the Issuing Bank for each payment or disbursement made by the Issuing Bank to settle its obligations under any draft drawn or other payment made under a Letter of Credit (a "Reimbursement Obligation") within two (2) Business Days from when such draft is paid or other payment is made with either funds not borrowed hereunder or with a Borrowing of Revolving Loans subject to Section 2.4 and the other terms and conditions contained in this Agreement. The Reimbursement Obligation shall bear interest (which the Borrower hereby promises to pay) from and after the date such draft is paid or other payment is made until (but excluding the date) the Reimbursement Obligation is paid at the lesser of (x) the Highest Lawful Rate, or (y) the Base Rate, in each case so long as the Reimbursement Obligation shall not be past due, and thereafter at the default rate per annum as set forth in Section 2.9(d), whether or not the Commitment Termination Date shall have occurred. If any such payment or disbursement is reimbursed to the Issuing Bank on the date such payment or disbursement is made by the Issuing Bank, interest shall be paid on the reimbursable amount for one (1) day. The Issuing Bank shall give the Borrower notice of any drawing on a Letter of Credit within one (1) Business Day after such drawing is paid.

(ii) The Borrower agrees for the benefit of the Issuing Bank and each Lender that, notwithstanding any provision of any Application, the obligations of the Borrower

under this Section 2.14(c) and each applicable Application shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement and each applicable Application under all circumstances whatsoever (other than the defense of payment in accordance with this Agreement), including, without limitation, the following circumstances (subject in all cases to the defense of payment in accordance with this Agreement):

(1) any lack of validity or enforceability of any of the L/C Documents;

(2) any amendment or waiver of or any consent to depart from all or any of the provisions of any of the L/C Documents;

(3) the existence of any claim, set-off, defense or other right the Borrower may have at any time against a beneficiary of a Letter of Credit (or any person for whom a beneficiary may be acting), the Issuing Bank, any Lender or any other Person, whether in connection with this Agreement, another L/C Document or any unrelated transaction;

(4) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(5) payment by the Issuing Bank under a Letter of Credit against presentation to the Issuing Bank of a draft or certificate that does not comply with the terms of the Letter of Credit; or

(6) any other act or omission to act or delay of any kind by the Issuing Bank, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.14(c), constitute a legal or equitable discharge of the Borrower's obligations hereunder, under an Issuance Request or under an Application;

provided, however, the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (but excluding consequential damages, which are hereby waived to the extent not prohibited by applicable law) suffered by the Borrower that are caused by the Issuing Bank's gross negligence or willful misconduct.

(d) The Participating Interests. Each Lender severally and not jointly agrees to purchase from the Issuing Bank, and the Issuing Bank hereby agrees to sell to each Lender, an undivided percentage participating interest, to the extent of its Percentage, in each Letter of Credit issued by, and Reimbursement Obligation owed to, the Issuing Bank in connection with a Letter of Credit. Upon any failure by the Borrower to pay any Reimbursement Obligation in connection with a Letter of Credit at the time required in Sections 2.14(c) and 2.4(c), or if the Issuing Bank is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment by the Borrower of any Reimbursement Obligation in connection with a Letter of Credit, the Issuing Bank shall promptly give notice of

same to each Lender, and the Issuing Bank shall have the right to require each Lender to fund its participation in such Reimbursement Obligation. Each Lender (except the Issuing Bank to the extent it is also a Lender) shall pay to the Issuing Bank an amount equal to such Lender's Percentage of such unpaid or recaptured Reimbursement Obligation not later than the Business Day it receives notice from the Issuing Bank to such effect, if such notice is received before 2:00 p.m., or not later than the following Business Day if such notice is received after such time. If a Lender fails to pay timely such amount to the Issuing Bank, it shall also pay to the Issuing Bank interest on such amount accrued from the date payment of such amount was made by the Issuing Bank to the date of such payment by the Lender at a rate per annum equal to the Base Rate in effect for each such day and only after such payment shall such Lender be entitled to receive its Percentage of each payment received on the relevant Reimbursement Obligation and of interest paid thereon. The several obligations of the Lenders to the Issuing Bank under this Section 2.14(d) shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment any Lender may have or have had against the Borrower, the Issuing Bank, and any other Lender or any other Person whatsoever including, but not limited to, any defense based on the failure of the demand for payment under the Letter of Credit to conform to the terms of such Letter of Credit or the legality, validity, regularity or enforceability of such Letter of Credit and INCLUDING, BUT NOT LIMITED TO, THOSE RESULTING FROM THE ISSUING BANK'S OWN SIMPLE OR CONTRIBUTORY NEGLIGENCE. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any subsequent reduction or termination of any Commitment of a Lender, and each payment by a Lender under this Section 2.14 shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.15. Commitment Terminations. The Borrower shall have the
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right at any time and from time to time, upon three (3) Business Days' prior and irrevocable written notice to the Administrative Agent, to terminate or reduce the Commitments without premium or penalty, in whole or in part, any reduction (i) to be in an amount not less than $5,000,000 as determined by the Borrower and in integral multiples of $5,000,000, and (ii) to be allocated ratably among the Lenders in proportion to their respective Commitments;provided, that the Revolving Credit Commitment Amount may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations, after giving effect to payments on such proposed termination or reduction date; provided, however, that to the extent the Borrower provides to the Administrative Agent cash collateral in an amount sufficient to cover such shortage or back-to-back letters of credit from a bank(s) or financial institution(s) whose short-term unsecured debt rating is rated A or above from either S&P or Moody's or such other bank(s) or financial institution(s) satisfactory to the Required Lenders in an amount equal to the undrawn face amount of any applicable outstanding Letters of Credit with an expiration date of at least five (5) days after the expiration date of any applicable Letter of Credit and which provide that the Administrative Agent may make a drawing thereunder in the event that it pays a drawing under such Letter of Credit. The Administrative Agent shall give prompt notice to each Lender of any such termination or reduction of the Commitments. Any termination of Commitments pursuant to this Section 2.15 is permanent and may not be reinstated.

Section 2.16. Extension of Commitments.

(a) The Borrower may, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) given not less than 30 days and not more than 60 days prior to December 26, 2002, request that the Lenders extend the Commitment Termination Date for an additional period of not more than 364 days as specified in such notice. Any such notice shall specify any fees that the Borrower agrees to pay as consideration for such extension, any changes to the Applicable Facility Fee Rate, Applicable Margin, and/or Applicable Utilization Fee Rate that will apply during the term of such extension and the amendments, if any, to the covenants contained herein or other provisions hereof proposed by the Borrower to be applicable during the term of such extension. Each Lender shall, by notice to the Borrower and the Administrative Agent given not earlier than the 30th day and not later than the 15th day prior to December 26, 2002, advise the Administrative Agent and the Borrower whether or not it agrees to such extension on the terms set forth in such notice. Any Lender that has not so advised the Administrative Agent by such day shall be deemed to have declined to agree to such extension.

(b) If (and only if) Lenders (including any Lenders becoming parties to this Agreement as contemplated by the last sentence of paragraph (c) below) holding more than 50% of the Commitments in effect prior to such extension shall have agreed to extend the Commitment Termination Date (each such Lender being called an "Extending Lender", and Lenders not having so agreed being called "Non-Extending Lenders"), then, if the Borrower shall so elect in a notice delivered to the Administrative Agent not earlier than the 15th day and not later than the 10th day prior to December 26, 2002, the Commitment Termination Date shall be extended as to such Extending Lenders for the additional period and on the terms specified in the Borrower's notice provided for under paragraph (a) and, if such terms vary from those contained in this Agreement, the Borrower and the Extending Lenders shall enter into an amendment to this Agreement to be effective as of December 26, 2002, pursuant to which such terms shall be given effect as to the Borrower and the Extending Lenders and, to the extent consistent with Section 10.11, the other Lenders.

(c) If less than all the Lenders consent to any extension request pursuant to paragraph (a), the Administrative Agent shall promptly so notify the Extending Lenders, and each Extending Lender may, in its sole discretion, give written notice to the Administrative Agent not later than 10 days prior to December 26, 2002, of the amount of the Non-Extending Lenders' Commitments, together with the corresponding amount of such Non-Extending Lenders' outstanding Loans and obligations and interests in respect of outstanding L/C Obligations (such corresponding amount of Loans and obligations and interests in respect of outstanding L/C Obligations being collectively referred to as the "Related Credit Extensions"), it is willing to accept and assume. If such Extending Lenders are willing to accept and assume Commitments and Related Credit Extensions in an aggregate amount that exceeds the amount of the Commitments and Related Credit Extensions of the Non-Extending Lenders, the Non-Extending Lenders' Commitments and Related Credit Extensions shall be allocated among Extending Lenders willing to accept and assume such Commitments and Related Credit Extensions in such amounts as shall be agreed between the Borrower and the Administrative Agent, and such Commitments and Related Credit Extensions shall be assigned, accepted and assumed in accordance with the provisions of Section 10.10. If after giving effect to the assignments

described above the full amount of the Commitments and Related Credit Extensions of the Non-Extending Lenders would not be assigned, accepted and assumed as set forth above prior to December 26, 2002, the Borrower may (i) arrange for one or more Extending Lenders or other assignees eligible to become Lenders hereunder (each, an "Extension Assuming Lender"), to accept and assume the unassigned amounts of the Commitments and Related Credit Extensions of the Non-Extending Lenders in accordance with Section 10.10 and become parties hereto with all the rights and obligations of Lenders hereunder, or (ii) subject to the requirements of paragraph (b) above, reduce the aggregate amount of the Commitments to an amount equal to the aggregate amount of Commitments held by all Extending Lenders and Extension Assuming Lenders all as of December 26, 2002.

On December 26, 2002:

(i) the Extending Lenders and Extension Assuming Lenders shall pay to the Non-Extending Lenders the principal amount of any outstanding Loans made by such Non-Extending Lenders, and any outstanding amounts paid by such Non-Extending Lenders pursuant to Section 2.14(d), all as assigned, accepted and assumed in accordance with this paragraph (c), together with any accrued interest thereon as of December 26, 2002;

(ii) any accrued fees and other amounts payable hereunder to any Non-Extending Lender as of December 26, 2002 shall be paid to such Non-Extending Lender by the Borrower or by such Extending Lenders and Extension Assuming Lenders, as may be agreed by such parties; and

(iii) with respect to any such Extension Assuming Lender, the applicable processing and recordation fee required under Section 10.10 shall be paid.

The Commitment of any Extension Assuming Lender shall in no event be less than $5,000,000 (subject to the fourth sentence of Section 10.10(b)) unless the Commitment of a Non-Extending Lender as of December 26, 2002 is less than $5,000,000, in which case such Extension Assuming Lender may accept and assume all of such lesser amount. Any such Non-Extending Lender's rights under Sections 2.13, 3.3, 8.3, 10.3, and 10.13, and its obligations under Section 9.6, shall survive such substitution as to matters occurring on or prior to December 26, 2002, (and if such Non-Extending Lender shall continue to have Loans outstanding after December 26, 2002, shall continue in effect following December 26, 2002).

At least three Business Days prior to the proposed effective date of any extension of the Commitment Termination Date pursuant to this Section, (A) each Extension Assuming Lender, if any, shall deliver to the Borrower and the Administrative Agent an Assignment Agreement or other agreement in a form approved by the Administrative Agent and the Borrower evidencing such Extension Assuming Lender's Commitment and Related Credit Extensions, duly executed by such Extension Assuming Lender, such Non-Extending Lender a Commitment and Related Credit Extensions of which is being assigned to and accepted and assumed by such Extension Assuming Lender, the Borrower and the Administrative Agent, and (B) each Extending Lender, if any, shall have delivered written confirmation satisfactory to the Borrower and the

Administrative Agent as to any increase in the amount of its Commitment and Related Credit Extensions resulting from its acceptance and assumption of all or a portion of the Commitments and Related Credit Extensions of the Non-Extending Lenders. As of and following the effective date of any extension made pursuant to this Section, each Extension Assuming Lender shall be a Lender for all purposes of this Agreement.

(d) The decision to agree or withhold agreement to any requested extension of the Commitment Termination Date hereunder shall be at the sole discretion of each Lender. If the Commitment Termination Date shall have been extended as provided in paragraph (b) above, the Commitment of any Non-Extending Lender shall terminate on December 26, 2002, and the term "Commitment Termination Date", as used herein, shall mean, as to the Related Credit Extensions of such Non-Extending Lender (to the extent not assumed pursuant to paragraph (c)), the Commitment Termination Date in effect prior to giving effect to such extension.

(e) Notwithstanding the foregoing, no extension of the Commitment Termination Date shall become effective under this Section unless (i) the conditions set forth in paragraphs (b) and (c) of Section 4.2 shall be satisfied on December 26, 2002, and the Administrative Agent shall have received a certificate to that effect dated such date and executed by the President or a Vice President of the Borrower, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders (other than any Non-Extending Lenders)) documents consistent with those delivered under clause (i) of Section 4.1(a) as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such extension.

ARTICLE 3. FEES AND PAYMENTS.

Section 3.1. Fees.

(a) Facility Fees. The Borrower agrees to pay to the Administrative
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Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Facility Fee Rate (i) on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Initial Availability Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure, and (ii) if the Borrower has exercised the Term Loan Option, on the daily principal amount of the Term Loans of such Lender during the period from and including December 26, 2002 to but excluding the date on which all outstanding Term Loans are paid in full. Accrued facility fees shall be payable in arrears on the last Business Day of March, June, September and December of each year, commencing on December 31, 2001, on the date(s) on which the Commitments shall have terminated and the Lenders shall have no further Revolving Credit Exposures, and on the Maturity Date. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Utilization Fees. (i) For any day prior to the Commitment Termination Date on which the outstanding principal amount of the Loans and L/C Obligations shall be greater than an amount equal to 33% of the total Commitments (and for any day after the termination of all the Commitments on which any Loans or L/C Obligations shall be outstanding if the outstanding principal amount thereof on the date the Commitments terminated shall have been greater than 33% of the total Commitments in effect on such date), and (ii) if the Borrower has exercised the Term Loan Option, for any day on which any Term Loans are outstanding, the Borrower shall pay to the Administrative Agent for the account of each Lender a utilization fee equal to the Applicable Utilization Fee Rate multiplied by the aggregate amount of such Lender's outstanding Loans and applicable Percentage of L/C Obligations on such day. Accrued and unpaid utilization fees, if any, shall be payable in arrears on the last Business Day of each March, June, September and December, on the date(s) on which the Commitments shall have terminated and there are no Loans or L/C Obligations outstanding, and on the Maturity Date. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Letter of Credit Fees. Commencing upon the date of issuance, increase or extension of any Letter of Credit and thereafter on the last Business Day of each March, June, September and December, the Borrower shall pay to the Administrative Agent quarterly in advance, for the period until the next Letter of Credit fee payment date, for the ratable account of the Lenders, a non-refundable fee equal to the Applicable Margin multiplied by the outstanding face amount or increase of such Letter of Credit during such upcoming period calculated on the basis of a 360 day year and actual days elapsed and based on the then scheduled expiration date of the Letter of Credit. In addition, the Borrower shall pay to the Issuing Bank solely for the Issuing Bank's account, in connection with each Letter of Credit, issuance and administrative fees and expenses for Letters of Credit as agreed from time to time between the Issuing Bank and the Borrower.

(d) Administrative Agent Fees. The Borrower shall pay to the Administrative Agent and Lead Arranger the fees from time to time agreed to by the Borrower, the Administrative Agent, and Lead Arranger.

(e) Payment of Fees. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees, utilization fees, and Letter of Credit fees (other than issuance and administrative fees payable to the Issuing Bank), to the Lenders.

Section 3.2. Place and Application of Payments.

(a) All payments of principal of and interest on the Loans, Reimbursement Obligations and all fees and other amounts payable by the Borrower under the Credit Documents shall be made by the Borrower to the Administrative Agent, for the benefit of the Lenders entitled to such payments, in immediately available funds on the due date thereof no later than 2:00 p.m. at the office of the Administrative Agent in Atlanta, Georgia, or such other location as the Administrative Agent may designate in writing to the Borrower. Any payments received by the Administrative Agent from the Borrower after the time specified in the preceding sentence

shall be deemed to have been received on the next Business Day. The Administrative Agent will, on the same day each payment is received or deemed to have been received in accordance with this Section 3.2, cause to be distributed like funds to each Lender owed an Obligation for which such payment was received, pro rata based on the respective amounts of such type of Obligation then owing to each Lender.

(b) If any payment received by the Administrative Agent under any Credit Document is insufficient to pay in full all amounts then due and payable to the Administrative Agent and the Lenders under the Credit Documents, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent and the Lenders in the order set forth in Section 7.7. In calculating the amount of Obligations owing each Lender other than for principal and interest on Loans and Reimbursement Obligations and fees under Section 3.1, the Administrative Agent shall only be required to include such other Obligations that Lenders have certified to the Administrative Agent in writing are due to such Lenders.

Section 3.3. Withholding Taxes.

(a) Payments Free of Withholding. Except as otherwise required by law
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and subject to Section 3.3(b), each payment by the Borrower to any Lender, Issuing Bank or Administrative Agent under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Borrower is incorporated, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein, excluding, in the case of each Lender, Issuing Bank and the Administrative Agent, the following taxes:

(i) taxes imposed on, based upon, or measured by such Lender's, Issuing Bank's or the Administrative Agent's net income or profits, and branch profits, franchise and similar taxes imposed on it;

(ii) taxes imposed on such Lender, Issuing Bank or the Administrative Agent as a result of a present or former connection between the taxing jurisdiction and such Lender, Issuing Bank or Administrative Agent, or any affiliate thereof, as the case may be, other than a connection resulting solely from the transactions contemplated by this Agreement;

(iii) taxes imposed as a result of the transfer by such Lender, Issuing Bank or Administrative Agent of its interest in this Agreement or any other Credit Document or a designation by such Lender, Issuing Bank or the Administrative Agent (other than pursuant to Section 8.3(c)) of a new Lending Office (other than taxes imposed as a result of any change in treaty, law or regulation after such transfer of such Lender's, Issuing Bank's or the Administrative Agent's interest in this Agreement or any other Credit Document or designation of a new Lending Office);

(iv) taxes imposed by the United States of America (or any political subdivision thereof or tax authority therein) upon a Lender, Issuing Bank or Administrative Agent organized under the laws of a jurisdiction outside of the United

States, except to the extent that such tax is imposed as a result of any change in applicable law, regulation or treaty (other than any addition of or change in any "anti-treaty shopping," "limitation of benefits," or similar provision applicable to a treaty) after the date hereof, in the case of each Lender, Issuing Bank or Administrative Agent originally a party hereto or, in the case of any Purchasing Lender (as defined in Section 10.10) or other Issuing Bank or Administrative Agent, after the date on which it becomes a Lender, Issuing Bank, or Administrative Agent, as the case may be; or

(v) taxes which would not have been imposed but for (a) the failure of any Lender, the Issuing Bank, or the Administrative Agent, as the case may be, to provide (I) the applicable forms prescribed by the Internal Revenue Service, as required pursuant to Section 3.3(b), or (II) any other form, certification, documentation or proof which is reasonably requested by the Borrower, or (b) a determination by a taxing authority or a court of competent jurisdiction that a form, certification, documentation or other proof provided by such Lender, Issuing Bank or the Administrative Agent to establish an exemption from such tax, assessment or other governmental charge is false;

(all such present or future taxes, excluding only the taxes described in the preceding clauses (i) through (v), being hereinafter referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Lender, Issuing Bank and the Administrative Agent is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that such Lender, Issuing Bank or the Administrative Agent (as the case may be) would have received had withholding of any Indemnified Tax not been made. If the Borrower pays any Indemnified Taxes, or any penalties or interest in connection therewith, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be delivered within fifteen (15) days after being actually received), to the Lender, Issuing Bank or the Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) within fifteen (15) days of such payment. If the Administrative Agent, Issuing Bank or any Lender pays any Indemnified Taxes, or any penalties or interest in connection therewith, the Borrower shall reimburse the Administrative Agent, Issuing Bank or that Lender for the payment on demand in the currency in which such payment was made. Such Lender, Issuing Bank or the Administrative Agent shall make written demand on the Borrower for reimbursement hereunder no later than ninety (90) days after the earlier of (i) the date on which such Lender, Issuing Bank or the Administrative Agent makes payment of the Indemnified Taxes, penalties and interest, and (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender, Issuing Bank or the Administrative Agent for payment of the Indemnified Taxes, penalties and interest. Any such demand shall describe in reasonable detail such Indemnified Taxes, penalties or interest, including the amount thereof if then known to such Lender, Issuing Bank, or the Administrative Agent, as the case may be. In the event that such Lender, Issuing Bank or the Administrative Agent fails to give the Borrower timely notice as provided herein, the Borrower shall not have any obligation to pay such claim for reimbursement.

(b) U.S. Withholding Tax Exemptions. Upon the written request of the Borrower or the Administrative Agent, each Lender or Issuing Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent, promptly after such request, two duly completed and signed copies of either Form W-8 BEN or any successor form (entitling such Lender or Issuing Bank to a complete exemption from withholding under the Code on all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) or Form W-8 ECI or any successor form (relating to all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) of the United States Internal Revenue Service, and any other form of the United States Internal Revenue Service reasonably necessary to accomplish exemption from withholding obligations or to facilitate the Administrative Agent's performance under this Agreement. Thereafter and from time to time, each such Lender or Issuing Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be required under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents. Upon the request of the Borrower, each Lender or Issuing Bank that is a United States person shall submit to the Borrower a certificate to the effect that it is such a United States person.

(c) Inability of Lender to Submit Forms. If any Lender or Issuing Bank determines in good faith, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that (i) it is unable to submit to the Borrower or Administrative Agent any form or certificate that such Lender or Issuing Bank is obligated to submit pursuant to subsection (b) of this Section 3.3, (ii) it is required to withdraw or cancel any such form or certificate previously submitted, or (iii) any such form or certificate otherwise becomes ineffective or inaccurate, such Lender or Issuing Bank shall promptly notify the Borrower and Administrative Agent of such fact, and the Lender or Issuing Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) Refund of Taxes. If any Lender, Issuing Bank or the Administrative Agent receives a refund of any Indemnified Tax or any tax referred to in Section 10.3 with respect to which the Borrower has paid any amount pursuant to this Section 3.3 or Section 10.3, such Lender, Issuing Bank or the Administrative Agent shall pay the amount of such refund (including any interest received with respect thereto) to the Borrower within fifteen (15) days after receipt thereof. A Lender, Issuing Bank, or the Administrative Agent shall provide, at the sole cost and expense of the Borrower, such assistance as the Borrower may reasonably request in order to obtain such a refund; provided, however, that neither the Administrative Agent nor any Lender or Issuing Bank shall in any event be required to disclose any information to the Borrower with respect to the overall tax position of the Administrative Agent, Issuing Bank, or such Lender.

ARTICLE 4. CONDITIONS PRECEDENT.

Section 4.1. Initial Borrowing. The obligation of each Lender to advance the initial Loans hereunder, and of the Issuing Bank to issue the initial Letter of Credit hereunder, on or after the Initial Availability Date is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received the following all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient number of signed counterparts, where applicable, to provide one for each Lender:

(i) Certificates of Officers. Certificates of the Secretary or an Assistant Secretary of the Borrower containing specimen signatures of the persons authorized to execute Credit Documents on the Borrower's behalf or any other documents provided for herein or therein, together with (x) copies of resolutions of the Board of Directors or other appropriate body of the Borrower authorizing the execution and delivery of the Credit Documents, (y) copies of the Borrower's Memorandum and Articles of Association and other publicly filed organizational documents in its jurisdiction of organization and bylaws and other governing documents, and (z) a certificate of incorporation and good standing from the appropriate governing agency of the Borrower's jurisdiction of organization;

(ii) Regulatory Filings and Approvals. Copies of all necessary governmental and third party approvals, registrations, and filings in respect of the transactions contemplated by this Agreement;

(iii) Insurance Certificate. An insurance certificate dated not more than ten (10) days prior to the Initial Availability Date from the Borrower describing in reasonable detail the insurance maintained by the Borrower and its Subsidiaries as required by this Agreement;

(iv) Opinions of Counsel. The opinions of (x) Baker Botts LLP, counsel for the Borrower, in the form of Exhibit 4.1A, (y) William Turcotte, Associate General Counsel of the Borrower, in the form of Exhibit 4.1B, and (z) Walkers, Cayman Islands counsel for the Borrower, in the form of Exhibit 4.1C;

(v) Closing Certificate. Certificate of the President or a Vice President of the Borrower as to the satisfaction of all conditions set forth in this Section 4.1; and

(vi) Existing 364-Day Revolving Credit Facility. Evidence that all commitments of the lenders under the Existing 364-Day Revolving Credit Facility are being terminated, and all amounts then outstanding under the Existing 364-Day Revolving Credit Facility are being paid in full, simultaneously on the Initial Availability Date.

(b) Each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as

of the time of such Borrowing, except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default or Event of Default shall have occurred and be continuing;

(d) There shall be no pending or, to the knowledge of the Borrower, threatened actions, suits or proceedings at law or in equity or by or before any governmental authority against or affecting the Borrower or any of its Subsidiaries or any of their respective businesses, properties or rights which, if adversely determined, could reasonably be expected to result in a Material Adverse Effect; and

(e) Payment of all fees and all expenses incurred through the Effective Date then due and owing to the Administrative Agent, the Lenders, and the Lead Arranger pursuant to this Agreement and as otherwise agreed in writing by the Borrower.

Section 4.2. All Borrowings and Conversion to Term Loans. The obligation of each Lender to make any advance of any Loan and to convert outstanding Revolving Loans to Term Loans pursuant to Section 2.3, and of the Issuing Bank to issue any Letter of Credit hereunder (including any increase in the amount of, or extension of the expiration date of, any Letter of Credit) is subject to satisfaction of the following conditions precedent (but subject to Sections 2.4(c) and 2.14(c)):

(a) Notices. The Administrative Agent shall have received (i) in the case of any Loan, the Borrowing Request required by the first sentence of Section 2.4(a), or the Competitive Bid Request and notice of acceptance thereof pursuant to Section 2.5, as the case may be, (ii) in the case of any conversion of Revolving Loans to Term Loans pursuant to Section 2.3, the written notice as to the exercise of the Term Loan Option as specified in Section 2.3, and (iii) in the case of the issuance, extension or increase of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received a duly completed Issuance Request and Application for such Letter of Credit, as the case may be, meeting the requirements of Section 2.14(b);

(b) Warranties True and Correct. In the case of any conversion of Revolving Loans to Term Loans pursuant to Section 2.3, or any advance, Borrowing, or issuance or increase of any Letter of Credit that increases the aggregate amount of Loans and L/C Obligations outstanding after giving effect to such advance, Borrowing or issuance or increase, each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such conversion, advance, Borrowing, or issuance or increase of any Letter of Credit, except as a result of the transactions expressly permitted hereunder or thereunder and except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default. No Default or Event of Default shall have occurred and be continuing or would occur as a result of any such Borrowing or conversion of Revolving Loans to Term Loans pursuant to Section 2.3; or

(d) Regulations U and X. The Borrowing to be made by the Borrower shall not result in the Borrower or any Lender or Issuing Bank being in non-compliance with or in violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

Each acceptance by the Borrower of an advance of any Loan, the conversion of Revolving Loans to Term Loans, or of the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such acceptance, that all conditions precedent to such Borrowing set forth in this Section 4.2 and in Section 4.1 with respect to the initial Borrowings hereunder have (except to the extent waived in accordance with the terms hereof) been satisfied or fulfilled unless the Borrower gives to the Administrative Agent and the Lenders written notice to the contrary, in which case none of the Lenders shall be required to fund or convert such Loans, and the Issuing Bank shall not be required to issue, increase the amount of or extend the expiration date of such Letter of Credit, unless the Required Lenders shall have previously waived in writing such non-compliance.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to each Lender, Issuing Bank and Administrative Agent as follows:

Section 5.1. Corporate Organization. The Borrower and each of its material Subsidiaries: (i) is duly organized and existing in good standing under the laws of the jurisdiction of its organization; (ii) has all necessary company power and authority to own the property and assets it uses in its business and otherwise to carry on its present business; and (iii) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified or to be in good standing, as the case may be, would not have a Material Adverse Effect.

Section 5.2. Power and Authority; Validity. The Borrower has the organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents and has taken all necessary company action to authorize the execution, delivery and performance of such Credit Documents. The Borrower has duly executed and delivered each Credit Document and each such Credit Document constitutes the legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles.

Section 5.3. No Violation. Neither the execution, delivery or performance by the Borrower of the Credit Documents nor compliance by it with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene in any material respect any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or

constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower or any of its Subsidiaries under, the terms of any material contractual obligation to which the Borrower or any of its Subsidiaries is a party or by which they or any of their properties or assets are bound or to which they may be subject, or (iii) violate or conflict with any provision of the Memorandum and Articles of Association, charter, articles or certificate of incorporation, partnership or limited liability company agreement, by-laws, or other applicable governance documents of the Borrower or any of its Subsidiaries.

Section 5.4. Litigation. There are no actions, suits, proceedings or counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that are reasonably likely to have a Material Adverse Effect.

Section 5.5. Use of Proceeds; Margin Regulations.

(a) Use of Proceeds. The proceeds of the Loans and the Letters of Credit shall only be used for general corporate purposes of the Borrower and its Subsidiaries.

(b) Margin Stock. Neither the Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of the Loans or the Letters of Credit will be used for a purpose which violates Regulations T, U or X of the Board of Governors of the Federal Reserve System. After application of the proceeds of the Loans, the issuance of the Letters of Credit, and any acquisitions permitted hereunder, less than 25% of the assets of each of the Borrower and its Subsidiaries consists of "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System).

Section 5.6. Investment Company Act. Neither the Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 5.7. Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.8. True and Complete Disclosure. All factual information (taken as a whole) furnished by the Borrower or any of its Subsidiaries in writing to the Administrative Agent or any Lender in connection with any Credit Document or the Confidential Information Memorandum or any transaction contemplated therein did not, as of the date such information was furnished (or, if such information expressly related to a specific date, as of such specific date), contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein (taken as a whole), in light of the circumstances under which such information was furnished, not misleading, except for such statements, if any, as have been

updated, corrected, supplemented, superseded or modified pursuant to a written correction or supplement furnished to the Lenders prior to the date of this Agreement.

Section 5.9. Financial Statements. The financial statements heretofore delivered to the Lenders for the Borrower's fiscal year ending December 31, 2000, and for the Borrower's fiscal quarter and year-to-date period ending September 30, 2001, have been prepared in accordance with GAAP applied on a basis consistent, except as otherwise noted therein, with the Borrower's financial statements for the previous fiscal year. Such annual and quarterly financial statements fairly present on a consolidated basis the financial position of the Borrower as of the dates thereof, and the results of operations for the periods indicated, subject in the case of interim financial statements, to normal year-end audit adjustments and omission of certain footnotes (as permitted by the SEC). As of the Effective Date, the Borrower and its Subsidiaries, considered as a whole, had no material contingent liabilities or material Indebtedness required under GAAP to be disclosed in a consolidated balance sheet of the Borrower that were not disclosed in the financial statements referred to in this Section 5.9 or in the notes thereto or disclosed in writing to the Administrative Agent (with a request to the Administrative Agent to distribute such disclosure to the Lenders).

Section 5.10. No Material Adverse Change. There has occurred no event or effect that has had or could reasonably be expected to have a Material Adverse Effect.

Section 5.11. Labor Controversies. There are no labor controversies pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

Section 5.12. Taxes. The Borrower and its Subsidiaries have filed all United States federal income tax returns, and all other material tax returns required to be filed, whether in the United States or in any foreign jurisdiction, and have paid all governmental taxes, rates, assessments, fees, charges and levies (collectively, "Taxes") shown to be due and payable on such returns or on any assessments made against Borrower and its Subsidiaries or any of their properties (other than any such assessments, fees, charges or levies that are not more than ninety (90) days past due, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings and for which reserves have been provided in conformity with GAAP, or which the failure to pay could not reasonably be expected to have a Material Adverse Effect).

Section 5.13. ERISA. With respect to each Plan, the Borrower and its Subsidiaries have fulfilled their obligations under the minimum funding standards of, and are in compliance in all material respects with, ERISA and with the Code to the extent applicable to it, and have not incurred any liability under Title IV of ERISA to the PBGC other than a liability to the PBGC for premiums under Section 4007 of ERISA, except as described in Schedule 5.13 and in each case with such exceptions as could not reasonably be expected to have a Material Adverse Effect. As of the Effective Date, neither the Borrower nor any of its Subsidiaries has any material contingent liability with respect to any post-retirement benefits under a welfare plan subject to ERISA, other than liability for continuation coverage described in Part 6 of Title I of ERISA and as disclosed in the financial statements of the Borrower for the fiscal quarter ending

September 30, 2000, described in Section 5.9, or any other liability that could not reasonably be expected to have a Material Adverse Effect.

Section 5.14. Consents. On the Initial Availability Date, all consents and approvals of, and filings and registrations with, and all other actions of, all governmental agencies, authorities or instrumentalities required to have been obtained or made by the Borrower in order to obtain the Loans and Letters of Credit hereunder have been or will have been obtained or made and are or will be in full force and effect.

Section 5.15. Insurance. The Borrower and its material Subsidiaries currently maintain in effect, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, which insurance is of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles), and insurance with respect to employers' and public and product liability risks (subject to self-insured retentions and deductibles).

Section 5.16. Intellectual Property. The Borrower and its Subsidiaries own or hold valid licenses to use all the patents, trademarks, permits, service marks, and trade names that are necessary to the operation of the business of the Borrower and its Subsidiaries as presently conducted, except where the failure to own, or hold valid licenses to use, such patents, trademarks, permits, service marks, and trade names could not reasonably be expected to have a Material Adverse Effect.

Section 5.17. Ownership of Property. The Borrower and its Subsidiaries have good title to or a valid leasehold interest in all of their real property and good title to, or a valid leasehold interest in, all of their other property, subject to no Liens except Permitted Liens, except where the failure to have such title or leasehold interest in such property could not reasonably be expected to have a Material Adverse Effect.

Section 5.18. Compliance with Statutes, Etc. The Borrower and its Subsidiaries are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic and foreign, in respect of the conduct of their businesses and the ownership of their properties, except for such instances of non-compliance as could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 5.19. Environmental Matters.

(a) Compliance with Environmental Laws. Except as described in Schedule 5.19, the Borrower and its Subsidiaries are in compliance with all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws, except for such instances of non-compliance as could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no pending, past or threatened Environmental Claims against the Borrower or any of its Subsidiaries on any property owned or operated by the Borrower or any of its Subsidiaries except as described in Schedule 5.19 or except as could not

reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no conditions or occurrences on any property owned or operated by the Borrower or any of its Subsidiaries or on any property adjoining or in the vicinity of any such property that could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such property that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(b) Hazardous Materials. To the best of the Borrower's knowledge, (i) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any property owned or operated by the Borrower or any of its Subsidiaries in a manner that has violated or could reasonably be expected to violate any Environmental Law, and (ii) Hazardous Materials have not at any time been released on or from any property owned or operated by the Borrower or any of its Subsidiaries, in the case of both (i) and (ii), with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 5.20. Existing Indebtedness. Schedule 5.20 contains a complete and accurate list of all Indebtedness outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries, in each case in a principal amount of $20,000,000 or more (other than the Obligations hereunder and Indebtedness permitted by Section 6.11(b) through (k)) and permitted by Section 6.11(a), in each case showing the aggregate principal amount thereof, the name of the respective borrower and any other entity which directly or indirectly guaranteed such Indebtedness, and the scheduled payments of such Indebtedness.

Section 5.21. Existing Liens. Schedule 5.21 contains a complete and accurate list of all Liens outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries where the Indebtedness or other obligations secured by such Lien is in a principal amount of $20,000,000 or more (other than the Liens permitted by Section 6.10(b) through (r)), and permitted by Section 6.10(a), in each case showing the name of the Person whose assets are subject to such Lien, the aggregate principal amount of the Indebtedness secured thereby, and a description of the Agreements or other instruments creating, granting, or otherwise giving rise to such Lien.

ARTICLE 6. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Note, Commitment, or L/C Obligation is outstanding hereunder, or any other Obligation is due and payable hereunder:

Section 6.1. Corporate Existence. Each of the Borrower and its material Subsidiaries will preserve and maintain its organizational existence, except (i) for the dissolution of any material Subsidiaries whose assets are transferred to the Borrower or any of its Subsidiaries, (ii) where the failure to preserve, renew or keep in full force and effect the existence of any Subsidiary could not reasonably be expected to have a Material Adverse Effect, or (iii) as otherwise expressly permitted in this Agreement.

Section 6.2. Maintenance. Each of the Borrower and its material Subsidiaries will maintain, preserve and keep its properties and equipment necessary to the proper conduct of its

business in reasonably good repair, working order and condition (normal wear and tear excepted) and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such properties and equipment are reasonably preserved and maintained, in each case with such exceptions as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect; provided, however, that nothing in this Section 6.2 shall prevent the Borrower or any material Subsidiary from discontinuing the operation or maintenance of any such properties or equipment if such discontinuance is, in the judgment of the Borrower or any material Subsidiary, as applicable, desirable in the conduct of their businesses.

Section 6.3. Taxes. Each of the Borrower and its Subsidiaries will duly pay and discharge all Taxes upon or against it or its properties before penalties accrue thereon (or, if later, within ninety (90) days of becoming past due), unless and to the extent that (i) the same is being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP, or (ii) the failure to effect such payment or discharge could not reasonably be expected to have a Material Adverse Effect.

Section 6.4. ERISA. Each of the Borrower and its Subsidiaries will timely pay and discharge all obligations and liabilities arising under ERISA or otherwise with respect to each Plan of a character which if unpaid or unperformed might result in the imposition of a material Lien against any properties or assets of the Borrower or any material Subsidiary and will promptly notify the Administrative Agent upon an officer of the Borrower becoming aware thereof, of (i) the occurrence of any reportable event (as defined in ERISA) relating to a Plan (other than a multi-employer plan, as defined in ERISA), so long as the event thereunder could reasonably be expected to have a Material Adverse Effect, other than any such event with respect to which the PBGC has waived notice by regulation; (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor; (iii) Borrower's or any of its Subsidiaries' intention to terminate or withdraw from any Plan if such termination or withdrawal would result in liability under Title IV of ERISA, unless such termination or withdrawal could not reasonably be expected to have a Material Adverse Effect; and (iv) the receipt by the Borrower or its Subsidiaries of notice of the occurrence of any event that could reasonably be expected to result in the incurrence of any liability (other than for benefits), fine or penalty to the Borrower and/or to the Borrower's Subsidiaries, or any plan amendment that could reasonably be expected to increase the contingent liability of the Borrower and its Subsidiaries, taken as a whole, in connection with any post-retirement benefit under a welfare plan (subject to ERISA), unless such event or amendment could not reasonably be expected to have a Material Adverse Effect. The Borrower will also promptly notify the Administrative Agent of (i) any material contributions to any Foreign Plan that have not been made by the required due date for such contribution if such default could reasonably be expected to have a Material Adverse Effect; (ii) any Foreign Plan that is not funded to the extent required by the law of the jurisdiction whose law governs such Foreign Plan based on the actuarial assumptions reasonably used at any time if such underfunding (together with any penalties likely to result) could reasonably be expected to have a Material Adverse Effect, and (iii) any material change anticipated to any Foreign Plan that could reasonably be expected to have a Material Adverse Effect.

Section 6.5. Insurance. Each of the Borrower and its material Subsidiaries will maintain or cause to be maintained, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, such insurance to be of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles) and will (subject to self-insured retentions and deductibles) maintain or cause to be maintained insurance with respect to employers' and public and product liability risks.

Section 6.6. Financial Reports and Other Information.

(a) Periodic Financial Statements and Other Documents. The Borrower, its Subsidiaries and any SPVs will maintain a system of accounting in such manner as will enable preparation of financial statements in accordance with GAAP and will furnish to the Lenders and their respective authorized representatives such information about the business and financial condition of the Borrower, its Subsidiaries and any SPVs as any Lender may reasonably request; and, without any request, will furnish to the Administrative Agent:

(i) within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter and the related consolidated statements of income and retained earnings and of cash flows for such fiscal quarter and for the portion of the fiscal year ended with the last day of such fiscal quarter, all of which shall be in reasonable detail or in the form filed with the SEC, and certified by the chief financial officer of the Borrower that they fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated and that they have been prepared in accordance with GAAP, in each case, subject to normal year-end audit adjustments and the omission of any footnotes as permitted by the SEC (delivery to the Administrative Agent of a copy of the Borrower's Form 10-Q filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(ii) within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth consolidated comparative figures as of the end of and for the preceding fiscal year, audited by an independent nationally-recognized accounting firm and in the form filed with the SEC (delivery to the Administrative Agent of a copy of the Borrower's Form 10-K filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(iii) commencing with fiscal year 2001, to the extent actually prepared and approved by the Borrower's board of directors, a projection of Borrower's consolidated balance sheet and consolidated income, retained earnings and cash flows for its current

fiscal year showing such projected budget for each fiscal quarter of the Borrower ending during such year; and

(iv) within ten (10) days after the sending or filing thereof, copies of all financial statements, projections, documents and other communications that the Borrower sends to its stockholders generally or files with the SEC or any similar governmental authority (and is publicly available).

The Administrative Agent will forward promptly to the Lenders the information provided by the Borrower pursuant to (i) through (iv) above.

(b) Compliance Certificates. Each financial statement furnished to the Lenders pursuant to subsections (i) and (ii) of Section 6.6(a) shall be (i) accompanied by additional information setting forth calculations excluding the effects of any SPVs and containing such calculations for any SPVs as reasonably requested by the Administrative Agent, and (ii) accompanied by (x) a written certificate signed by the Borrower's chief financial officer (or other financial officer of the Borrower), in his or her capacity as such, to the effect that no Default or Event of Default then exists or, if any such Default or Event of Default exists as of the date of such certificate, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, and (y) a Compliance Certificate in the form of Exhibit 6.6 showing the Borrower's compliance with certain of the covenants set forth herein.

(c) Management Letters. Promptly upon receipt thereof, the Borrower will provide the Administrative Agent with a copy of each report or "management letter" submitted to the Borrower by its independent accountants or auditors in connection with any annual, interim or special audit made by them of the books and records of the Borrower.

(d) Notice of Events Relating to Environmental Laws and Claims. Promptly after any officer of the Borrower obtains knowledge of any of the following, the Borrower will provide the Administrative Agent with written notice in reasonable detail of any of the following that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against the Borrower, any of its Subsidiaries or any SPV or any property owned or operated by the Borrower, any of its Subsidiaries or any SPV;

(ii) any condition or occurrence on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV that results in noncompliance by the Borrower, any of its Subsidiaries or any SPV with any Environmental Law; and

(iii) the taking of any material remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV other than in the ordinary course of business.

(e) Notices of Default, Litigation, Etc. The Borrower will promptly, and in any event within five (5) Days, after an officer of the Borrower has knowledge thereof, give written notice to the Administrative Agent of (who will in turn provide notice to the Lenders of): (i) the occurrence of any Default or Event of Default; (ii) any litigation or governmental proceeding of the type described in Section 5.4; (iii) any circumstance that has had or could reasonably be expected to have a Material Adverse Effect; (iv) the occurrence of any event which has resulted in a breach of, or is likely to result in a breach of, Sections 6.16 or 6.17; and (v) any notice received by it, any Subsidiary or any SPV from the holder(s) of Indebtedness of the Borrower, any Subsidiary or any SPV in an amount which, in the aggregate, exceeds $30,000,000, where such notice states or claims the existence or occurrence of any default or event of default with respect to such Indebtedness under the terms of any indenture, loan or credit agreement, debenture, note, or other document evidencing or governing such Indebtedness.

Section 6.7. Lender Inspection Rights. Upon reasonable notice from the Administrative Agent or any Lender, the Borrower will permit the Administrative Agent or any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) during normal business hours at such entity's sole expense unless a Default or Event of Default shall have occurred and be continuing, in which event at the Borrower's expense, to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books and records, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Administrative Agent and any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) the affairs, finances and accounts of the Borrower and its Subsidiaries), all as often, and to such extent, as may be reasonably requested. The chief financial officer of the Borrower and/or his or her designee shall be afforded the opportunity to be present at any meeting of the Administrative Agent or the Lenders and such accountants. The Administrative Agent agrees to use reasonable efforts to minimize, to the extent practicable, the number of separate requests from the Lenders to exercise their rights under this Section 6.7 and/or Section 6.6 and to coordinate the exercise by the Lenders of such rights.

Section 6.8. Conduct of Business. The Borrower and its Subsidiaries will at all times remain primarily engaged in (i) the contract drilling business, (ii) the provision of services to the energy industry, (iii) other existing businesses described in the Borrower's current SEC reports, or (iv) any related businesses (each a "Permitted Business").

Section 6.9. Restrictions on Fundamental Changes. The Borrower shall not merge or consolidate with any other Person, or cause or permit any dissolution of the Borrower or liquidation of its assets, or sell, transfer or otherwise dispose of all or substantially all of the Borrower's assets, except that:

(a) The Borrower or any of its Subsidiaries may merge into, or consolidate with, any other Person if upon the consummation of any such merger or consolidation the Borrower or such Subsidiary is the surviving corporation to any such merger or consolidation (or the other Person is, or will thereby become, a Subsidiary of the Borrower); and

(b) The Borrower may sell or transfer all or substantially all of its assets (including stock in its Subsidiaries) to any Person if such Person is a Subsidiary of the Borrower (or a Person who will contemporaneously therewith become a Subsidiary of the Borrower);

provided in the case of any transaction described in the preceding clauses (a) and (b), no Default or Event of Default shall exist immediately prior to, or after giving effect to, such transaction.

Section 6.10. Liens. The Borrower and its Subsidiaries shall not create, incur, assume or suffer to exist any Lien of any kind on any property or asset of any kind of the Borrower or any Subsidiary, except the following (collectively, the "Permitted Liens"):

(a) Liens existing on the date hereof (each such Lien, to the extent it secures Indebtedness or other obligations in an aggregate amount of $20,000,000 or more, being described on Schedule 5.21 attached hereto);

(b) Liens arising in the ordinary course of business by operation of law, deposits, pledges or other Liens in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, public or statutory obligations or other similar charges, good faith deposits, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance, return-of-money or payment bonds, contracts or leases to which the Borrower or its Subsidiaries are parties or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not for Indebtedness for borrowed money and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not overdue for more than thirty (30) days if such Liens arise with respect to domestic assets and for more than ninety (90) days if such Liens arise with respect to foreign assets, or, if so overdue, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(d) Liens for Taxes not more than ninety (90) days past due or which can thereafter be paid without penalty or which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(e) Liens imposed by ERISA (or comparable foreign laws) which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(f) Liens arising out of judgments or awards against the Borrower or any of its Subsidiaries, or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower or such Subsidiary shall be prosecuting on appeal or proceeding for review, and for which it shall have obtained (within thirty (30) days with respect to a judgment or award rendered in the United States or within sixty (60) days with respect to a judgment or award rendered in a foreign jurisdiction after entry of such judgment or award or expiration of any previous such stay, as applicable) a stay of execution or the like pending such appeal or proceeding for review; provided, that the aggregate amount of uninsured or underinsured liabilities (net of customary deductibles, and including interest, costs, fees and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed $50,000,000 at any one time outstanding;

(g) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Subsidiary; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary;

(h) Liens securing Interest Rate Protection Agreements or foreign exchange hedging obligations incurred in the ordinary course of business and not for speculative purposes;

(i) Liens on property existing at the time such property is acquired by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition (or on repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the assets of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such Person becoming a Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto;

(j) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing subsections (a) through (i), provided, however, that the principal amount of Indebtedness secured thereby does not exceed the principal amount secured at the time of such extension, renewal or replacement (other than amounts incurred to pay costs of such extension, renewal or replacement), and that such extension, renewal or replacement is limited to the property already subject to the Lien so extended, renewed or replaced (together with accessions and improvements thereto and replacements thereof);

(k) rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to

purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of a Person;

(l) rights reserved to or vested in any municipality or governmental, statutory or public authority to control, regulate or use any property of a Person;

(m) rights of a common owner of any interest in property held by a Person and such common owner as tenants in common or through other common ownership;

(n) encumbrances (other than to secure the payment of Indebtedness), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property or rights-of-way of a Person for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines, removal of gas, oil, coal, metals, steam, minerals, timber or other natural resources, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities or equipment, or defects, irregularity and deficiencies in title of any property or rights-of-way;

(o) Liens created by or resulting from zoning, planning and environmental laws and ordinances and municipal regulations;

(p) Liens created by or resulting from financing statements filed by lessors of property (but only with respect to the property so leased);

(q) Liens on property securing Non-recourse Debt;

(r) Liens on the stock or assets of SPVs; and

(s) Liens (not otherwise permitted by this Section 6.10) on property securing Indebtedness (or other obligations) not exceeding $175,000,000 in the aggregate at any time outstanding.

Section 6.11. Indebtedness. The Borrower and its Subsidiaries shall not incur, assume or suffer to exist any Indebtedness, except:

(a) existing Indebtedness outstanding on the Effective Date (such Indebtedness, to the extent the principal amount thereof is $20,000,000 or more, being described on Schedule 5.20 attached hereto), and any subsequent extensions, renewals or refinancings thereof so long as such Indebtedness is not increased in amount (other than amounts incurred to pay costs of such extension, renewal or refinancing), the scheduled maturity date thereof (if prior to the Maturity Date) is not accelerated, the interest rate per annum applicable thereto is not increased, any scheduled amortization of principal thereunder prior to the Maturity Date is not shortened and the payments thereunder are not increased;

(b) Indebtedness under the Credit Documents;

(c) intercompany loans and advances to the Borrower or its Subsidiaries, and intercompany loans and advances from any of such Subsidiaries or SPVs to the Borrower or any other Subsidiaries of the Borrower;

(d) Indebtedness under any Interest Rate Protection Agreements and under foreign exchange futures agreements, arrangements or options designed to protect against fluctuations in currency exchange rates;

(e) Indebtedness of the Borrower that may be incurred, assumed or suffered to exist without violating any section of this Agreement, including, without limitation, Sections 6.16 and 6.17 hereof;

(f) Indebtedness of any Subsidiary of the Borrower (i) under unsecured lines of credit for overdrafts or for working capital purposes in foreign countries with financial institutions, and (ii) arising from the honoring by a bank or other Person of a check, draft or similar instrument inadvertently drawing against insufficient funds, all such Indebtedness not to exceed $100,000,000 in the aggregate at any time outstanding, provided that amounts under overdraft lines of credit or outstanding as a result of drawings against insufficient funds shall be outstanding for one (1) Business Day before being included in such aggregate amount;

(g) Indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or any Subsidiary of the Borrower and not incurred in contemplation of such transaction;

(h) Indebtedness of the Borrower or any Subsidiary of the Borrower (i) under Performance Guaranties and Performance Letters of Credit, and (ii) with respect to letters of credit issued in the ordinary course of business;

(i) Indebtedness of any Subsidiaries of the Borrower in an aggregate principal amount for all Subsidiaries not to exceed an amount equal to ten percent (10%) of Consolidated Net Assets (the "Subsidiary Debt Basket Amount") in the aggregate at any time outstanding;

(j) other Indebtedness of any Subsidiary of the Borrower so long as such Subsidiary has in force a Subsidiary Guaranty in substantially the form of Exhibit 6.11, provided that such Subsidiary Guaranty shall contain a provision
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that such Subsidiary Guaranty and all obligations thereunder of the Guarantor party thereto shall be terminated upon delivery to the Administrative Agent by the Borrower of a certificate stating that (x) the aggregate principal amount of Indebtedness of all Subsidiaries outstanding pursuant to the preceding clause (i) and this clause (j) is equal to or less than the Subsidiary Debt Basket Amount, and (y) no Default or Event of Default has occurred and is continuing; and

(k) extensions, renewals or replacements of Indebtedness permitted by this Section 6.11 that do not increase the amount of such Indebtedness (other than amounts incurred to pay costs of such extension, renewal or refinancing).

Section 6.12. Use of Property and Facilities; Environmental Laws. The Borrower and its Subsidiaries shall comply in all material respects with all Environmental Laws applicable to or affecting the properties or business operations of the Borrower or any Subsidiary of the Borrower, where the failure to comply could reasonably be expected to have a Material Adverse Effect.

Section 6.13. Transactions with Affiliates. Except as otherwise specifically permitted herein, the Borrower and its Subsidiaries shall not (except pursuant to contracts outstanding as of (i) with respect to the Borrower, the Effective Date or (ii) with respect to any Subsidiary of the Borrower, the Effective Date or, if later, the date such Subsidiary first became a Subsidiary of the Borrower) enter into or engage in any material transaction or arrangement or series of related transactions or arrangements which in the aggregate would be material with any Controlling Affiliate, including without limitation, the purchase from, sale to or exchange of property with, any merger or consolidation with or into, or the rendering of any service by or for, any Controlling Affiliate, except pursuant to the requirements of the Borrower's or such Subsidiary's business and unless such transaction or arrangement or series of related transactions or arrangements, taken as a whole, are no less favorable to the Borrower or such Subsidiary (other than a wholly owned Subsidiary) than would be obtained in an arms' length transaction with a Person not a Controlling Affiliate.

Section 6.14. Sale and Leaseback Transactions. The Borrower will not, and will not permit any of its Subsidiaries to, enter into, assume, or suffer to exist any Sale-Leaseback Transaction, except any such transaction that may be entered into, assumed or suffered to exist without violating any other provision of this Agreement, including without limitation, Sections 6.16 and 6.17.

Section 6.15. Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Article 6, the Borrower and its Subsidiaries shall conduct their business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that this Section 6.15 shall not require the Borrower or any Subsidiary of the Borrower to comply with any such law, regulation, ordinance or order if (x) it shall be contesting such law, regulation, ordinance or order in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or (y) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 6.16. Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3:00 to 1:00.

Section 6.17. Indebtedness to Total Capitalization Ratio. The Borrower will maintain, as of the end of each fiscal quarter of the Borrower, a ratio (expressed as a percentage) of Consolidated Indebtedness to Total Capitalization of no greater than 40%.

ARTICLE 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default by the Borrower in the payment of any principal amount of any Loan or Reimbursement Obligation, any interest thereon or any fees payable hereunder, within two (2) Business Days following the date when due;

(b) default by the Borrower in the observance or performance of any covenant set forth in Sections 6.9, 6.10, 6.16, or 6.17;

(c) default by the Borrower in the observance or performance of any provision hereof or of any other Credit Document not mentioned in clauses (a) or (b) above, which is not remedied within thirty (30) days after notice thereof to the Borrower by the Administrative Agent;

(d) any representation or warranty made or deemed made herein or in any other Credit Document by the Borrower or any Subsidiary proves untrue in any material respect as of the date of the making, or deemed making, thereof;

(e) (x) Indedtedness in the aggregate principal amount of $50,000,000 of the Borrower and its Subsidiaries ("Material Indebtedness") shall (i) not be paid at maturity (beyond any applicable grace periods), or (ii) be declared to be due and payable or required to be prepaid, redeemed or repurchased prior to its stated maturity, or (y) any default in respect of Material Indedtedness shall occur which permits the holders thereof, or any trustees or agents on their behalf, to accelerate the maturity of such Indedtedness or requires such Indedtedness to be prepaid, redeemed, or repurchased prior to its stated maturity;

(f) the Borrower or any Significant Subsidiary (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken under any bankruptcy or insolvency law of another country or political subdivision of such country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of or consents to or acquiesces in any such proceeding filed against it, (vi) makes any board of directors resolution in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in this Section 7.1(f);

(g) a custodian, receiver, trustee, liquidator or similar official is appointed for the Borrower or any Significant Subsidiary or any substantial part of its property under the

Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, or a proceeding described in Section 7.1(f)(v) is instituted against the Borrower or any Significant Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed and unstayed for a period of sixty (60) days (or one hundred twenty (120) days in the case of any such event occurring outside the United States of America);

(h) the Borrower or any Subsidiaries of the Borrower fail within thirty (30) days with respect to any judgments or orders that are rendered in the United States or sixty (60) days with respect to any judgments or orders that are rendered in foreign jurisdictions (or such earlier date as any execution on such judgments or orders shall take place) to vacate, pay, bond or otherwise discharge any judgments or orders for the payment of money the uninsured portion of which is in excess of $50,000,000 in the aggregate and which are not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;

(i) (x) the Borrower or any Subsidiary of the Borrower fails to pay when due an amount that it is liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a notice of intent to terminate a Plan having Unfunded Vested Liabilities of the Borrower or any of its Subsidiaries in excess of $30,000,000 (a "Material Plan") is filed under Title IV of ERISA; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding is instituted by a fiduciary of any Material Plan against any Borrower or any Subsidiary to collect any liability under Section 515 or 4219(c)(5) of ERISA, and in each case such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated, and (y) the occurrence of one or more of the matters in the preceding clause (x) could reasonably be expected to have a Material Adverse Effect; or

(j) any Person or group of Persons acting in concert (as such terms are used in Rule 13d-5 under the Securities Exchange Act of 1934, as amended) shall own, directly or indirectly, beneficially or of record, securities of the Borrower (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all outstanding securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency.

Section 7.2. Non-Bankruptcy Defaults. When any Event of Default (other
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than those described in subsections (f) or (g) of Section 7.1 with respect to the Borrower) has occurred and is continuing, the Administrative Agent shall, by notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments to the Borrower hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other accrued amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower; and (c) if so directed by the Required Lenders,

demand that the Borrower immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under each outstanding Letter of Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Lenders, the Issuing Bank and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Lenders and the Issuing Bank, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Administrative Agent, after giving notice to the Borrower pursuant to this Section 7.2, shall also promptly send a copy of such notice to the other Lenders and the Issuing Bank, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3. Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 7.1 has occurred and is continuing with respect to the Borrower, then all outstanding Loans shall immediately become due and payable together with all other accrued amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower; and all obligations of the Lenders and the Issuing Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging that the Lenders, the Issuing Bank, and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Lenders, the Issuing Bank, and the Administrative Agent shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any of the Letters of Credit.

Section 7.4. Collateral for Undrawn Letters of Credit.

(a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 7.2 or 7.3, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Collateral Account") as security for, and for application to, the reimbursement of any drawing under any Letter of Credit then or thereafter paid by the Issuing Bank, and to the payment of the unpaid balance of any Loans and all other due and unpaid Obligations (collectively, the "Collateralized Obligations"). The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent, for the benefit of the Issuing Bank, the Administrative Agent, and the Lenders, as pledgee hereunder. If and when required by the Borrower, the Administrative Agent shall invest and reinvest funds held in the Collateral

Account from time to time in Cash Equivalents specified from time to time by the Borrower, provided that the Administrative Agent is irrevocably authorized to sell on market terms any investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to Collateralized Obligations due and owing from the Borrower to the Issuing Bank, the Administrative Agent, or the Lenders. When and if (A) (i) the Borrower shall have made payment of all Collateralized Obligations then due and payable, and (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, or (B) no Default or Event of Default shall be continuing, the Administrative Agent shall repay to the Borrower any remaining amounts and assets held in the Collateral Account, provided that if the Collateral Account is being released pursuant to clause (A) and any Letter of Credit then remains outstanding, the Borrower, prior to or contemporaneously with such release, shall make arrangements with respect to such outstanding Letters of Credit in the manner described in the first sentence of Section 2.15. In addition, if the aggregate amount on deposit with the Collateral Agent exceeds the Collateralized Obligations then existing, then the Administrative Agent shall release and deliver such excess amount upon the written request of the Borrower.

Section 7.5. Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 7.2 promptly upon being requested to do so by the Required Lenders and shall thereupon notify all the Lenders thereof.

Section 7.6. Expenses. The Borrower agrees to pay to the Administrative Agent, the Issuing Bank, and each Lender all reasonable out-of-pocket expenses incurred or paid by the Administrative Agent, the Issuing Bank, or such Lender, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Credit Documents.

Section 7.7. Distribution and Application of Proceeds. After the occurrence of and during the continuance of an Event of Default, any payment to the Administrative Agent, the Issuing Bank, or any Lender hereunder or from the proceeds of the Collateral Account or otherwise shall be paid to the Administrative Agent to be distributed and applied as follows (unless otherwise agreed by the Borrower, the Administrative Agent, the Issuing Bank, and all Lenders):

(a) First, to the payment of any and all reasonable out-of-pocket costs and expenses of the Administrative Agent, including without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Administrative Agent, the Issuing Bank, or the Lenders under this Agreement or any other Credit Document;

(b) Second, to the payment of any and all reasonable out-of-pocket costs and expenses of the Issuing Bank and the Lenders, including, without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Lenders or the Issuing Bank under this Agreement or any

other Credit Document, pro rata in the proportion in which the amount of such costs and expenses unpaid to each Lender or the Issuing Bank bears to the aggregate amount of the costs and expenses unpaid to all Lenders and the Issuing Bank collectively, until all such fees, costs and expenses have been paid in full;

(c) Third, to the payment of any due and unpaid fees to the Administrative Agent or any Lender or Issuing Bank as provided by this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such fees due and unpaid to the Administrative Agent and each Lender and Issuing Bank bears to the aggregate amount of the fees due and unpaid to the Administrative Agent and all Lenders and Issuing Bank collectively, until all such fees have been paid in full;

(d) Fourth, to the payment of accrued and unpaid interest on the Loans or the Reimbursement Obligations to the date of such application, pro rata in the proportion in which the amount of such interest, accrued and unpaid to each Lender or the Issuing Bank bears to the aggregate amount of such interest accrued and unpaid to all Lenders and the Issuing Bank collectively, until all such accrued and unpaid interest has been paid in full;

(e) Fifth, to the payment of the outstanding due and payable principal amount of each of the Loans and the amount of the outstanding Reimbursement Obligations (reserving cash collateral for all undrawn face amounts of any outstanding Letters of Credit (if Section 7.4(a) has not been complied with)), pro rata in the proportion in which the outstanding principal amount of such Loans and the amount of such outstanding Reimbursement Obligations owing to each Lender and Issuing Bank, together (if Section 7.4(a) has not been complied with) with the undrawn face amounts of such outstanding Letters of Credit, bears to the aggregate amount of all outstanding Loans, outstanding Reimbursement Obligations and (if Section 7.4(a) has not been complied with) the undrawn face amounts of all outstanding Letters of Credit. In the event that any such Letters of Credit, or any portions thereof, expire without being drawn, any cash collateral therefor shall be distributed by the Administrative Agent until the principal amount of all Loans and Reimbursement Obligations shall have been paid in full;

(f) Sixth, to the payment of any other outstanding Obligations then due and payable, pro rata in the proportion in which the outstanding Obligations owing to each Lender, Issuing Bank and Administrative Agent bears to the aggregate amount of all such Obligations until all such Obligations have been paid in full; and

(g) Seventh, to the Borrower or as the Borrower may direct.

ARTICLE 8. CHANGE IN CIRCUMSTANCES.

Section 8.1. Change of Law.

(a) Notwithstanding any other provisions of this Agreement or any Note, if at any time any change, after the date hereof (or, if later, after the date the Administrative Agent or any Issuing Bank or Lender becomes the Administrative Agent or an Issuing Bank or Lender), in

applicable law or regulation or in the interpretation thereof makes it unlawful for any Lender to make or maintain Eurocurrency Loans, or the Issuing Bank to issue any Letter of Credit, such Lender or Issuing Bank, as the case may be, shall promptly give written notice thereof and of the basis therefor in reasonable detail to the Borrower, and such Lender's or Issuing Bank's obligations to fund affected Eurocurrency Loans or make, continue or convert such Loans under this Agreement, or to issue any such Letters of Credit, as the case may be, shall thereupon be suspended until it is no longer unlawful for such Lender to make or maintain such Loans or issue such Letters of Credit.

(b) Upon the giving of the notice to Borrower referred to in subsection (a) above in respect of any such Loan, (i) any outstanding such Loan of such Lender shall be automatically converted to a Base Rate Loan in Dollars on the last day of the Interest Period then applicable thereto or on such earlier date as required by law, and (ii) such Lender shall make or continue its portion of any requested Borrowing of such Loan as a Base Rate Loan in Dollars, which Base Rate Loan shall, for all other purposes, be considered part of such Borrowing.

(c) Any Lender or Issuing Bank that has given any notice pursuant to Section 8.1(a) shall, upon determining that it would no longer be unlawful for it to make such Loans or issue such Letters of Credit, give prompt written notice thereof to the Borrower and the Administrative Agent, and upon giving such notice, its obligation to make, allow conversions into and maintain such Loans or issue such Letters of Credit shall be reinstated.

Section 8.2. Unavailability of Deposits or Inability to Ascertain LIBOR Rate. If on or before the first day of any Interest Period for any Borrowing of Eurocurrency Loans the Administrative Agent determines in good faith (after consultation with the other Lenders) that, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the LIBOR Rate or such rate will not accurately reflect the cost to the Required Lenders of funding Eurocurrency Loans for such Interest Period, the Administrative Agent shall give written notice (in reasonable detail) of such determination and of the basis therefor to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower and Lenders that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent shall do promptly after they do not exist), (i) the obligations of the Lenders to make, continue or convert Loans as or into such Eurocurrency Loans, or to convert Base Rate Loans into such Eurocurrency Loans, shall be suspended and (ii) each Eurocurrency Loan will automatically on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan in Dollars.

Section 8.3. Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or Issuing Bank (or its Lending Office), with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency exercising control over banks or financial institutions

generally issued after the date hereof (or, if later, after the date the Administrative Agent, Issuing Bank, or Lender becomes the Administrative Agent, Issuing Bank, or Lender):

(i) subjects any Lender or Issuing Bank (or its Lending Office) to any tax, duty or other charge related to any Eurocurrency Loan, Competitive Fixed Rate Loan, Reimbursement Obligation, or its obligation to advance or maintain Eurocurrency Loans, Competitive Fixed Rate Loans, or issue any Letter of Credit, or shall change the basis of taxation of payments to any Lender or Issuing Bank (or its Lending Office) of the principal of or interest on its Eurocurrency Loans, Competitive Fixed Rate Loans, Letters of Credit or Reimbursement Obligation or any participations in any thereof, or any other amounts due under this Agreement related to its Eurocurrency Loans, Competitive Fixed Rate Loans, Letters of Credit, Reimbursement Obligations or participations therein, or its obligation to make Eurocurrency Loans and Competitive Fixed Rate Loans, issue Letters of Credit, or acquire participations therein (except for changes with respect to taxes that are not Indemnified Taxes pursuant to Section 3.3); or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding for any Eurocurrency Loan any such requirement included in an applicable Statutory Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender or Issuing Bank (or its Lending Office) or imposes on any Lender or Issuing Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, Letters of Credit, any Reimbursement Obligations owed to it, or its participation in any thereof, or its obligation to advance or maintain Eurocurrency Loans, issue Letters of Credit or participate in any thereof;

and the result of any of the foregoing is to increase the cost to such Lender or Issuing Bank (or its Lending Office) of advancing or maintaining any Eurocurrency Loan or Competitive Fixed Rate Loan, issuing or maintaining a Letter of Credit or participating therein, or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank (or its Lending Office) in connection therewith under this Agreement or its Note, by an amount deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall be obligated to pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such increased cost or reduction.

(b) If, after the date hereof, the Administrative Agent or any Lender or Issuing Bank shall have reasonably determined that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital adequacy rules heretofore adopted and issued by any governmental authority),

or any change after the date hereof in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Administrative Agent or any Lender or Issuing Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital, or on the capital of any corporation controlling such Lender or Issuing Bank, as a consequence of its obligations hereunder to a level below that which such Lender or Issuing Bank could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or Issuing Bank's or its controlling corporation's policies with respect to capital adequacy in effect immediately before such adoption, change or compliance) by an amount reasonably deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after its receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such reduction or the Borrower may prepay all Eurocurrency Loans of such Lender or obtain the cancellation of all such Letters of Credit.

(c) The Administrative Agent and each Lender and Issuing Bank that determines to seek compensation or additional interest under this Section 8.3 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle the Administrative Agent or such Lender or Issuing Bank to such compensation no later than ninety (90) days after the Administrative Agent or such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the ninetieth day preceding such written demand. The Administrative Agent and each Lender and Issuing Bank shall use reasonable efforts to avoid the need for, or reduce the amount of, such compensation, additional interest, and any payment under Section 3.3, including, without limitation, the designation of a different Lending Office, if such action or designation will not, in the sole judgment of the Administrative Agent or such Lender or Issuing Bank made in good faith, be otherwise disadvantageous to it; provided that the foregoing shall not in any way affect the rights of any Lender or Issuing Bank or the obligations of the Borrower under this Section 8.3, and provided further that no Lender or Issuing Bank shall be obligated to make its Eurocurrency Loans or Competitive Fixed Rate Loans hereunder or fund any amount due in respect of a Letter of Credit at any office located in the United States of America. A certificate of the Administrative Agent or any Lender or Issuing Bank, as applicable, claiming compensation or additional interest under this Section 8.3, and setting forth the additional amount or amounts to be paid to it hereunder and accompanied by a statement prepared by the Administrative Agent or such Lender or Issuing Bank, as applicable, describing in reasonable detail the calculations thereof shall be prima facie evidence of the correctness thereof. In determining such amount, such Lender or Issuing Bank may use any reasonable averaging and attribution methods.

Section 8.4. Lending Offices. The Administrative Agent and each Lender and Issuing Bank may, at its option, elect to make or maintain its Loans and issue its Letters of Credit hereunder at the Lending Office for each type of Loan or Letter of Credit available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent,providedthat, except in the case of any such transfer to another of its branches, offices or affiliates made at the request of the Borrower, the Borrower shall not be responsible for the costs arising under Section 3.3 or 8.3 resulting from any such transfer to the extent not otherwise applicable to such Lender or Issuing Bank prior to such transfer.

Section 8.5. Discretion of Lender as to Manner of Funding. Subject to the other provisions of this Agreement, each Lender and Issuing Bank shall be entitled to fund and maintain its funding of all or any part of its Loans and Letters of Credit in any manner it sees fit.

Section 8.6. Substitution of Lender or Issuing Bank. If (a) any Lender or Issuing Bank has demanded compensation or additional interest or given notice of its intention to demand compensation or additional interest under Section 8.3, (b) the Borrower is required to pay any additional amount to any Lender or Issuing Bank under Section 2.13, (c) any Lender or Issuing Bank is unable to submit any form or certificate required under Section 3.3(b) or withdraws or cancels any previously submitted form with no substitution therefor, (d) any Lender or Issuing Bank gives notice of any change in law or regulations, or in the interpretation thereof, pursuant to Section 8.1, (e) any Lender or Issuing Bank has been declared insolvent or a receiver or conservator has been appointed for a material portion of its assets, business or properties or (f) any Lender or Issuing Bank shall seek to avoid its obligation to make or maintain Loans or issue Letters of Credit hereunder for any reason, including, without limitation, reliance upon 12 U.S.C. Sec. 1821(e) or (n) (1) (B), (g) any taxes referred to in Section 3.3 have been levied or imposed (or the Borrower determines in good faith that there is a substantial likelihood that such taxes will be levied or imposed) so as to require withholding or deductions by the Borrower or payment by the Borrower of additional amounts to any Lender or Issuing Bank, or other reimbursement or indemnification of any Lender or Issuing Bank, as a result thereof, (h) any Lender shall decline to consent to a modification or waiver of the terms of this Agreement or any other Credit Documents requested by the Borrower, or (i) the Issuing Bank gives notice pursuant to Section 2.14(a)(ii) that the issuance of the Letter of Credit would violate any legal or regulatory restriction then applicable to such Issuing Bank, then and in such event, upon request from the Borrower delivered to such Lender or Issuing Bank, and the Administrative Agent, such Lender shall assign, in accordance with the provisions of Section 10.10 and an appropriately completed Assignment Agreement, all of its rights and obligations under the Credit Documents to another Lender or a commercial banking institution selected by the Borrower and (in the case of a commercial banking institution) reasonably satisfactory to the Administrative Agent, in consideration for the payments set forth in such Assignment Agreement and payment by the Borrower to such Lender of all other amounts which such Lender may be owed pursuant to this Agreement, including, without limitation, Sections 2.13, 3.3, 8.3 and 10.13.

ARTICLE 9. THE AGENTS.

Section 9.1. Appointment and Authorization of Administrative Agent, Co-Syndication Agents, Co-Documentation Agents and Managing Agents. Each Lender hereby appoints STB as the Administrative Agent, ABN AMRO Bank, N.V. and The Royal Bank of Scotland plc as the Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank Texas, National Association as the Co-Documentation Agents, and The Bank of Nova Scotia, Credit Lyonnais New York Branch, HSBC Bank USA, and Westdeutsche Landesbank Girozentrale, New York Branch, as Managing Agents, under the Credit Documents and hereby authorizes the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents to take such action as Administrative Agent, Co-Syndication Agents, Co-Documentation Agents and Managing Agents on each of its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 9.2. Rights and Powers. The Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents shall have the same rights and powers under the Credit Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not an Administrative Agent, a Co-Syndication Agent, a Co-Documentation Agent or a Managing Agent, and the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents and their respective Controlling Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Subsidiaries or Controlling Affiliates as if it were not an Administrative Agent, a Co-Syndication Agent, a Co-Documentation Agent or a Managing Agent under the Credit Documents. The term Lender as used in all Credit Documents, unless the context otherwise clearly requires, includes the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents in their respective individual capacities as a Lender.

Section 9.3. Action by Administrative Agent, Co-Syndication Agents, Co-Documentation Agents and Managing Agents. The obligations of the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action concerning any Default or Event of Default, except as expressly provided in Sections 7.2 and 7.4. Unless and until the Required Lenders (or, if required by Section 10.11, all of the Lenders) give such direction (including, without limitation, the giving of a notice of default as described in Section 7.1(c)), the Administrative Agent may, except as otherwise expressly provided herein or therein, take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents or the Managing Agents be required to take any action in violation of applicable law or of any provision of any Credit Document, and each of the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expenses, and liabilities it may incur in taking or continuing to

take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default, other than non-payment of any scheduled principal or interest payment due hereunder, exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Credit Documents do not require the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents or the Managing Agents to take specific action, the Administrative Agent, each of the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under specific provisions of the Credit Documents, shall be binding on all the Lenders and holders of Notes.

Section 9.4. Consultation with Experts. Each of the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5. Indemnification Provisions; Credit Decision. Neither the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents nor any of their directors, officers, agents, or employees shall be liable for any action taken or not taken by them in connection with the Credit Documents (i) with the consent or at the request of the Required Lenders (or, if required by Section 10.11, all of the Lenders), or (ii) in the absence of their own gross negligence or willful misconduct. Neither the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Article 4, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, value, worth or collectability hereof or of any other Credit Document or of any other documents or writings furnished in connection with any Credit Document; and the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents make no representation of any kind or character with respect to any such matters mentioned in this sentence. The Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents may execute any of their duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent and the Co-Documentation Agents shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by any of them under the Credit Documents. The Administrative Agent, the Co-Syndication Agents, the Co-

Documentation Agents and the Managing Agents may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with such Administrative Agent signed by such owner in form satisfactory to such Administrative Agent. Each Lender acknowledges that it has independently, and without reliance on the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents or the Managing Agents or any other Lender, obtained such information and made such investigations and inquiries regarding the Borrower and its Subsidiaries as it deems appropriate, and based upon such information, investigations and inquiries, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Lender to keep itself informed about the creditworthiness and business, properties, assets, liabilities, condition (financial or otherwise) and prospects of the Borrower and its Subsidiaries, and the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents shall have no liability whatsoever to any Lender for such matters. The Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents shall have no duty to disclose to the Lenders information that is not required by any Credit Document to be furnished by the Borrower or any Subsidiaries to such Agent at such time, but is voluntarily furnished to such Agent (either in their respective capacity as Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents or the Managing Agents or in their individual capacity).

Section 9.6. Indemnity. The Lenders shall ratably, in accordance with their Percentages, indemnify and hold the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents, and their directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section 9.6 shall survive termination of this Agreement.

Section 9.7. Resignation of Agents and Successor Agents. The Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents may resign at any time and shall resign upon any removal thereof as a Lender pursuant to the terms of this Agreement upon at least thirty (30) days' prior written notice to the Lenders and the Borrower. Any resignation of the Administrative Agent shall not be effective until a replacement therefor is appointed pursuant to the terms hereof. Upon any such resignation of the Administrative Agent or any Co-Syndication Agent, the Co-Documentation Agent or Managing Agent, the Required Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) shall have the right to appoint a successor Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be. If no successor Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be, shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's, Co-Syndication Agent's, Managing Agent's or Co-Documentation Agent's giving of notice of resignation, then the retiring Administrative Agent,

Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be, may, on behalf of the Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) appoint a successor Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be, which shall be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $1,000,000,000. Upon the acceptance of its appointment as the Administrative Agent, the Co-Syndication Agent, the Co-Documentation Agent or the Managing Agent hereunder, such successor Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be, under the Credit Documents, and the retiring Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or the Managing Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's, Co-Syndication Agent's, Co-Documentation Agent's or Managing Agent's resignation hereunder as Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be, the provisions of this Article 9 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent, Co-Syndication Agent, Co-Documentation Agent or Managing Agent, as the case may be.

ARTICLE 10. MISCELLANEOUS.

Section 10.1. No Waiver. No delay or failure on the part of the Administrative Agent or any Lender or Issuing Bank, or on the part of the holder or holders of any Notes, in the exercise of any power, right or remedy under any Credit Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power, right or remedy. To the fullest extent permitted by applicable law, the powers, rights and remedies under the Credit Documents of the Administrative Agent, the Lenders, the Issuing Bank and the holder or holders of any Notes are cumulative to, and not exclusive of, any powers, rights or remedies any of them would otherwise have.

Section 10.2. Non-Business Day. Subject to Section 2.6, if any payment of principal or interest on any portion of any Loan, any Reimbursement Obligation, or any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such portion of any Loan, any Reimbursement Obligation, or other Obligation bears for the period prior to maturity shall continue to accrue in the manner set forth herein on such Obligation from the stated due date thereof to the next succeeding Business Day, on which the same shall instead be payable.

Section 10.3. Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable with respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made, other than any such taxes imposed as a result of any transfer of an interest in

a Credit Document. Each Lender and Issuing Bank that determines to seek compensation under this Section 10.3 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle such Lender or Issuing Bank to such compensation no later than ninety (90) days after such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event, the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the 90th day preceding such written demand.

Section 10.4. Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as the Borrower has any Obligation hereunder or any Commitment hereunder is in effect.

Section 10.5. Survival of Indemnities. All indemnities and all provisions relative to reimbursement to the Lenders and Issuing Bank of amounts sufficient to protect the yield of the Lenders and Issuing Bank with respect to the Loans and the L/C Obligations, including, but not limited to, Section 2.13, Section 3.3, Section 7.6, Section 8.3, Section 10.3, and Section 10.13 hereof, shall, subject to Section 8.3(c), survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations and, with respect to any Lender or Issuing Bank, any replacement by the Borrower of such Lender pursuant to the terms hereof, in each case for a period of one (1) year.

Section 10.6. Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Event of Default, each Lender and Issuing Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time owing by that Lender or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the due and unpaid obligations and liabilities of the Borrower to that Lender or Issuing Bank or that subsequent holder under the Credit Documents, irrespective of whether or not that Lender or Issuing Bank or that subsequent holder shall have made any demand hereunder. Each Lender or Issuing Bank shall promptly give notice to the Borrower of any action taken by it under this Section 10.6,provided that any failure of such Lender or Issuing Bank to give such notice to the Borrower shall not affect the validity of such setoff. Each Lender and Issuing Bank agrees with each other Lender and Issuing Bank a party hereto that if such Lender or Issuing Bank receives and retains any payment, whether by setoff or application of deposit balances or otherwise, in respect of the Loans or L/C Obligations in excess of its ratable share of payments on all such Obligations then owed to the Lenders and Issuing Bank hereunder, then such Lender or Issuing Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans and L/C Obligations and participations therein held by each such other Lender as shall be

necessary to cause such Lender or Issuing Bank to share such excess payment ratably with all the other Lenders; provided, however, that if any such purchase is made by any Lender or Issuing Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender or Issuing Bank, the related purchases from the other Lenders or Issuing Bank shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 10.7. Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including cable, telecopy or telex) and shall be given to a party hereunder at its address, telecopier number or telex number set forth below or such other address, telecopier number or telex number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Lenders, the Administrative Agent and the Issuing Bank shall be addressed to their respective addresses, telecopier or telex number, or telephone numbers set forth on the signature pages hereof, and to the Borrower to:

Transocean Sedco Forex Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: Gregory Cauthen
Telephone No.: (713) 232-7487
Fax No.: (713) 232-7033

With a copy to:

Baker Botts LLP
One Shell Plaza
Houston, Texas 77002-4995
Attention: Stephen Krebs
Telephone No. (713) 229-1467
Fax No.: (713) 229-1522

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10 and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, or (iv) if given by any other means, when delivered at the addresses specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10; provided that any notice given pursuant to Article 2 shall be effective only upon receipt and, provided further, that any notice that but for this proviso would be effective after the close of business on a Business Day or on a day that is not a Business Day shall be effective at the opening of business on the next Business Day.

Section 10.8. Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same Agreement.

Section 10.9. Successors and Assigns. This Agreement shall be binding upon the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents, and their respective successors and assigns, and shall inure to the benefit of the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents, and their respective successors and assigns, including any subsequent holder of any Note; provided, however, the Borrower may not assign any of its rights or obligations under this Agreement or any other Credit Document without the written consent of all Lenders, the Issuing Bank, the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents, and the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents and the Managing Agents may not assign any of their respective rights or obligations under this Agreement or any Credit Document except in accordance with Article 9 and no Lender or Issuing Bank may assign any of its rights or obligations under this Agreement or any other Credit Document except in accordance with Section 10.10. Any Lender or Issuing Bank may at any time pledge or assign all or any portion of its rights under this Agreement and the Notes issued to it (i) to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender, or (ii) in the case of any Lender that is a fund comprised in whole or in part of commercial loans, to a trustee for such fund in support of such Lender's obligations to such trustee; provided that no such pledge or assignment shall release a Lender or Issuing Bank from any of its obligations hereunder or substitute any such Federal Reserve Bank or such trustee for such Lender as a party hereto and the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely with such Lender or Issuing Bank in connection with the rights and obligations of such Lender and Issuing Bank under this Agreement.

Section 10.10. Sales and Transfers of Borrowing and Notes; Participations in Borrowings and Notes.

(a) Any Lender may, upon written notice to the Borrower, at any time sell to one or more commercial banking or other financial or lending institutions ("Participants") participating interests in any Commitment of such Lender and Related Credit Extensions of such Lender hereunder, provided that no Lender may sell any participating interests in any such Commitment or such Related Credit Extensions hereunder without also selling to such Participant the appropriate pro rata share of all such Lender's Commitment and Related Credit Extensions hereunder (but excluding interests in respect of Competitive Loans), and provided further that no Lender shall transfer, grant or assign any participation under which the Participant shall have rights to vote upon or to consent to any matter to be decided by the Lenders or the Required Lenders hereunder or under any other Credit Document or to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) increase the amount of such Lender's Commitment and such increase would affect such Participant, (ii) reduce the principal of, or interest on, any of such Lender's Borrowings,

or any fees or other amounts payable to such Lender hereunder and such reduction would affect such Participant, (iii) postpone any date fixed for any scheduled payment of principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such postponement would affect such Participant, or (iv) release any collateral security for any Obligation, except as otherwise specifically provided in any Credit Document. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and such Lender shall retain the sole right to enforce the obligations of the Borrower under any Credit Document. The Borrower agrees that if amounts outstanding under this Agreement and the Notes shall have been declared or shall have become due and payable in accordance with Section 7.2 or 7.3 upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 10.6. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.13, 3.3 and 8.3 with respect to its participation in the Commitments and the Borrowings outstanding from time to time, provided that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred if no participation had been transferred and provided, further, that Sections 8.3(c) and 8.6 shall apply to the transferor Lender with respect to any claim by any Participant pursuant to Section 2.13, 3.3 or 8.3 as fully as if such claim was made by such Lender. Anything herein to the contrary notwithstanding, the Borrower shall not, at any time, be obligated to pay to any Lender any sum in excess of the sum the Borrower would have been obligated to pay to such Lender hereunder if such Lender had not sold any participation in its rights and obligations under this Agreement or any other Credit Document.

(b) Any Lender may at any time sell to (i) any of such Lender's affiliates or to any other Lender or any affiliate thereof that is a commercial banking or other financial or lending institution not subject to Regulation T of the Board of Governors of the Federal Reserve System and, (ii) with the prior written consent of the Administrative Agent and the Borrower (which shall not be unreasonably withheld or delayed), to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System (any of (i) or (ii), a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the other Credit Documents, pursuant to an Assignment Agreement in the form attached as Exhibit 10.10, executed by such Purchasing Lender and such
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transferor Lender (and, in the case of a Purchasing Lender which is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) and delivered to the Administrative Agent; provided that each such sale to a Purchasing Lender shall be in an amount of $5,000,000 (calculated as hereinafter set forth) or more, or if in a lesser amount or if as a result of such sale the sum of the unfunded Commitment of such Lender plus the aggregate

principal amount of such Lender's Loans and participations in Letters of Credits would be less than an amount of $5,000,000 (calculated as hereinafter set forth), such sale shall be of all of such Lender's rights and obligations under this Agreement and all of the other Credit Documents payable to it to one Purchasing Lender. Notwithstanding the requirement of the Borrower's consent set forth above, but subject to all of the other terms and conditions of this Section 10.10(b), any Lender may sell to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System, all or any part of their rights and obligations under this Agreement and the other Credit Documents with only the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) if an Event of Default shall have occurred and be continuing. No Lender may sell or assign any portion of its Commitment and Related Credit Extensions (excluding Competitive Loans) to a Purchasing Lender without also selling to such Purchasing Lender (i) the appropriate pro rata share of all such Lender's Commitment and Related Credit Extensions hereunder (but excluding interests in respect of Competitive Loans), and (ii) a pro rata amount of such Lender's loans (excluding loans made by such Lender on a competitive bid basis pursuant to the Five-Year Credit Agreement), borrowings, promissory notes, commitment, and any obligations and interests in respect of letter of credit obligations under the Five-Year Credit Agreement (but excluding interests in respect of loans made by such Lender on a competitive bid basis thereunder); provided, however, that no such sale or assignment shall be required in respect of any interests under the Five-Year Credit Agreement where the Lender is effecting such sale or assignment under this Agreement as a Non-Extending Lender pursuant to Section 2.16(c). For purposes of calculating the satisfaction of the $5,000,000 minimum amount requirement set forth in the first sentence of this Section 10.10(b) and in Section 2.15(c), such amount shall be the sum of the total amount so sold and assigned to the Purchasing Lender pursuant to this Agreement and the total amount so sold and assigned to the Purchasing Lender pursuant to the Five-Year Credit Agreement in accordance with the immediately preceding sentence. Upon such execution, delivery and acceptance, from and after the effective date of the transfer determined pursuant to such Assignment Agreement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth herein and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitments and Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Notes and the other Credit Documents. On or prior to the effective date of the transfer determined pursuant to such Assignment Agreement, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for any surrendered Note, a new Note as appropriate to the order of such Purchasing Lender in an amount equal to the Commitments assumed by it pursuant to such Assignment Agreement, and, if the transferor Lender has retained a Commitment or Borrowing hereunder, a new Note to the order of the transferor Lender in an amount equal to the Commitments or Borrowings retained by it hereunder. Such new Notes shall be dated the Initial Availability Date and shall otherwise be in the form of the Notes replaced thereby. The Notes

surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled."

(c) Upon its receipt of an Assignment Agreement executed by a transferor Lender, a Purchasing Lender and the Administrative Agent (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower), together with payment by the transferor Lender to the Administrative Agent hereunder of a registration and processing fee of $1,000 (unless the Borrower is replacing such Lender pursuant to the terms hereof, in which event such fee shall be paid by the Borrower), the Administrative Agent shall (i) promptly accept such Assignment Agreement, and (ii) on the effective date of the transfer determined pursuant thereto give notice of such acceptance and recordation to the Lenders and the Borrower. The Borrower shall not be responsible for such registration and processing fee or any costs or expenses incurred by any Lender, any Purchasing Lender or the Administrative Agent in connection with such assignment except as provided above.

(d) If, pursuant to this Section 10.10 any interest in this Agreement or any Loan or Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Administrative Agent, the Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Loans or the L/C Obligations, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) two duly completed and signed copies of either U.S. Internal Revenue Service Form W-8 BEN or U.S. Internal Revenue Service Form W-8 ECI or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities (wherein such transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) new forms as contemplated by Section 3.3(b) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(e) Notwithstanding any other provisions of this Section 10.10, no transfer or assignment of the interests of any Lender hereunder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans, the Notes or any other Obligations under the securities laws of any jurisdiction.

Section 10.11. Amendments, Waivers and Consents. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the Administrative Agent, the Co-Syndication Agent, the Co-Documentation Agent or the Managing

Agent are affected thereby, the Administrative Agent, the Co-Syndication Agent, the Co-Documentation Agent or the Managing Agent, as the case may be,provided that:

(i) no amendment or waiver shall (A) increase the Revolving Credit Commitment Amount without the consent of all Lenders or increase any Commitment of any Lender without the consent of such Lender, or (B) postpone the Commitment Termination Date or Maturity Date without the consent of all Lenders, or reduce the amount of or postpone the date for any scheduled payment of any principal of or interest (including, without limitation, any reduction in the rate of interest unless such reduction is otherwise provided herein) on any Loan or Reimbursement Obligation or of any fee payable hereunder, without the consent of each Lender owed any such Obligation, or (C) release any Collateral for any Collateralized Obligations (other than as provided in accordance with Section 7.4) without the consent of all Lenders; and

(ii) no amendment or waiver shall, unless signed by each Lender, change the provisions of this Section 10.11 or the definition of Required Lenders or the number of Lenders required to take any action under any other provision of the Credit Documents.

Section 10.12. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 10.13. Legal Fees, Other Costs and Indemnification. The Borrower, upon demand by the Administrative Agent, agrees to pay the reasonable fees and disbursements of legal counsel to the Administrative Agent in connection with the preparation and execution of the Credit Documents (which shall be in an amount agreed in writing by the Borrower), and any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated. The Borrower further agrees to indemnify each Lender, Issuing Bank, the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents, and their respective directors, officers, employees and attorneys (collectively, the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not such Indemnified Party is a party thereto) which any of them may pay or incur as a result of (a) any action, suit or proceeding by any third party or governmental authority against such Indemnified Party and relating to any Credit Document, the Loans, any Letter of Credit, or the application or proposed application by any of the Borrower of the proceeds of any Loan or use of any Letter of Credit, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR ATTORNEYS, (b) any investigation of any third party or any governmental authority involving any Lender (as a lender hereunder), Issuing Bank, or the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents or the Managing Agents (in such capacity hereunder) and related to any use made or proposed to be made by the Borrower of the proceeds of any Loan, or use of any Letter of Credit or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any Loan or Letter of Credit, and (c) any investigation of any third party or any governmental

authority, litigation or proceeding involving any Lender (as a lender hereunder) or the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents or the Managing Agents (in such capacity hereunder) and related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower, regardless of whether caused by, or within the control of, the Borrower; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of such Indemnified Party's gross negligence or willful misconduct, as determined pursuant to a final nonappealable judgment of a court of competent jurisdiction or as expressly agreed in writing by such Indemnified Party. The Borrower, upon demand by the Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Managing Agents or a Lender or Issuing Bank at any time, shall reimburse such Agent or such Lender or Issuing Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing, except if the same is excluded from indemnification pursuant to the provisions of the preceding sentence. Each Indemnified Party agrees to contest any indemnified claim if requested by the Borrower, in a manner reasonably directed by the Borrower, with counsel selected by the Indemnified Party and approved by the Borrower, which approval shall not be unreasonably withheld or delayed. Any Indemnified Party that proposes to settle or compromise any such indemnified claim shall give the Borrower written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain the Borrower's prior written consent thereto, which consent shall not be unreasonably withheld or delayed; provided that the Indemnified Party shall not be restricted from settling or compromising any such claim if the Indemnified Party waives its right to indemnity from the Borrower in respect of such claim.

Section 10.14. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.
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(A) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS, AND THE RIGHTS AND DUTIES OF THE PARTIES THERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

(B) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE CO-DOCUMENTATION AGENTS, THE MANAGING AGENTS, THE CO-SYNDICATION AGENTS, THE LENDERS, THE ISSUING BANK, OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW

YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE BORROWER HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, 111 8TH AVENUE, NEW YORK, NEW YORK 10011, AS THE DESIGNEE, APPOINTEE AND AGENT OF THE BORROWER TO RECEIVE, FOR AND ON BEHALF OF THE BORROWER, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT HERETO. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS.

(C) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(D) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.7. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15. Confidentiality. Each of the Agents, Issuing Bank and Lenders agree to maintain the confidentiality of the Information (as defined below), except that Information may

be disclosed (i) to their respective affiliates and to prospective Purchasing Lenders and Participants and their respective directors, officers, employees and agents, including accountants, legal counsel and other advisors who have reason to use such Information in connection with the evaluation of the transactions contemplated by this Agreement (subject to similar confidentiality provisions as provided herein) solely for purposes of evaluating such Information, (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable law or regulation or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or any proceedings relating to this Agreement or the other Credit Documents, (v) with the consent of the Borrower, or (vi) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.15, or (y) becomes available on a non-confidential basis from a source other than the Borrower or its affiliates or the Lenders or their respective affiliates. For purposes hereof, "Information" means all information received by the Lenders from the Borrower relating to the Borrower or its business, other than any such information that is available to the Lenders on a non-confidential basis prior to disclosure by the Borrower. The Lenders shall be considered to have complied with their respective obligations if they have exercised the same degree of care to maintain the confidentiality of such Information as they would accord their own confidential information.

Section 10.16. Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which the Borrower, the Administrative Agent, and each Lender have signed and delivered to the Administrative Agent a counterparty signature page hereto or, in the case of a Lender, the Administrative Agent has received a facsimile notice that such a counterpart has been signed and mailed to the Administrative Agent.

Section 10.17. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.18. Currency Conversion. All payments of Obligations under this Agreement, the Notes or any other Credit Document shall be made in Dollars. If any payment of any Obligation, whether through payment by the Borrower or the proceeds of any collateral, shall be made in a currency other than Dollars, such amount shall be converted into Dollars at the current market rate for the purchase of Dollars with the currency in which such obligation was paid, as quoted by the Lender who is the Administrative Agent in accordance with the methods customarily used by such Lender for such purposes as of the time of such determination. The parties hereto hereby agree, to the fullest extent that they may effectively do so under applicable law, that (i) if for the purposes of obtaining any judgment or award it becomes necessary to convert from any currency other than Dollars into Dollars any amount in connection with the Obligations, then the conversion shall be made as provided above on the Business Day before the day on which the judgment or award is given, (ii) in the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment or award is given and the date of payment, the Borrower will pay to the Administrative Agent, for the benefit of the Lenders, such additional amounts (if any) as may be necessary, and the Administrative Agent, on behalf of the Lenders, will pay to the Borrower such excess amounts (if any) as result

from such change in the rate of exchange, to assure that the amount paid on such date is the amount in such other currency, which when converted at the rate of exchange described herein on the date of payment, is the amount then due in Dollars, and (iii) any amount due from the Borrower under this Section 10.18 shall be due as a separate debt and shall not be affected by judgment or award being obtained for any other sum due.

Section 10.19. Change in Accounting Principles, Fiscal Year or Tax Laws.

If (i) any change in accounting principles from those used in the preparation of the financial statements of the Borrower referred to in Section 5.9 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change materially affects the calculation of any component of any financial covenant, standard or term found in this Agreement, or (ii) there is a material change in federal or foreign tax laws which materially affects any of the Borrower and its Subsidiaries' ability to comply with the financial covenants, standards or terms found in this Agreement, the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 10.11, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

Section 10.20. Final Agreement. The Credit Documents constitute the entire understanding among the Credit Parties, the Lenders, the Issuing Bank, and the Administrative Agent and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents. THIS WRITTEN AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.21. Officer's Certificates. It is not intended that any certificate of any officer of the Borrower delivered to the Administrative Agent or any Lender pursuant to this Agreement shall give rise to any personal liability on the part of such officer.

Section 10.22. Effect of Inclusion of Exceptions. It is not intended that the specification of any exception to any covenant herein shall imply that the excepted matter would, but for such exception, be prohibited or required.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:

TRANSOCEAN SEDCO FOREX INC.,
a Cayman Islands company

By: /s/ GREGORY L. CAUTHEN

Name: Gregory L. Cauthen
Title: Vice President, Chief Financial Officer and Treasurer

Attest:

Name:
Title:

SUNTRUST BANK,
As Administrative Agent, Issuing Bank,
and a Lender

By: /s/ JOHN A. FIELDS, JR.

Name: John A. Fields, Jr.
Title: Managing Director

COMMITMENT AMOUNT: $21,500,000

PERCENTAGE: 8.60%

Address for Notices:
- ---

SunTrust Bank
SunTrust Plaza
303 Peachtree Street, N.E., 3rd Floor
Atlanta, GA 30308
Attn: Mr. John Fields
Telephone No.: 404/724-3667
Telecopy No.: 404/827-6270

Lending Office:
- ---

SunTrust Bank
SunTrust Plaza
303 Peachtree Street, N.E., 3rd Floor
Atlanta, GA 30308
Attn: Mr. John Fields
Telephone No.: 404/724-3667
Telecopy No.: 404/827-6270

Payment Instructions:
- ---

Bank Name: SunTrust Bank
ABA Number: 061 000 104
City, State: Atlanta, Georgia
Account Number: 908 8000 112
Attention: Pat Etheridge 404/588-8358
Reference: Transocean Sedco Forex Inc.

ABN AMRO BANK, N.V.,
As Co-Syndication Agent and a Lender

By: /s/ STUART MURRAY

Name: Stuart Murray
Title: Group Vice President

By: /s/ BO FORD

Name: Bo Ford
Title: Assistant Vice President

COMMITMENT AMOUNT: $19,000,000

PERCENTAGE: 7.60%

Address for Notices:
- ---

ABN AMRO Bank, N.V.
208 South LaSalle Street, Suite 1500
Chicago, IL 60604-1003
Attn: Melanie Drzazga
Telephone No.: 312/992-5135
Telecopy No.: 312/992-5111

with a copy to:

ABN AMRO Bank, N.V.
Three Riverway, Suite 1700
Houston, TX 77056
Attn: Stuart Murray
Telephone No.: 832/681-7158
Telecopy No.: 832/681-7145

Lending Office:
- ---

ABN AMRO Bank, N.V.
208 South LaSalle Street, Suite 1500
Chicago, IL 60604-1003
Attn: Loan Administration
Telephone No.: 312/992-5150
Telecopy No.: 312/992-5155

Letter of Credit:
- ----------

ABN AMRO Bank N.V.
200 West Monroe Street, Suite 1100
Chicago, I 60608-5002

Payment Instructions:
- ----------

Bank Name:	ABN AMRO Bank, N.V.
ABA Number:	026009580
City, State:	New York, NY
Account Name:	F/O ABN AMRO Bank, N.V. Chicago Branch CPU
Account Number:	650-001-178941
Attention:	
Reference:	CPU 00193232 - Transocean Sedco

Letters of Credit:
- ----------

Bank Name:	ABN AMRO Bank, N.V.
ABA Number:	026009580
City, State:	New York, NY
Account Name:	F/O ABN AMRO Bank, N.V. Chicago Trade Services CPU
Account Number:	653-001 1738 41
Attention:	
Reference:	Transocean Sedco

THE ROYAL BANK OF SCOTLAND PLC,
As Co-Syndication Agent and a Lender

By: /s/ SCOTT W. BARTON

Name: Scott W. Barton
Title: Senior Vice President

COMMITMENT AMOUNT: $19,000,000

PERCENTAGE: 7.60%

Address for Notices:
- ---

The Royal Bank of Scotland plc
88 Pine Street
New York, NY 10005
Attn: Scott Barton
Vice President Lending
Telephone No.: 212/269-1706
Telecopy No.: 212/480-0791

Lending Office:
- ---

The Royal Bank of Scotland plc
Wall Street Plaza, 26th Floor
New York, NY 10005
Attn: Jeanne De Quar
Supv Operations
Telephone No.: 212/269-1700, Ext. 260
Telecopy No.: 212/344-4065

Payment Instructions:
- ---

Bank Name: Northern Trust International New York
ABA Number: 026-001-122
City/State: Swift Address (NCR US33
Account Name: The Royal Bank of Scotland plc
Account Number: 104083-20230
Attention:
Reference: Transocean Offshore Inc.

BANK OF AMERICA, N.A.,
As Co-Documentation Agent and a Lender

By: /s/ CLAIRE LIU

Name: Claire Liu
Title: Managing Director

COMMITMENT AMOUNT: $19,000,000

PERCENTAGE: 7.60%

Address for Notices:
- ---

Bank of America, N.A.
333 Clay Street, Suite 4550
Houston, TX 77002
Attn: Patrick Delaney, Managing Director
Telephone No.: 713/651-4929
Telecopy No.: 713/651-4808

Lending Office:
- ---

Bank of America, N.A.
901 Main Street
Dallas, TX 75202
Attn: Ramon Garcia
Customer Service Representative
Telephone No.: 214/209-2119
Telecopy No.: 214/290-9462

with a copy to:

Bank of America, N.A.
333 Clay Street, Suite 4550
Houston, TX 77002
Attn: Thelma Johnson
Telephone No.: 713/651-4864
Telecopy No.: 713/651-4808

BANK OF AMERICA, N.A., (CONTINUED)
As Co-Documentation Agent and a Lender

Payment Instructions:
- ---------------------

Bank Name:	Bank of America, N.A.
ABA Number:	#111000012
City, State:	
Account Number:	1292000883
Attention:	Corporate Loan Funds
Reference:	Transocean Sedco Forex Inc.

WELLS FARGO BANK TEXAS,
NATIONAL ASSOCIATION,
As Co-Documentation Agent and a Lender

By: /s/ ERIC R. HOLLINGSWORTH

Name: Eric R. Hollingsworth
Title: Vice President

COMMITMENT AMOUNT: $19,000,000

PERCENTAGE: 7.60%

Address for Notices:
- ---

Wells Fargo Bank Texas, National Association
1000 Louisiana
3rd Floor, Energy Department
Houston, TX 77002
Attn: Eric Hollingsworth, Vice President
Telephone No.: 713/319-1354
Telecopy No.: 713/739-1087

(or Credit Contact Back Up)

Attn: April Zaring, Relationship Associate
Telephone No.: 713/319-1379
Telecopy No.: 713/739-1087

Lending Office:
- ---

Wells Fargo Bank Texas, National Association
1740 Broadway
Denver, CO 80274
Attn: Tanya Ivie, Production Manager
Telephone No.: 303/863-6102
Telecopy No.: 303/863-2729

WELLS FARGO BANK TEXAS, (CONTINUED)
NATIONAL ASSOCIATION,
As Co-Documentation Agent and a Lender

Payment Instructions:
- ---

Bank Name:	Wells Fargo Bank
ABA Number:	121-000-248
City, State:	San Francisco, CA 94103
Account Number:	2969507201
Attention:	Syndicated Loans
Reference:	Transocean - Obligor 9051645463, Obligation 406

THE BANK OF NOVA SCOTIA,
As a Managing Agent and a Lender

By: /s/ N. BELL

Name: N. Bell
Title: Assistant Agent

COMMITMENT AMOUNT: $16,000,000

PERCENTAGE: 6.40%

Address for Notices:
- ---

The Bank of Nova Scotia
Houston Representative Office
1100 Louisiana, Suite 3000
Houston, TX 77002
Attn: Jean Paul Purdy
Telephone No.: 713/759-3433
Telecopy No.: 713/752-2425

The Bank of Nova Scotia
Houston Representative Office
1100 Louisiana, Suite 3000
Houston, TX 77002
Attn: Julie Hellman
Telephone No.: 713/759-3442
Telecopy No.: 713/752-2425

Lending Office:
- ---

PRIMARY
The Bank of Nova Scotia
Atlanta Agency
Suite 2700, 600 Peachtree St. NE
Atlanta, GA 30308
Attn: Donna Gardner
Telephone No.: 404/877-1552
Telecopy No.: 404/888-8998

SECONDARY
The Bank of Nova Scotia
Atlanta Agency
Suite 2700, 600 Peachtree St. NE
Atlanta, GA 30308
Attn: Michelle Wingard
Telephone No.: 404/877-1562
Telecopy No.: 404/888-8998

THE BANK OF NOVA SCOTIA, (CONTINUED)
As a Managing Agent and a Lender

Domestic and Eurodollar Lending Office:
- ---------------------------------------

The Bank of Nova Scotia
Atlanta Agency
Suite 2700, 600 Peachtree Street, N.E.
Atlanta, GA 30308

Payment Instructions:
- ---------------------

Bank Name: The Bank of Nova Scotia, New York Agency
ABA Number: 026002532
City, State: New York, NY
Account Name: BNS Atlanta Agency
Account Number: #0606634
Reference: Transocean Sedco Forex Inc.

CREDIT LYONNAIS NEW YORK BRANCH,
As a Managing Agent and a Lender

By: /s/ BERNARO WEYMULLER

Name: Bernaro Weymuller
Title: Senior Vice President

COMMITMENT AMOUNT: $16,000,000

PERCENTAGE: 6.40%

Address for Notices:
- ---

Credit Lyonnais
1000 Louisiana
Suite 5360
Houston, TX 77002
Attn: Page Dillehunt
Telephone No.: 713/753-8713
Telecopy No.: 713/751-0307

Credit Lyonnais
1301 Avenue of the Americas
New York, NY 10019
Attn: Bindu Menon
Telephone No.: 212/761-7633
Telecopy No.: 917/849-5440

Domestic and Eurodollar Lending Office:
- ---

Credit Lyonnais New York Branch
1301 Avenue of the Americas
New York, NY 10019

CREDIT LYONNAIS NEW YORK BRANCH,
As a Managing Agent and a Lender (CONTINUED)

Payment Instructions:
- ---------------------

Bank Name: Credit Lyonnais New York
ABA Number: 026008073
City, State: New York, NY
Account Number: 01-88179-3701-00-179
Attention:
Reference: Transocean Sedco Forex Inc.

HSBC BANK USA
As a Managing Agent and a Lender

By: /s/ GEORGE LINHART

Name: George Linhart #9429
Title: Vice President

COMMITMENT AMOUNT: $16,000,000

PERCENTAGE: 6.40%

Address for Notices:
- ---

HSBC Bank USA
452 Fifth Avenue, 5th Floor
New York, NY 10018
Attn: George Linhart
Vice President
Telephone No.: 212/575-3326
Telecopy No.: 212/575-2469

Lending Office:
- ---

HSBC Bank USA
One HSBC Center 26th Floor
Buffalo, NY 14203
Attn: Marie Bax
Loan Administrator
Telephone No.: 716/841-5668
Telecopy No.: 716/841-0269

Payment Instructions:
- ---

Bank Name: HSBC Bank USA
ABA Number: 021 001 088
Account Name: Syndication & Assets Trading
Account Number: 001-940503
Attention: Maria Bax
Reference:

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH,
As a Managing Agent and a Lender

By: /s/ JEFFREY S. DAVIDSON

Name: Jeffrey S. Davidson
Title: Associate Director

By: /s/ WALTER T. DUFFY, III

Name: Walter T. Duffy, III
Title: Associate Director

COMMITMENT AMOUNT: $16,000,000

PERCENTAGE: 6.40%

Address for Notices:

Westdeutsche Landesbank Girozentrale,
New York Branch
1211 Avenue of the Americas
New York, NY 10036
Attn: Daniel Palermo
Associate Director, Loan Administration
Telephone No.: 212/852-6157
Telecopy No.: 212/302-7946

Lending Office:

Westdeutsche Landesbank Girozentrale,
New York Branch
1211 Avenue of the Americas
New York, NY 10036
Attn: Jeffrey S. Davidson
Telephone No.: 212/852-6204
Telecopy No.: 212/852-6148

Payment Instructions:

Bank Name: The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza, New York, NY
ABA Number: 021-000-021
Account Name: Westdeutsche Landesbank Girozentrale, New York Branch
Account Number: 9201060663
Attention:
Reference: Transocean Sedco Forex Inc. Revolvers

THE BANK OF TOKYO-MITSUBISHI, LTD.
As a Lender

By: /s/ KELTON GLASSCOCK

Name: Kelton Glasscock
Title: Vice President & Manager

COMMITMENT AMOUNT: $8,000,000

PERCENTAGE: 3.20%

Address for Notices:

The Bank of Tokyo-Mitsubishi, Ltd.
1100 Louisiana Street
Suite 2800
Houston, TX 77002
Attn: Iris Munoz, Senior Associate
Telephone No.: 713/655-3814
Telecopy No.: 713/655-3855

Lending Office:

The Bank of Tokyo-Mitsubishi, Ltd.
1100 Louisiana Street
Suite 2800
Houston, TX 77002
Attn: Nadra Breir
Telephone No.: 713/655-3847
Telecopy No.: 713/658-0116

Payment Instructions:

Bank Name: The Bank of Tokyo-Mitsubishi, Ltd. - New York
ABA Number: 026009632
City, State: New York, New York
Account Name: The Bank of Tokyo-Mitsubishi, Ltd. - Houston Agency
Account Number: 30001710
Attention: Nadra Breir
Reference: Transocean Sedco Forex

THE FUJI BANK, LIMITED,
As a Lender

By: /s/ JACQUES AZAGURY

Name: Jacques Azagury
Title: Senior Vice President
& Manager

COMMITMENT AMOUNT: $15,000,000

PERCENTAGE: 6.00%

Address for Notices:

The Fuji Bank, Limited
95 Columbus Circle
Jersey City, NJ 07302
Attn: Tina Catapano
Vice President and Department Head
Telephone No.: 212/282-4561
Telecopy No.: 201/432-6805

Lending Office:

The Fuji Bank, Limited
1221 McKinney Street
Suite 4100
Houston, TX 77010
Attn: Mark Polasek
Vice President
Telephone No.: 713/759-1800
Telecopy No.: 713/759-0717

Payment Instructions:

Bank Name: The Fuji Bank, Limited
ABA Number: 026009700
Account Number: 515011
Attention: US Corporate
Reference: Transocean Sedco Forex Inc.

BANK ONE, N.A.
As a Lender

By: /s/ DIANE L. RUSSELL

Name: Diane L. Russell
Title: Vice President

COMMITMENT AMOUNT: $15,000,000

PERCENTAGE: 6.00%

Address for Notices:
- ---

Bank One, N.A.
Bank One Center
910 Travis, 6th Floor
Houston, TX 77002
Attn: Dianne Russell
Telephone No.: 713/751-3982
Telecopy No.: 713/751-3679

Borrowings, Payments, Interest, Etc.
- ---

Bank One, N.A.
1 Bank One Plaza
0634, 1FNP, 10th Floor
Chicago, IL 60670
Attn: John Beirne
Telephone No.: 312/732-3659
Telecopy No.: 312/732-4840

Domestic Lending Office:
- ---

Bank One, N.A.
1 Bank One Plaza
0634, 1FNP, 10th Floor
Chicago, IL 60670

Eurodollar Lending Office:
- ------------------------

Bank One, NA
1 Bank One Plaza
Suite 0634, 10th Floor
Chicago, IL 60670

Payment Instructions:
- --------------------

Bank Name:	Bank One, Chicago
ABA Number:	071000013
City, State:	Chicago, IL
Account Number:	481152860000
Account Name:	LSII Incoming Clearing A/C
Attention:	John Beirne
Reference:	Transocean Sedco Forex Inc.

THE BANK OF NEW YORK
As a Lender

By: /s/ PETER W. KELLER
Name: Peter W. Keller
Title: Vice President

COMMITMENT AMOUNT: $15,000,000

PERCENTAGE: 6.00%

Address for Notices:

The Bank of New York
One Wall Street, 19th Floor
New York, NY 10286
Attn: Theresa M. Burke
Oil & Gas Division
Telephone No.: 212/635-7532
Telecopy No.: 212/635-7923

Domestic Borrowings:	Payment Instructions:	
The Bank of New York	Bank Name:	The Bank of New York
101 Barclay Street	ABA Number:	021000018
New York, NY 10286	City, State:	New York, NY
Attn Bill Barbiero	Account Name:	Comm. Loan Servicing Dept.
Commercial Loan Servicing Department	Account Number:	111 556
	Attention:	Bill Barbiero
Telephone No.:	Reference:	Transocean Sedco Forex Inc.
Telecopy No.:		

Eurodollar Lending Office:

The Bank of New York	Bank Name:	The Bank of New York
101 Barclay Street	ABA Number:	021000018
New York, NY 10286	City, State:	New York, NY
Attn: Bill Barbiero	Account Name:	Comm. Loan Servicing Dept.
Commercial Loan Servicing Department	Account Number:	111 556
	Attention:	Bill Barbiero
Telephone No.:	Reference:	Transocean Sedco Forex Inc.
Telecopy No.:		

THE BANK OF NEW YORK (CONTINUED)
As a Lender

Letters of Credit:

The Bank of New York
101 Barclay Street
New York, NY 10286
Attn: Venus McGregor
Trade Services Department
Telephone No.:
Telecopy No.:

Payment Instructions:

Bank Name: The Bank of New York
ABA Number: 021000018
City, State: New York, NY
Account Name: Trade Services Department
Account Number: GLA #111115
Attention: Venus McGregor
Reference: Transocean Sedco Forex Inc.

Domestic Borrowings:

The Bank of New York
101 Barclays Street
New York, NY 10286
Attn: Bill Barbiero
Commercial Loan Servicing
Department
Telephone No.:
Telecopy No.:

Payment Instructions:

Bank Name: The Bank of New York
ABA Number: 021000018
City, State: New York, NY
Account Name: Comm. Loan Servicing Dept.
Account Number: 111 556
Attention: Bill Barbiero
Reference: Transocean Sedco Forex Inc.

CITIBANK, N.A.,
As a Lender

By: /s/ MARK S. JOHNSON

Name: Mark S. Johnson
Title: Director

COMMITMENT AMOUNT: $15,000,000

PERCENTAGE: 6.00%

Address for Notices:
- ---

Citibank, N.A.
New York Shipping & Logistics
388 Greenwich Street, 23rd Floor
New York, NY 10013
Attn: Mark S. Johnson
Director
Telephone No.: 212/816-5435
Telecopy No.: 212/816-5429

Lending Office:
- ---

Citibank, N.A.
Two Penns Way
Suite 200
New Castle, DE 19720
Attn: Tracey Pinkett
Telephone No.: 302/894-6078
Telecopy No.: 302/894-6120

Payment Instructions:
- ---

Bank Name: Citibank, N.A.
ABA Number: 021000089
City, State: New Castle, DE
Account Name: Shipping Concentration
Account Number: 4054-8046
Attention: Tracey Pinkett
Reference: Transocean Sedco Forex Inc.

CREDIT SUISSE FIRST BOSTON,
As a Lender

By: /s/ JAMES P. MORAN

Name: James P. Moran
Title: Director

By: /s/ DAVID M. KOCZAN

Name: David M. Koczan
Title: Associate

COMMITMENT AMOUNT: $8,000,000

PERCENTAGE: 3.20%

Address for Notices:

Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010
Attn: David Koczan
Associate
Telephone No.: 212/325-9096
Telecopy No.: 212/325-8314

Lending Office:

Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010
Attn: Nimala Durgana
Telephone No.: 212/538-3525
Telecopy No.: 212/538-3477

Payment Instructions:

Bank Name: Bank of New York
ABA Number: 021 000 018
City, State: New York, NY
Account Name: CSFB NY Loan Clearing
Account Number: 890-0329-262
Attention: Client Services
Reference: Transocean Sedco Forex Inc.

NORDEA BANK FINLAND PLC,
NEW YORK BRANCH,
(AS SUCCESSOR TO CHRISTIANIA BANK OG
KREDITKASSE ASA, NEW YORK BRANCH),
As a Lender

By: /s/ PETER M. DODGE

Name: Peter M. Dodge
Title: Senior Vice President

By: /s/ ANGELA DOGANCAY

Name: Angela Dogancay
Title: Vice President

COMMITMENT AMOUNT: $8,000,000

PERCENTAGE: 3.20%

Address for Notices:
- ---

Nordea Bank Finland Plc,
New York Branch
11 West 42nd Street, 7th Floor
New York, NY 10036
Attn: Martin Lunder
Senior Vice President
Telephone No.: 212/827-4828
Telecopyo.: 212/827-4888

Lending Office:
- ---

Nordea Bank Finland Plc,
New York Branch
437 Madison Avenue
New York, NY 10022
Attn: Thelma Dongallo
Assistant Treasurer
Telephone No.: 212/318-9300
Telecopy No.: 212/421-4420

NORDEA BANK FINLAND PLC,
NEW YORK BRANCH,
(AS SUCCESSOR TO CHRISTIANIA BANK OG
KREDITKASSE ASA, NEW YORK BRANCH),
As a Lender

Payment Instructions:
- ---

Bank Name:	Federal Reserve Bank of New York
ABA Number:	026 010 786
City, State:	New York, NY
Account Name:	Nordea Bank Finland Plc - New York Branch
Account Number:	#52150000032201001
Attention:	Credit Administration
Reference:	Transocean Sedco Forex Inc.

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED,
As a Lender

By: /s/ ROY J. MARSDEN

Name: Roy J. Marsden
Title: Executive Vice President
- Americas

COMMITMENT AMOUNT: $4,500,000

PERCENTAGE: 1.80%

Address for Notices:
- ---

Australia and New Zealand Banking
Group Limited
1177 6th Avenue
New York, NY 10036
Attn: David Giacalone
Vice President
Telephone No.: 212/801-9814
Telecopy No.: 212/556-4814

Lending Office:
- ---

Australia and New Zealand Banking
Group Limited
1177 6th Avenue
New York, NY 10036
Attn: Tessie Amante
Supervisor
Telephone No.: 212/801-9744
Telecopy No.: 212/801-9859

Payment Instructions:
- ---

Bank Name: Chase Manhattan Bank
ABA Number: 021-000-021
City, State: New York, NY
Account Name: Australia and New Zealand Bank, New York
Account Number: 400-928884
Reference: Transocean Sedco Forex Inc. Revolvers

RBF EXPLORATION CO.

$200,000,000 SENIOR SECURED CLASS A1 NOTES
$50,000,000 SENIOR SECURED CLASS A2 NOTES

SECOND SUPPLEMENTAL INDENTURE
AND AMENDMENT

DATED AS OF June 2, 2000

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION

Trustee

This SECOND SUPPLEMENTAL INDENTURE AND AMENDMENT ("Second Supplemental Indenture"), dated as of June 2, 2000 but effective as of the Effective Date (as hereinafter defined), is among RBF Exploration Co., a Nevada corporation (the "Issuer"), BTM Capital Corporation, a Delaware corporation (the "Owner"), Nautilus Exploration Limited, a company incorporated in the Cayman Islands (the "Standby Purchaser"), R&B Falcon Deepwater (UK) Limited, a company incorporated in England and Wales (the "Lessee") and Chase Bank of Texas, National Association, a banking association incorporated under the laws of the United States, as Trustee (the "Trustee").

RECITALS

WHEREAS, the Issuer and the Trustee entered into a Trust Indenture and Security Agreement, dated as of August 12, 1999 as supplemented and amended by a certain Supplemental Indenture and Amendment dated as of February 1, 2000 between the Issuer, the Owner and the Trustee (as amended the "Indenture"), pursuant to which the Issuer has originally issued $200,000,000 in principal amount of Senior Secured Class A1 Notes and $50,000,000 in principal amount of Senior Secured Class A2 Notes (collectively, the "Notes") to the Note Holders (as defined in the Indenture); and

WHEREAS, the Issuer and the Owner entered into a certain Equipment Sale and Funding Agreement dated as of February 1, 2000 pursuant to which the Issuer conveyed certain property and equipment relating to the Drilling Rig (as defined in the Indenture) to the Owner and entered into related financing arrangements, and the Issuer, the Owner, and Hyundai (as defined in the Indenture) entered into a certain novation agreement of the Construction Contract (as defined in the Indenture) pursuant to which the Owner acquired that part of the Drilling Rig being constructed and supplied by Hyundai; and

WHEREAS, pursuant to the Indenture and the original Assignment of Drilling Contract (as defined in the Indenture) the Issuer and/or the Owner have granted certain liens and security interests in certain accounts, equipment and other property as more fully described in the Indenture and the Assignment of Drilling Contract and the Owner has granted a certain First Preferred Ship Mortgage (as defined in the Indenture) covering among other things the Drilling Rig to the Trustee for the benefit of the Note Holders to secure among other things the Notes (all such indebtedness including, without limitation, the Notes is herein referred to as the "Senior Indebtedness"); and

WHEREAS, the Owner and Sovereign Corporate Limited, a company incorporated in England and Wales ("Sovereign") have entered into a certain Hire Purchase Agreement dated as of March 20, 2000 with respect to the Drilling Rig, which requires the consent of the Trustee and the Note Holders (as amended by a Side Letter of even date herewith and as may further be amended, the "Hire Purchase Agreement"), and Sovereign now proposes to lease the Drilling Rig to the Lessee pursuant to a certain Lease Agreement of even date herewith a copy of which is attached hereto as Exhibit A (the "Lease"); and

WHEREAS, Sovereign, the Lessee, the Owner, the Trustee, the Standby Purchaser and Alliance & Leicester Group Treasury plc (in such capacity and including successor entities, the "Proceeds Account Bank") have entered into a Deed of Proceeds and Priorities of even date herewith (the "Deed of Proceeds"); and

WHEREAS, pursuant to the Hire Purchase Agreement the Owner proposes to grant in favor of Sovereign a Second Naval Mortgage covering the Drilling Rig as security for the obligations of the Lessee under the Lease, a copy of which is attached hereto as Exhibit B-1 (the "Second Preferred Ship Mortgage"); and

WHEREAS, the consent of the Trustee is required for the Owner to grant the Second Preferred Ship Mortgage, and the Note Holders have consented to the Trustee's giving such consent pursuant to this Second Supplemental Indenture and an Amendment and Supplement to First Naval Mortgage of even date herewith, a copy of which is attached hereto as Exhibit B-2 (the "Amendment to First Mortgage"); and

WHEREAS, Sovereign, the Standby Purchaser, the Lessee, the Owner, the Issuer and the Trustee are entering into a Subordination Agreement, a copy of which is attached as Exhibit C (the "Subordination Agreement"); and

WHEREAS, the Standby Purchaser and Sovereign are entering into a Standby Put-Option Agreement, a copy of which is attached as Exhibit D (the "Put-Option Agreement"); and

WHEREAS, the Standby Purchaser and the Lessee are entering into a Standby Lease Agreement, a copy of which is attached as Exhibit E (the "Standby Lease"); and

WHEREAS, the Issuer, the Lessee and SDDI, with the consent of the Trustee, are entering into a Transfer and Amendment Agreement in the form of Exhibit F ("Transfer Agreement"); and

WHEREAS, the Issuer and Commerzbank AG are entering into a Reimbursement Agreement of even date herewith ("Reimbursement Agreement"), a Deposit Agreement and Deposit Charge of even date herewith ("Deposit Agreement") and a Counterparty Payment Agreement of even date herewith ("Counterparty Payment Agreement" and collectively with the Reimbursement Agreement and the Deposit Agreement, the "Assumption Documents"); and

WHEREAS, the Note Holders desire a liquidity facility to cover for a specified period of time shortfalls in the repayment of interest on the Notes resulting from certain insolvency events with respect to the Owner and, thus, Swiss Re Financial Products Corporation ("Liquidity Provider (Swiss Re)") and the Trustee have entered into an Irrevocable Revolving Credit Agreement of even date herewith ("Credit Agreement"); and

WHEREAS, the Lessee is entering into a Fixed and Floating Security Document of even date herewith ("Debenture") in favor of the Trustee; and

WHEREAS, Section 13.8 of the Indenture provides that the Indenture may be amended or supplemented subject to the provisions of Article 11 thereof; and

WHEREAS, as of the Effective Date, the Performance Bond (as defined in the Indenture) will have expired by its terms and the Trustee shall return, with all deliberate speed, the Performance Bond to the Sureties (as defined in the Indenture); and

WHEREAS, pursuant to Section 11.2 of the Indenture, each of the Note Holders have consented to the Trustee entering into this Second Supplemental Indenture and each other Lease Implementation Document to which the Trustee is a party; and

WHEREAS, the Issuer, the Owner and the Trustee now desire, with the consent of each of the Note Holders, to amend and supplement the Indenture to consent to and provide for the transactions above described and to allow for and make the Standby Purchaser and the Lessee parties thereto;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Issuer, the Owner, the Standby Purchaser, the Lessee and the Trustee (collectively, the "Parties") covenant and agree for the equal and proportionate benefit of the respective Note Holders as follows:

ARTICLE 1

GENERAL

SECTION 1.01. This Second Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes. From the Effective Date, in accordance with Section 13.8 and Article 11 of the Indenture, and by executing and delivering this Second Supplemental Indenture, the Parties whose signatures appear below are subject to all of the provisions of the Indenture and this Second Supplemental Indenture.

SECTION 1.02. Capitalized terms not otherwise defined herein shall have the respective meaning ascribed thereto in the Indenture.

ARTICLE 2

TRUSTEE CONSENTS

SECTION 2.01. With the express written consent of each of the Note Holders, but subject to Article 8 hereof, the Trustee hereby consents to the following:

(a) the Owner and Sovereign implementing the Hire Purchase Agreement and Sovereign and the Lessee entering into the Lease;

(b) the Owner's execution and delivery of the Second Preferred Ship Mortgage in favor of Sovereign;

(c) the execution and delivery of the Transfer Agreement, subject to the Trustee's security interest in and assignment of proceeds under the SDDI Contract;

(d) the Standby Purchaser and Sovereign entering into the Put-Option Agreement and the Standby Purchaser and Lessee entering into the Standby Lease and the Deed of Proceeds;

(e) the termination of the Operation and Maintenance Agreement and its replacement in the form of Exhibit G hereto;

(f) the application of the First Installment (as defined in the Hire Purchase Agreement) proceeds to the repayment in full of the Hull Loan (as defined in the Sale and Funding Agreement) and the Equipment Purchase Price (as defined in the Sale and Funding Agreement), and the Issuer's acknowledgement to the Owner that the Hull Loan and the Equipment Purchase Price have thereby been fully satisfied and discharged;

(g) the use of the proceeds received from the Owner in satisfaction and discharge of the Hull Loan and the Equipment Purchase Price to meet certain of the Issuer's obligations and liabilities under or in connection with the Lease Implementation Documents and the Assumption Documents;

(h) the transfer by the Issuer to the Parent of any proceeds of cash collateral returned to the Issuer pursuant to the Assumption Documents and the release of such proceeds from the Trust Estate;

(i) the Issuer entering into each of the Reimbursement Agreement, Counterparty Payment Agreement and the Deposit Agreement; and

(j) the execution, delivery and performance of any other Lease Implementation Document to the extent such performance does not violate any of the terms and provisions of the Indenture.

ARTICLE 3

ADDITIONAL SECURITY INTERESTS

SECTION 3.01. To secure the prompt and complete payment of the principal of, and interest and any applicable Make-Whole Amount on, all of the Notes issued and delivered and Outstanding,

the payment of all other sums owing under the Indenture and under all other Project Documents (including, without limitation, the obligations of the Trustee under Section 2.05 of the Credit Agreement) (the "Project Indebtedness") and the performance of the covenants contained in the Indenture and in all other Project Documents, and in consideration of the premises and of the covenants contained herein and the sum of One Dollar ($1.00) paid by the Trustee to the Standby Purchaser at or before the delivery hereof, the receipt and sufficiency whereof are hereby acknowledged, the Standby Purchaser has hereby granted, bargained, sold, conveyed, assigned, transferred, mortgaged, affected, pledged, set over, confirmed, granted a continuing security interest in, and hypothecated and does hereby grant, bargain, sell, convey, assign, transfer, mortgage, affect, pledge, set over, confirm, grant a continuing security interest to the Trustee and to any co-trustee or separate trustee hereafter acting pursuant to the Indenture, and to their respective successors and assigns in trust forever (subject to Section 12.1 of the Indenture), all of its right, title and interest in, to and under the following described Properties whether now owned, existing or hereafter acquired or arising (all of such Properties, including without limitation all properties hereafter specifically subjected to the liens of the Indenture by any indenture supplemental thereto to which the Standby Purchaser has consented in writing, being hereinafter collectively referred to as the "Standby Purchaser Trust Estate"):

(a) the Equipment and the Drilling Rig;

(b) the Deed of Proceeds, Hire Purchase Agreement and the Standby Lease together with any amendments or modifications to any of the foregoing and all payments under and all accounts and General Intangibles generated therefrom;

(c) any insurance proceeds (other than insurance proceeds payable to the Standby Purchaser under liability policies for tort, environmental and similar liabilities), condemnation proceeds and the accounts, deposit accounts, issues, profits, products, revenues and other income of and from the Drilling Rig and/or the Equipment and all the estate, right, title and interest of every nature whatsoever of the Standby Purchaser in and to the same and every part thereof; and

(d) all proceeds and products of any of the foregoing.

Notwithstanding the foregoing, the Standby Purchaser Trust Estate shall not include the Standby Purchaser Excepted Properties.

SECTION 3.02. To secure the prompt and complete payment of the Project Indebtedness and the performance of the covenants contained in the Indenture and in all other Project Documents, and in consideration of the premises and of the covenants contained herein and the sum of One Dollar ($1.00) paid by the Trustee to the Lessee at or before the delivery hereof, the receipt and sufficiency whereof are hereby acknowledged, the Lessee has hereby granted, bargained, sold, conveyed, assigned, transferred, mortgaged, affected, pledged, set over, confirmed, granted a continuing security interest in, and hypothecated and does hereby grant, bargain, sell, convey, assign, transfer, mortgage, affect, pledge, set over, confirm, grant a continuing security interest to the Trustee and to any co-trustee or separate trustee hereafter acting pursuant to the Indenture, and to their respective

successors and assigns in trust forever (subject to Section 12.1 of the Indenture), all of its right, title and interest in, to and under the following described Properties whether now owned, existing or hereafter acquired or arising (all of such Properties, including without limitation all properties hereafter specifically subjected to the liens of the Indenture by any indenture supplemental thereto to which the Lessee has consented in writing, being hereinafter collectively referred to as the "Lessee Trust Estate" and together with the Standby Purchaser Trust Estate called the "Second Additional Trust Estate"):

(a) All equipment, inventory, fixtures and other goods (including, without limitation, the Drilling Rig) in all forms, wherever located and whether now or hereafter existing, which are owned by the Lessee or in which the Lessee otherwise has any rights and all parts thereof, all accessions thereto, all replacements or substitutions therefor, all accounts now or hereafter arising in connection therewith, and all chattel paper, documents and general intangibles covering or relating thereto;

(b) All accounts, General Intangibles (including without limitation, the Deed of Proceeds, the SDDI Contract, the Operation and Maintenance Agreement, the Lease and the Standby Lease), instruments, chattel paper and documents, deposit accounts (other than the Lessee Account to the extent it contains the initial deposit therein and the Lessee Excepted Properties) and investment property (including, without limitation, all Permitted Investments) now owned or hereafter acquired;

(c) All Properties subjected to the Lien of the Indenture by each supplemental indenture entered into and delivered pursuant to Article 11 of the Indenture;

(d) All insurance proceeds (other than insurance proceeds payable to the Lessee under liability policies for tort, environmental and similar liabilities), condemnation proceeds and the accounts, issues, profits, products, revenues and other income of and from the SDDI Contract and the other Properties subjected or required to be subjected to the Lien of the Indenture and all the estate, right, title and interest of every nature whatsoever of the Lessee in and to the same and every part thereof;

(e) The Collection Account, the Lessee Collection Account and all other monies now or hereafter paid or deposited or required to be paid or deposited to or with a Trustee pursuant to Section 4.1, 4.2, 4.3, 5.1 or 5.3 of the Indenture or any other term hereof or any term of the other Project Documents and held or required to be held by any Trustee under the Indenture;

(f) Any and all other Properties and any and all other rights, interests and privileges granted by the Lessee to any Trustee in accordance with the provisions of the Indenture and pursuant to or in connection with the provisions of the other Project Documents and all Permitted Investments with respect to any of the foregoing; and

(g) All proceeds and products of any of the foregoing.

Notwithstanding the foregoing, the Lessee Trust Estate shall not include the Lessee Excepted Properties.

The security interests granted under and pursuant to Sections 3.01 and 3.02 above are granted under and pursuant to the Indenture and all of the Second Additional Trust Estate is and shall be considered a part of the Collateral and the Trust Estate under and pursuant to the Indenture and this Second Supplemental Indenture for all intents and purposes. All of the terms and conditions of the Indenture with respect to the Collateral and the Trust Estate shall apply to the Second Additional Trust Estate. Specifically and in this connection the provisions of Sections 7.4 through and including 7.12 of the Indenture apply to the Second Additional Trust Estate and the provisions of such Sections with respect to the "Issuer" apply equally to the Standby Purchaser and the Lessee.

Section 3.03. In recognition of the willingness of the Lessee to grant the security in the Lessee Trust Estate under or pursuant to this Indenture, the Trustee and the Note Holders are prepared to limit their recourse against the Lessee in the manner, and subject to the provisions, set out in this Section 3.03, and each of the parties to this Indenture (including the Trustee for itself and on behalf of the Note Holders) consents to such limitation of recourse by the Trustee and the Note Holders.

The Trustee acknowledges and agrees that all moneys, obligations and liabilities which are to be paid, repaid, performed, satisfied or discharged by the Lessee under and pursuant to this Indenture shall be recoverable by the Trustee and the Note Holders only from and to the extent of the Lessee's interest in the Lessee Trust Estate and that the Lessee shall not be personally liable for such moneys, obligations and liabilities; provided, however:

(a) the foregoing limitation of recourse to the Lessee shall be ignored in the determination of the Project Indebtedness for which the Lessee is liable, and the liabilities and obligations of the Lessee shall include all moneys, obligations and liabilities which are to be paid, repaid, performed, satisfied or discharged by the Lessee, notwithstanding the foregoing limitation of recourse; and

(b) without limiting Sections 7.9 and 7.11 of the Indenture, the Trustee shall be entitled (but not obligated, without prejudice to the other powers, rights and remedies of the Trustee under or pursuant to the Indenture and the other Project Documents or as a matter at law or in equity):

(i) to take any legal action or proceeding to obtain a declaratory or other similar judgment or order as to the obligations and liabilities of the Lessee; and

(ii) to the extent that such claim or proof is a necessary procedural step to enable the realization or enforcement of the full benefit of the Indenture and the Lessee Trust Estate, or to the exercise by the Trustee of any right, title, interest and benefit in, to, under or pursuant to the Indenture or the Lessee Trust Estate, to make or file an action seeking relief in an insolvency, bankruptcy or analogous or related

proceeding against the Lessee or to make or file a claim or proof in an insolvency, bankruptcy or analogous or related proceeding in relation to the Lessee.

Notwithstanding the foregoing provisions of this Section 3.03, the Lessee is and shall remain personally and fully liable for any and all Indemnity Matters suffered, incurred or paid by the Trustee or any Note Holder (and the Trustee and any Note Holder shall be free to pursue all powers, rights and remedies against the Lessee without any restriction) as a result of:

(a) the Lessee's gross negligence or willful misconduct with respect to any aspect of the transactions contemplated by the Project Documents; or

(b) the performance, satisfaction or discharge of all or any of the Lessee's obligations under the Indenture (other than its liability for Project Indebtedness under Section 3.01 above), the Operation and Maintenance Agreement, the SDDI Contract or any other Project Document; or

(c) any representation or warranty made or given (or, as the case may be, repeated) by the Lessee herein, in the Indenture, the Deed of Proceeds or any other Project Document being untrue, inaccurate or misleading in any material respect when made, given or repeated.

The foregoing provisions of this Section 3.03 shall limit the personal liability of the Lessee only for the payment, repayment, performance, satisfaction and discharge of moneys, obligations and liabilities under and pursuant to the Project Documents but shall not:

(a) limit or restrict in any way the accrual of interest on any moneys (except that limitations as to the personal liability of the Lessee shall also apply to the payment of such interest); or

(b) derogate from or otherwise limit any power or right of the Trustee to enforce, recover, realize or apply the Lessee Trust Estate; and the Trustee shall be entitled to reimbursement in full of all moneys payable or expressed to be payable by the Lessee in respect of Project Indebtedness from the proceeds of such enforcement, recovery, realization or application.

ARTICLE 4

LESSEE COVENANTS

SECTION 4.01. Notwithstanding any of the foregoing consents or any other terms hereof, the Lessee covenants and agrees that it will not assign or transfer its interest in any of the Project Documents or any Property that is part of the Trust Estate (including, without limitation, any interest in the SDDI Contract, the Drilling Rig, the Lease and the Standby Lease) to any other Person without

(i) the prior express written consent of Trustee and each of the Note Holders and (ii) prior written notice to each Rating Agency.

SECTION 4.02. The Lessee covenants and agrees that until payment is made in full of all of the Notes and all other amounts payable by the Issuer under the Indenture or secured thereby, the Lessee shall:

(a) comply with and perform all of the covenants of the Issuer (as if the references therein to the Issuer were also references to the Lessee) under Sections 8.1, 8.2, 8.3, 8.4, 8.5, 8.9, 8.10, 8.11, 8.12 and 8.13 (excluding the requirement under Section 8.13(iv) to elect an Independent Director to the Lessee's Board of Directors) and Sections 9.1, 9.2, 9.3, 9.4, 9.5, 9.7, 9.12, 9.13, 9.14, 9.15, 9.17, 9.18, 9.19 and 9.20 of the Indenture provided, however, for this purpose:

(i) Section 9.1(a) shall be deemed to include a reference to the Lease;

(ii) the exceptions to Section 9.2 shall be deemed to include the Second Preferred Ship Mortgage and the Second Priority Assignments;

(iii) Section 9.4 shall be deemed to be amended in its entirety to read as follows:

"9.4 Dividends, Distributions and Redemptions. The Lessee will not purchase, redeem or otherwise acquire for value any of its stock now or hereafter outstanding, return any capital to its stockholder or make any distributions of its assets to its stockholder, except for ordinary dividends paid to Parent.";

(iv) the Lessee's entering into the Lease shall be deemed to be a permitted exception to Section 9.7;

(v) the Lessee's entering into leasing arrangements (including, without limitation, the leasing of furnished office equipment and arrangements with Affiliates for the Affiliates' provisioning of payroll and secretarial services to the Lessee) on reasonable commercial terms incidental to and in the ordinary course of Lessee's business activities, which have been limited by Section 4.10 hereto, and the Lessee's entering into service and/or employment contracts with up to three directors, a single Drilling Rig manager and up to two Drilling Rig superintendents each of which shall be deemed a permitted exception, to the extent required, to Sections 9.7 and 9.14.

(b) execute such documents and instruments as required to promptly cure any defects in the creation, execution and delivery of any of the Project Documents to which it is a party and all such other documents, agreements (including, without limitation, account control agreements) and instruments to comply with or accomplish the covenants and agreements of the Issuer, Lessee or the Owner in the Project Documents or to further

evidence or more fully describe the Lessee Trust Estate or to correct any omissions in the Project Documents to which it is a party, or to state more fully the security obligations set out herein or in any of the other Project Documents, or to perfect, protect or preserve any Liens created by the Lessee (or others to the extent Lessee's execution or action is required) pursuant hereto or any of the other Project Documents, or to make any recordings or obtain any consents as may be necessary or appropriate in connection therewith. Further, the Lessee will promptly execute and deliver or cause to be executed or delivered all further instruments and documents and take all further action that may be necessary or desirable or that the Trustee may request in order to (a) perfect and protect the Liens and other rights created or purported to be created by the Lessee hereby and by the other Project Documents and the first priority of such Liens and other rights; (b) enable the Trustee to exercise and enforce its rights and remedies hereunder in respect of the Collateral; or (c) otherwise effect the purposes of the Indenture, including, without limitation: executing and filing such supplements to the Indenture and such financing or continuation statements (or amendments thereto) as may be necessary or desirable or that the Trustee may reasonably request in order to perfect and preserve the Liens created or purported to be created by the Lessee (or others to the extent Lessee's execution or action is required) hereby or thereby;

(c) enter into, perform and cause to be performed each of the Lease, the Standby Lease, the SDDI Contract through the Transfer Agreement, the Transfer Agreement and the Operation and Maintenance Agreement and shall not agree to any amendments, modifications or waivers of the terms thereof without express written consent of the Trustee;

(d) provide prompt written notice to the Trustee of any Material default under the SDDI Contract, the Lease or the Standby Lease; and

(e) provide to SDDI (with copies to the Trustee) such duly executed forms or statements (including Internal Revenue Service Form W-8ECI or W-9), and in such number of copies, which may, from time to time, be prescribed by law and which, pursuant to applicable provisions of (i) an income tax treaty between the United States and the country of residence of the Lessee, (ii) the Code, or (iii) any applicable rule or regulation under the Code, permit SDDI to make payments to the Lessee, the Issuer or the Trustee pursuant to the SDDI Contract free of deduction or withholding of Taxes.

SECTION 4.03. The Lessee agrees that it will not take any action (i) which it knows to be contrary to covenants and other terms and provisions of the Indenture, the First Preferred Ship Mortgage or any other Project Document or (ii) which it knows will inhibit the performance of such covenants, terms and provisions by the Issuer, the Owner, the Trustee, the Standby Purchaser or otherwise.

SECTION 4.04. Subject to Section 3.03 above, the Lessee hereby assumes and agrees to pay as and when due the Project Indebtedness. The Lessee agrees that any and all payments and other proceeds (other than Total Loss Proceeds (as defined in the Deed of Proceeds) which shall be payable as provided in the Deed of Proceeds) paid or payable from or under the Trust Estate (including without limitation, the SDDI Contract) shall be paid into the Lessee Collection Account

established with the Trustee under Section 6.02 hereof and applied as provided in Section 6.03 hereof. Notwithstanding the foregoing, the Issuer remains fully and completely liable to pay the Project Indebtedness as and when due.

SECTION 4.05. The Lessee represents and warrants that (a) the execution, delivery, performance and enforcement of this Second Supplemental Indenture or any of the documents referred to herein or in the whereas clauses hereto will not: (i) subject the Trustee or any Note Holder to any Tax imposed by the United Kingdom or any taxing authority thereof or therein; (ii) require that the Trustee or any Note Holder qualify, or otherwise become subject to regulation, under any law, rule, regulation or decree of the United Kingdom or any governmental authority thereof or therein; provided always, that the correctness of this representation and warranty relative to any Note Holder depends upon that Note Holder not having purchased its Note or Notes through any office, branch, place of business, permanent establishment or other taxable presence in the United Kingdom, or through any other physical or economic connection with the United Kingdom of any kind whether on its own account or through any agency and (b) this Second Supplemental Indenture and the other documents referred to herein and in the whereas clauses hereto are in proper form for the enforcement thereof in the United Kingdom and that in order to enforce the same in the United Kingdom it is not necessary that any Tax be paid or registration or other formality complied with.

SECTION 4.06. The Lessee shall not exercise any rights granted to the Lessee pursuant to Clause 4.1 of the Transfer Agreement without the prior written consent of the Trustee and the Note Holders.

SECTION 4.07. If at any time any applicable law, regulation or regulatory requirement or any governmental authority, monetary agency or central bank requires any deduction or withholding in respect of Lessee Related Taxes from any payment due hereunder or under any of the other Project Documents the Lessee shall:

(a) if the payment is to be made by the Lessee, increase the payment in respect of which the deduction or withholding is required to the extent necessary to ensure that, after the making of such deduction or withholding, the payee receives on the due date for such payment a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made;

(b) if the payment is to be made by any person other than the Lessee, pay directly to the payee such sum as will, after taking into account any deduction or withholding which is required to be made in respect of such sum, enable the payee to receive on the due date for payment a net sum equal to the sum which the payee would have received in the absence of any obligation to make a deduction or withholding;

(c) pay to the relevant authority within the period for payment permitted by applicable law the full amount of the deduction or withholding (including, but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any increased amount paid pursuant to this Section 4.07); and

(d) furnish to the payee within the period for payment permitted by applicable law, appropriate receipts evidencing payment to the relevant authority of all amounts deducted or withheld as aforesaid.

Provided that, if a payee has retained and actually utilized a Tax benefit by reason of any deduction or withholding for which the Lessee has paid such payee ("Tax Benefit Payee"), then the Lessee shall be entitled to a reimbursement of the amount by which the Tax Benefit Payee actually benefited and either (i) the Tax Benefit Payee (if it is a party to this Second Supplemental Indenture) shall reimburse to the Lessee the amount of such benefit or (ii) the Lessee may limit any future payments to the Tax Benefit Payee (if it is not a party to this Second Supplemental Indenture) by the amount of such Tax benefit utilized less any amounts received by the Lessee from such Tax Benefit Payee.

Provided further, and notwithstanding the proviso to Section 4.05, if at any time any applicable law, regulation or regulatory requirement or any governmental authority, monetary agency or central bank having jurisdiction in or over the United Kingdom (including any taxing authority thereof or therein) imposes any Taxes on the Trustee or any Note Holder as a result of it being a party to the Lease Implementation Documents or their implementation or enforcement, the Lessee shall indemnify the affected Trustee or Note holder and hold it harmless against and promptly on demand pay or reimburse it for such Tax, regardless of whether any Note Holder purchased its Note or Notes through any office, branch, place of business, permanent establishment or other taxable presence in the United Kingdom, or through any other physical or economic connection with the United Kingdom of any kind whether on its own account or through any agency.

SECTION 4.08. The Lessee represents and warrants that each of the following are true and correct as of the date hereof:

(a) Organization, Power and Authority. The Lessee is a corporation
duly organized, validly existing and in good standing under the laws of England and Wales, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Lessee has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver each of the Lease Implementation Documents to which it is a party and to perform the provisions hereof and thereof.

(b) Authorization. Each of the Lease Implementation Documents have
been duly authorized by all necessary corporate action on the part of the Lessee, and each of the Lease Implementation Documents to which the Lessee is a party constitute a legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Ownership. The Lessee is a wholly-owned subsidiary (directly or indirectly) of the Parent.

(d) Compliance with Laws, Other Instruments, etc. The execution, delivery and performance by the Lessee of the Lease Implementation Documents to which it is a party will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Lessee under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which Lessee is bound or by which the Lessee or any of its respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Lessee or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Lessee.

(e) Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Lessee of any Lease Implementation Document except for those consents, filing approvals, and authorizations required in the ordinary course of the operation of the Drilling Rig.

(f) Litigation. Except as disclosed in the letter dated June 2, 2000 from the Lessee to the Trustee, there are no actions, suits or proceedings pending or, to the knowledge of the Lessee, threatened against or affecting the Lessee or any property of the Lessee in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(g) Orders, Judgments and Decrees. The Lessee is not in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(h) Title to Property. The Lessee has good and valid title to its respective Material properties free and clear of Liens other than Excepted Liens. All Material leases are valid and subsisting and are in full force and effect in all Material respects. The Lessee owns or possesses all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others. The Lessee owns or possesses all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, without any known conflict with the rights of others, necessary to own and operate the Drilling Rig and perform the SDDI Contract as contemplated therein.

(i) ERISA. The Lessee has no Plan and makes no contributions to any Plan.

(j) Debt. The Lessee has no Debt as of the date hereof other than the Debt created or assumed by the Lease Implementation Documents.

(k) Status. Neither the Lessee nor any Affiliate thereof is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

(l) Subsidiaries. The Lessee has no Subsidiaries.

(m) Nature of Business. The Lessee is organized for the purpose of, among other things, owning, leasing and operating ships and other offshore assets, but currently does not own, lease or occupy under license any material asset apart from the Drilling Rig and its business premises, nor does it currently engage directly or indirectly in any other business.

(n) Event of Default. No event has occurred and is continuing and no condition exists which, upon the execution and delivery of this Second Supplemental Indenture, would constitute an Indenture Default or an Indenture Event of Default with respect to any action of the Lessee. The Lessee is not in violation in any respect of any term of its certificate of incorporation or bylaws, and the Lessee is not in violation of any material term in any Material agreement or other Material instrument to which it is a party or by which it or any of its Property may be bound. Except for the Lease Implementation Documents, there are no Material agreements or Material instruments to which the Lessee is a party or by which it or any of its Property is bound. Each representation made or deemed made by the Lessee in any Lease Implementation Document or Project Document is true and correct.

(o) Rig Classification. As of the date hereof, the Drilling Rig has been classified in the highest class available for rigs of its age and type with the American Bureau of Shipping, free of any material requirements or recommendations.

(p) Insurance. As of the date hereof, the Drilling Rig is covered by the insurance required by Section 2.13 of the First Preferred Ship Mortgage and the other Project Documents and such insurance will be in full force and effect and all premiums due in respect of such insurance will have been paid.

(q) Filings. Within 21 days of the date hereof, all filings necessary or desirable to perfect the Liens and security interests of the Trustee under this Second Supplemental Indenture in the Trust Estate as against creditors and purchasers from the Lessee will have been duly made, and this Second Supplemental Indenture will create a valid and perfected first priority lien and security interest in said Trust Estate, effective against creditors of and purchasers from the Lessee, securing all obligations secured thereby.

SECTION 4.09. The Lessee will not cause or permit any change to be made in its corporate name or identity or any change to be made in the address of its chief executive office or principal place of business (presently being the address set forth for copies to the Lessee in Section 7.04 hereof), unless the Issuer shall have first notified the Trustee and each Note Holder of such change at least thirty days prior to the effective date of such change and shall have first taken all action required by the Trustee for the purpose of further perfecting or protecting the rights of the Trustee in the Collateral. In any notice furnished pursuant to this Section 4.09, the Issuer will state that the notice is required by this Second Supplemental Indenture and contains facts that may require additional filings of financing statements.

SECTION 4.10. The Lessee will not engage directly or indirectly in any business or activity except owning and/or operating the Drilling Rig and any activities incidental thereto, without the express written consent of the Trustee in its absolute discretion.

ARTICLE 5
STANDBY PURCHASER COVENANTS

SECTION 5.01. Notwithstanding any of the foregoing consents or any other terms hereof, the Standby Purchaser covenants and agrees that, except as expressly permitted by the Deed of Proceeds, it will not assign or transfer its interest in any Property that is part of the Trust Estate (including, without limitation, any interest in the SDDI Contract, the Standby Lease or the Drilling Rig) to any other Person without (i) the prior express written consent of the Trustee and each of the Note Holders and (ii) prior written notice to each Rating Agency.

SECTION 5.02. The Standby Purchaser covenants and agrees that, until payment in full of all of the Notes, all interest thereon and all other amounts payable under the Project Documents:

(a) Litigation. The Standby Purchaser shall promptly give to the Trustee notice of any material litigation or proceeding against or adversely affecting the Standby Purchaser in which the amount involved is not covered in full by insurance (over and above reasonable deductibles or other self insured retentions) or in which the Standby Purchaser has received notice from any insurer reserving its rights or contesting coverage under any policy (subject to normal and customary deductibles, or in which injunctive or similar relief is sought). The Standby Purchaser will promptly notify the Trustee of all claims, judgments, Liens or other encumbrances affecting any Property of the Standby Purchaser if the aggregate value of such claims, judgments, Liens or other encumbrances affecting such Property shall exceed $1,000,000.

(b) Maintenance. The Standby Purchaser shall: (i) preserve and maintain its corporate existence and all of its material rights, privileges, licenses and franchises; (ii) keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of, or in relation to its business and activities; (iii) comply with all Governmental Requirements if failure to comply with such requirements will have a Material Adverse Affect; and (iv) pay and discharge all Taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property, all trade accounts

payable in accordance with usual and customary business terms and all claims for work, labour or materials prior to the date on which any Lien (other than Liens for obligations that have not been outstanding more than 60 days, unless action has been taken to file or enforce such Liens) or penalties attach thereto, except for such Tax, assessment, charge, levy, account payable or claim, the payment of which is being contested in good faith.

SECTION 5.03. The Standby Purchaser covenants and agrees that, until payment in full of all of the Notes, all interest thereon and all other amounts payable under the Project Documents, without the prior express written consent to the contrary from the Trustee and each of the Note Holders:

(a) Debt. The Standby Purchaser will not incur, create, assume, suffer to exist or otherwise become liable in respect of any Debt, except the Notes, the Lease or other indebtedness owing to the Trustee or the Note Holders under the Project Documents.

(b) Liens: The Standby Purchaser will not create, incur, assume or permit to exist any Lien on the Drilling Rig or any of its other Properties now owned or hereafter acquired), or upon income or profits therefrom except:

(i) Liens securing the payment of the Notes; and

(ii) during the period up to but including the Maturity Date, Excepted Liens; and

(iii) the Second Preferred Ship Mortgage.

(c) Nature of Business. The Standby Purchaser will not engage directly or indirectly in any business or activity except owning the Drilling Rig and activities incidental thereto pursuant to the Lease Implementation Documents.

(d) Limitation on Leases. The Standby Purchaser will not create, incur, assume or suffer to exist any obligation for the payment of rent or hire of Property of any kind whatsoever (real or personal including capital leases), under leases or lease agreements.

(e) Mergers, etc. The Standby Purchaser will not merge into or with or consolidate with any other Person, or sell, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property to any other Person other than as contemplated by the Deed of Proceeds.

(f) Sale of Drilling Rig. The Standby Purchaser will not sell, lease, charter, assign, convey, dispose or otherwise transfer the Drilling Rig or any interest therein other than in accordance with the Lease Implementation Documents provided, however, this covenant shall not apply to equipment appurtenant to the Drilling Rig which is obsolete and no longer required for proper operation of the Drilling Rig or which is replaced by equipment of equal or greater value.

(g) Location of Standby Purchaser; Change of Name of Standby Purchaser. The Standby Purchaser will not cause or permit any change to be made in its corporate name or identity or any change to be made to its chief executive office or principal place of business (presently being the address set forth in Section 7.04 hereof), unless the Standby Purchaser shall have first notified the Trustee of such change at least thirty days prior to the effective date of such change and shall have first taken all action required by the Trustee for the purpose of further perfecting or protecting the rights of the Trustee in the Standby Purchaser Trust Estate. In any notice furnished pursuant to this subsection 5.02(i), the Standby Purchaser will state that the notice is required by this Indenture and contains facts that may require additional filings of financing statements.

(h) Acquisition of Notes. The Standby Purchaser will not purchase, redeem, prepay or otherwise acquire any of the Outstanding Notes.

(i) Non-Petition Covenant. With respect to any CP Conduit that is a Purchaser, the Standby Purchaser hereby agrees that until the 368th day following the maturity of the last maturing commercial paper note to be issued by any such CP Conduit in connection with its funding of its investment in the Notes, the Standby Purchaser will not institute, and will not join with others in instituting, any involuntary bankruptcy or analogous proceeding against any such CP Conduit under any bankruptcy, reorganisation, receivership or similar law, domestic or foreign, as now or hereafter in effect.

(j) Jurisdiction of Registration. The Standby Purchaser shall not change the jurisdiction of registration of the Drilling Rig to another jurisdiction, unless the Standby Purchaser, when directed by the Lessee, has given the Trustee not less than 60 days prior written notice, the Required Holders have consented (which consent shall not be unreasonably withheld) and the Standby Purchaser has furnished the Trustee and the Note Holders with a new replacement ship mortgage acceptable to the Trustee and the Required Holders and appropriate opinions of counsel, acceptable in form and substance to the Required Holders, with respect to such mortgage and the filing and first priority thereof.

(k) Defects, etc. The Standby Purchaser shall execute such documents and instruments as required to promptly cure any defects in the creation, execution and delivery of any of the Project Documents to which it is a party and all such other documents, agreements (including, without limitation, account control agreements) and instruments to comply with or accomplish the covenants and agreements of the Issuer or the Owner in the Project Documents or to further evidence or more fully describe the Standby Purchaser Trust Estate or to correct any omissions in the Project Documents, or to state more fully the security obligations set out herein or in any of the other Project Documents, or to perfect, protect or preserve any Liens created pursuant hereto or any of the other Project Documents, or to make any recordings or obtain any consents as may be necessary or appropriate in connection therewith. Further, the Standby Purchaser will promptly execute and deliver or cause to be executed or delivered all further instruments and documents and take all further action that may be necessary or desirable or that the Trustee may request in order to (i) perfect and protect the Liens and other rights created or purported to be created hereby and by the other Project Documents and the first priority of such Liens and other rights;

(ii) enable the Trustee to exercise and enforce its rights and remedies hereunder in respect of the Collateral; or (iii) otherwise effect the purposes of the Indenture, including, without limitation: executing and filing such supplements to the Indenture and such financing or continuation statements (or amendments thereto) as may be necessary or desirable or that the Trustee may reasonably request in order to perfect and preserve the Liens created or purported to be created hereby or thereby.

(l) Other Agreements. The Standby Purchaser shall enter into the Standby Lease but shall not agree to any amendments or modifications of the terms thereof without express written consent of the Trustee.

(m) Default under Other Agreements. The Standby Purchaser shall provide prompt written notice to the Trustee of any default under the Standby Lease.

SECTION 5.04. The Standby Purchaser agrees that it will comply with its obligations under clause 6.1 of the Standby Lease and, in this regard, it will not take, nor be obliged to take, any action (i) which it knows to be contrary to the covenants and other terms and provisions of the Indenture, the First Preferred Ship Mortgage or any other Project Document or (ii) which it knows will inhibit the performance of such covenants, terms and provisions by the Issuer, Owner, Lessee or otherwise.

SECTION 5.05. The Standby Purchaser agrees that it will not, otherwise than pursuant to its rights under the Standby Lease (and then subject to any restrictions on the exercise of those rights under the Deed of Proceeds), interfere with the quiet use, possession and quiet enjoyment of the Drilling Rig by SDDI, the Issuer, the Lessee or any of its or their Affiliates.

SECTION 5.06. The Standby Purchaser represents and warrants that (a) as of the date hereof, the execution, delivery, performance and enforcement of this Second Supplemental Indenture or any of the documents referred to herein or in the whereas clauses hereto will not: (i) subject the Trustee or any Note Holder to any Tax imposed by the Cayman Islands or any taxing authority thereof or therein; (ii) require that the Trustee or any Note Holder qualify, or otherwise become subject to regulation, under any law, rule, regulation or decree of the Cayman Islands or any governmental authority thereof or therein and (b) this Second Supplemental Indenture and the other documents referred to herein and in the whereas clauses hereto are in proper form for the enforcement thereof in the Cayman Islands and that in order to enforce the same in the Cayman Islands it is not necessary that any Tax be paid or registration or other formality complied with.

SECTION 5.07. The Standby Purchaser agrees that it will not take title to the Drilling Rig (including, without limitation, taking title pursuant to the Put-Option Agreement or the Hire Purchase Agreement) unless the Standby Purchaser complies with the relevant provisions under the Deed of Proceeds including, without limitation, the provisions of clause 5.3 thereof.

SECTION 5.08. The Standby Purchaser represents and warrants that it is not a Subsidiary or an Affiliate of the Parent, Issuer, Owner, Lessor, Lessor Parent, Lessee or any Subsidiary or Affiliate of the foregoing (the "Principal Parties") and will not become a Subsidiary or an Affiliate of any Principal Party. The Standby Purchaser will act solely in its own corporate name and through its

own offices and agents and at all times hold itself out to the public under its own name as a legal entity separate and distinct from any and all of the Principal Parties.

ARTICLE 6

ADDITIONAL COVENANTS

SECTION 6.01. Owner agrees to take appropriate action as soon as practicable after December 31, 2000, but in no event later than February 28, 2001, at the sole cost and expense of the Issuer, as required to transfer all of its right, title and interest in the Drilling Rig to a third party, which shall be an Affiliate of the Owner ("Transferee"), which Transferee will enter into a supplement to the Indenture pursuant to which the Transferee grants a security interest similar to the security interest granted by the Independent Owner under the Supplemental Indenture and covenants similar to the covenants granted by the Independent Owner under the Supplemental Indenture together with a covenant similar to Section 8.13 (except to the extent Section 8.13 relates to preserving the form of the Transferee as a corporation, such covenant shall be broadened to allow the Transferee to be a corporation, an owner trust, statutory trust or a limited liability company) of the Indenture and otherwise being in form and substance satisfactory to the Required Holders; provided that, in connection with such transfer, (a) the Issuer shall assist the Owner in providing additional documentation required in connection with such transfer and (b) such transfer shall not be effected unless and until the Trustee is furnished with the following, in form and substance satisfactory to the Trustee and the Rating Agencies:

(i) an assumption of the First Preferred Ship Mortgage or the execution and delivery of a new mortgage executed by the Transferee in substantially the same form as the First Preferred Ship Mortgage,

(ii) an amendment to the Indenture pursuant to which the Transferee grants to the Trustee a security interest in the Equipment on substantially the same terms as the security interest granted by the Owner under the Indenture together with appropriate financing statements to properly perfect such security interest,

(iii) appropriate UCC searches establishing that the security interest granted under (ii) above is first priority,

(iv) opinions of counsel from the Issuer and Transferee satisfactory to the Trustee and the Rating Agencies with respect to the documents provided under clauses (i) and (ii) above, including, without limitation, the first priority of the assumption of the First Preferred Ship Mortgage or new mortgage, as applicable, and

(v) a certificate or certificates from appropriate insurance brokers that all required insurance remains in full force and effect with the Transferee as the new owner of the Drilling Rig and Equipment.

In connection with the foregoing, the Owner shall not be required to provide representations, opinions and certificates broader in scope or content than those previously provided by the Owner pursuant to the Supplemental Indenture and this Second Supplemental Indenture.

SECTION 6.02. The Trustee shall establish an account styled "R&B Falcon Deepwater (UK) Limited Collection Account" (the "Lessee Collection Account") subject to the Trustee's sole dominion and control into which (a) any payments or proceeds paid or payable under the SDDI Contract will be directed according to Section 6.03 hereof and the Indenture and (b) into which any proceeds (but excluding, for the avoidance of doubt, proceeds of Lessee Excepted Properties) directed to the Lessee pursuant to the Deed of Proceeds will be directed according to such Deed of Proceeds.

SECTION 6.03. The Trustee shall apply and transfer immediately any amounts in the Lessee Collection Account to the Collection Account to be applied as required pursuant to Section 5.1 and Section 5.3 of the Indenture.

SECTION 6.04. Each Note Holder, by execution and delivery of their written consent to this Second Supplemental Indenture and the Deed of Proceeds, agrees to sell such Note Holder's Note pursuant to the buy-out provisions of clause 10.2 of the Deed of Proceeds.

ARTICLE 7

AMENDMENTS TO INDENTURE/SUPPLEMENTAL INDENTURE

SECTION 7.01. (a) Section 1.1 of the Indenture is hereby amended by adding the following new definitions where alphabetically appropriate, which read in their entirety as follows:

Assumption Documents shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Counterparty Payment Agreement shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Credit Agreement shall have the meaning ascribed thereto in the recitals to the Second Supplement Indenture.

Debenture shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Deposit Agreement shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Hire Purchase Agreement shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Lease shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Lease Implementation Documents shall mean this Second Supplemental Indenture and each of the other documents listed on Schedule 1 hereto.

Lessee shall mean R&B Falcon Deepwater (UK) Limited, a company incorporated in England and Wales.

Lessee Account shall mean the Lessee Account defined in the Lessee Account Assignment dated June 2, 2000 from the Lessee to the Lessor pursuant to which the Lessee may deposit Lessee Excepted Properties.

Lessee Collection Account shall have the meaning ascribed thereto in Section 6.02 of the Second Supplemental Indenture.

Lessee Documents shall mean the Lease and the Standby Lease.

Lessee Excepted Properties shall mean all of the Lessee's right, title and interest in, to and under the following Properties whether now owned, existing or hereafter acquired or arising:

(i) all monies received by the Lessee pursuant to Section 5.1 seventh and Section 5.3 eighth of the Indenture which are deposited or placed in the Lessee Account or otherwise used for securing the obligations of the Lessee to the Lessor pursuant to clause 25 of the Lease; and

(ii) all monies deposited in the Lessee Account, or any sub or replacement account, pursuant to payments made by Commerzbank AG under the Assumption Documents.

Lessee Related Taxes shall mean those Taxes which would not otherwise have arisen but for the implementation of the lease arrangements, imposed as a direct or indirect consequence of the Lessee being involved as a party to the Project Documents or the transactions contemplated thereby or being a party to the Lease Implementation Documents or as a result of the Lessee or any other person having to make or receive a payment through or in connection with the Lease Implementation Documents.

Lessor shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Lessor Parent shall mean Alliance & Leicester plc.

Liquidity Costs shall mean, collectively, the amount of any Unpaid Drawings, and

unpaid interest, costs, expenses, liabilities or other amounts due to the Liquidity Provider (Swiss Re) under the Credit Agreement.

Liquidity Provider (Swiss Re) shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Owner Bankruptcy Event shall have the meaning ascribed thereto in the Credit Agreement.

Put-Option Agreement shall have the meaning ascribed thereto in the Second Supplemental Indenture.

RBF Parties means each of the Lessee, Issuer, RBF II and the Parent.

Reimbursement Agreement shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Risk Transfer Agreement shall have the meaning ascribed thereto in Section 10.07 of the Second Supplemental Indenture.

Second Priority Assignment shall mean the assignments from the Issuer and the Lessee in favor of the Lessor in the form of Exhibits H and I hereto.

Second Supplemental Indenture shall mean that certain Second Supplemental Indenture and Amendment dated as of June 2, 2000, executed by the Issuer, the Owner, the Standby Purchaser, the Lessee and the Trustee.

Standby Lease shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Standby Purchaser shall mean Nautilus Exploration Limited, a company incorporated in the Cayman Islands.

Standby Purchaser Documents shall mean the Standby Lease.

Standby Purchaser Excepted Properties shall mean the share capital of the Standby Purchaser.

Tax shall have the meaning ascribed thereto in the Operation and Maintenance Agreement.

Transfer Agreement shall have the meaning ascribed thereto in the recitals to the Second Supplemental Indenture.

Unpaid Drawings shall have the meaning ascribed thereto in the Credit Agreement.

(b) The definition of "Credit Support Party" shall be deemed to include the Liquidity Provider (Swiss Re) (as defined in the recitals to the Second Supplemental Indenture).

(c) The definition of "First Preferred Ship Mortgage" shall be deemed to include the Amendment to First Mortgage (as defined in the recitals to the Second Supplemental Indenture).

(d) The definition of "Operation and Maintenance Agreement" is amended by the addition at the end of such definition of the words "as terminated and replaced by that certain new Operation and Maintenance Agreement dated June 2, 2000 and as the same may be further amended, supplemented or modified from time to time."

(e) The definition of "Project Document" is amended by adding the phrase "each of the Lease Implementation Documents" after the phrase "(as defined in the Note Purchase Agreement),".

(f) The definition of "SDDI Contract" shall be deemed to include the SDDI Contract as transferred and amended by the Transfer Agreement.

(g) The definition of Transaction Documents is amended by including in the definition thereof, each of the Lease Implementation Documents.

Section 7.02. Clauses (b), (j), (n) and (q) of Section 7.1 of the Indenture are hereby amended respectively to hereafter read in their entirety as follows:

"(b) any representation, warranty or certification at any time made or deemed made herein or in any other Project Document by the Issuer, Parent, Owner, Lessee, Standby Purchaser or Lessor, or any certificate furnished to any Purchaser or other holder of any Note or the Trustee pursuant to the provisions hereof or any other Project Document, shall prove to have been false or misleading as of the time made or furnished in any material respect; or"

"(j) Parent, SDDI, Royal Dutch Shell, RBF II, Owner (but only with respect to (d), (e) or (f)), Sovereign, Lessor Parent, the Standby Purchaser (at any time that Sovereign or the Standby Purchaser is a party to the Hire Purchase Agreement or has title to the Drilling Rig) or the Lessee or, prior to satisfaction of the Operational Period Conditions Precedent, one of the Sureties, takes, suffers or permits to exist with respect to itself any of the events or conditions of the type referred to in paragraphs (d), (e), (f) or (i) hereof; or"

"(n) the Issuer or the Lessee shall cease to be a 100% owned Subsidiary of the Parent, directly or indirectly; or"

"(q) Any default occurs in the covenants or obligations of the (i) Owner under the Supplemental Indenture, the Second Supplemental Indenture, the First Preferred Ship

Mortgage or the Deed of Proceeds or (ii) Standby Purchaser or the Lessee under the Second Supplemental Indenture, the Deed of Proceeds or, with respect to the Standby Purchaser, any other Standby Purchaser Document or, with respect to the Lessee, any other Lessee Document (iii) Lessor under the Deed of Proceeds or (iv) the Trustee receives a notice from the Owner pursuant to the second sentence of Section 4.02(a)(E) of the Supplemental Indenture; and, for the avoidance of doubt, the occurrence and continuation of a Termination Event under the Lease shall not of itself constitute an Indenture Event of Default unless the event or condition giving rise to the Termination Event is also stated to be a default under this Indenture or such Termination Event creates an Indenture Event of Default under the Indenture."

SECTION 7.04. Section 13.3 of the Indenture is amended by adding the following notice provision following the mail address of the Owner:

If to the Standby Purchaser:

If by mail:
Nautilus Exploration Limited
Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
Facsimile: 001 345 949 8080
Attention: Joanna Lawrence

With a copy to:

HSBC House
PO Box 1109 GT
Grand Cayman
Cayman Islands
Facsimile: 001 345 949 7634
Attention: The Directors

If to the Lessee:

If by mail:
R&B Falcon Deepwater (UK) Limited
c/o R&B Falcon Corporation
901 Threadneedle, Suite 200
Houston, Texas 77079 U.S.A.
Facsimile: (281) 496-0285
Attention: Chief Financial Officer

With copy to:

R&B Falcon Deepwater (UK) Limited
Stoneywood Office Complex, Suite E
Stoneywood Park North
Dyce
Aberdeen AB21 7EA
Scotland
Facsimile No.: 011-44-1224-723-444

Attention: Doug Halkett, Director

SECTION 7.05. Section 4.3 of the Indenture is hereby amended by inserting immediately after the phrase "and all payments under the Performance Bond" the phrase ", any excess amount in the Payment Reserve Account that is transferred to the Collection Account in accordance with Section 5.4 hereof".

SECTION 7.06. Article 4 of the Indenture is hereby amended by inserting the following new Section 4.4:

4.4 Liquidity Shortfall Account

The Trustee shall establish an account styled "Note Holder Liquidity Shortfall Account" (the "Liquidity Shortfall Account") subject to the Trustee's sole dominion and control. During the continuance of an Owner Bankruptcy Event, (a) at least three (3) Business Days prior to each Payment Date, the Trustee shall determine the amount ("Liquidity Shortfall"), if any, by which (i) the amount of interest due on such Payment Date for all of the Notes ("Interest Amount") exceeds (ii) the amount of funds available in both the Collection Account and the Payment Reserve Account to cover such Interest Amount and (b), if there is a Liquidity Shortfall, the Trustee shall (1) give notice to the Issuer and each Note Holder of the necessity to request a Drawing (as such term is defined in the Credit Agreement) under the Credit Agreement to cover the Liquidity Shortfall and (2), upon evidence satisfactory to the Trustee of each of the certifications required under the Notice of Drawing (as such term is defined in the Credit Agreement), promptly deliver to the Liquidity Provider (Swiss Re) on behalf of the Note Holders a completed Notice of Drawing requesting the lesser of the (x) Liquidity Shortfall and (y) the Available Commitment (as such term is defined in the Credit Agreement). The Trustee shall deposit into the Liquidity Shortfall Account any funds received from the Liquidity Provider (Swiss Re) pursuant to any Drawing and, promptly thereafter, the Trustee shall transfer from the Liquidity Shortfall Account to each respective Note Holder, such Note Holder's pro rata share of the Drawing based upon that portion of the Interest Amount allocable to such Note Holder.

SECTION 7.07. Section 5.1(a) second is hereby amended by inserting
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immediately prior to the phrase "the accrued unpaid interest" the phrase "in the following order of priority, first to the amount required to reimburse any Liquidity Costs to the Liquidity Provider (Swiss Re) and second,"

SECTION 7.08. Section 5.3 second is hereby amended by inserting
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immediately prior to the phrase "so much of such monies" the phrase "in the following order of priority, first to the amount required to reimburse any Liquidity Costs to the Liquidity Provider (Swiss Re) and second,"

SECTION 7.09. Section 5.1(a) seventh and Section 5.3 eighth of the
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Indenture are each hereby amended by replacing the phrase "distributed to the Issuer or its assigns." with "distributed to the Lessee, or as the Lessee shall otherwise direct the Trustee in writing, or to the Lessee's assigns, for use in their absolute discretion."

SECTION 7.10. Section 5.4 of the Indenture is hereby amended by inserting immediately after the phrase "shall be charged against the principal amount invested" the phrase

> ; except that, if there is income realized as a result of any such Permitted Investments of amounts held in the Payment Reserve Account and such income causes the amount in the Payment Reserve Account to exceed the Phase Two Reserve Amount (as determined by the Trustee three (3) Business Days prior to any given Payment Date), then the Trustee shall cause such excess amount to be transferred to the Collection Account

SECTION 7.11. Article 8 of the Indenture is hereby amended by adding the following new Section 8.16:

"8.16 Tax Indemnity. If at any time any applicable law, regulation or
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regulatory requirement or any governmental authority, monetary agency or central bank requires any deduction or withholding in respect of Taxes from any payment due hereunder or under any of the other Project Documents the Issuer shall:

(a) if the payment is to be made by the Issuer, increase the payment in respect of which the deduction or withholding is required to the extent necessary to ensure that, after the making of such deduction or withholding, the payee receives on the due date for such payment a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made;

(b) if the payment is to be made by any person other than the Issuer, pay directly to the payee such sum as will, after taking into account any deduction or withholding which is required to be made in respect of such sum, enable the payee to receive on the due date for payment a net sum equal to the sum which the payee would have received in the absence of any obligation to make a deduction or withholding;

(c) pay to the relevant authority within the period for payment permitted by applicable law the full amount of the deduction or withholding (including, but without

prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any increased amount paid pursuant to this Section 8.16); and

(d) furnish to the payee within the period for payment permitted by applicable law, appropriate receipts evidencing payment to the relevant authority of all amounts deducted or withheld as aforesaid."

SECTION 7.12. Section 9.2 of the Indenture is amended by changing subsection (b) to subsection (c) and inserting a new subsection (b) as follows:

(b) the Second Preferred Ship Mortgage, the charge against the Deposit pursuant to clause 3 of the Deposit Agreement and the Second Priority Assignments; and

SECTION 7.13. Section 13.17(b) of the Indenture is hereby amended by inserting the following phrase "the Liquidity Provider (Swiss Re)," immediately after the first occurrence of "Note Holder,"

SECTION 7.14. The first paragraph of the Granting Clause of the Indenture is hereby amended by inserting immediately after the first occurrence of the phrase "under all other Project Documents" the phrase "(including, without limitation, the obligations of the Trustee under Section 2.05 of the Credit Agreement)". Section (b) of the Granting Clause of the Indenture is hereby amended by replacing "Refundment Guarantee" with "Refundment Guarantee, Risk Transfer Agreement, the Assumption Documents".

SECTION 7.15. Section 3.01 of the Supplemental Indenture is hereby amended by inserting immediately after the first occurrence of the phrase "under all other Project Documents" the phrase "(including, without limitation, the obligations of the Trustee under Section 2.05 of the Credit Agreement)".

SECTION 7.16. Section 3.01(b) of the Supplemental Indenture is hereby amended by replacing the phrase "such indemnity and the New Performance Guarantee" with "such indemnity, the New Performance Guarantee and Article VII of the Operation and Maintenance Agreement".

ARTICLE 8

CONDITIONS TO EFFECTIVENESS

SECTION 8.01. This Second Supplemental Indenture shall become effective upon the date (the "Effective Date") that is the latter of (a) the date of its execution and delivery by each of the Issuer, the Owner, the Standby Purchaser, the Lessee and the Trustee and (b) the date that each of the following conditions (with each document referenced being in form and substance satisfactory to the Trustee) have been completed:

(a) each of the Lease Implementation Documents have been executed and delivered by all parties thereto and are effective pursuant to the terms thereof;

(b) the Commencement Date has occurred;

(c) the representations and warranties set out in Section 4.08 hereof are true and correct in all material respects;

(d) each of the RBF Parties, the Owner, the Lessee and the Standby Purchaser shall have performed and complied with and shall continue to be in compliance with all of the Project Documents to which each is a party;

(g) all necessary or appropriate financing statements and other filing and recording documents necessary to properly perfect the liens and security interests evidenced by the Indenture and each of the other Lease Implementation Documents which grants a lien, security interest or assignment in favor of the Trustee shall have been executed and delivered to the Trustee;

(h) opinions of counsel from each of Gardere Wynne Sewell & Riggs, L.L.P., Watson Farley & Williams, Norton Rose, Jackson Walker, LLP, Maples & Calder Europe and Dewey Ballantine LLP shall have been delivered to the Note Holders, the Liquidity Provider (Swiss Re) and the Trustee; and

(i) the Issuer shall have paid the reasonable fees, charges and disbursements of special counsel to each of the Class A1 Note Holders, the Class A2 Note Holders, Credit Support Parties (including, without limitation, counsel to the Liquidity Provider (Swiss Re)), the Trustee, the Proceeds Account Bank and of special United Kingdom Counsel to all of the Class A1 Note Holders, the Class A2 Note Holders and Credit Support Parties; provided that such fees are reflected in a statement of each such counsel rendered to the Issuer at least one Business Day prior to the date hereof.

ARTICLE 9

CERTAIN ADDITIONAL AGREEMENTS

SECTION 9.01. Nothing in Article 4 or 5 or elsewhere in this Second Supplemental Indenture or any of the other Lease Implementation Documents shall relieve the Issuer from any of the covenants and obligations of the Issuer under and pursuant to the Indenture as amended and supplemented hereby and notwithstanding the ownership of the Drilling Rig by the Owner, Sovereign, the Standby Purchaser or any other Party, Sovereign's Lease to the Lessee, the Put-Option Agreement or the Standby Lease, the Issuer remains fully responsible and liable (including, without limitation, as if it was the owner of the Drilling Rig) for the performance and compliance with all covenants and obligations of the Issuer under the Indenture as amended and supplemented hereby and the First Preferred Ship Mortgage. Further, the Issuer hereby covenants and agrees to perform, or cause to be performed, all of the obligations of the Owner, the Lessee and the Standby Purchaser under the Indenture as supplemented and amended hereby, the First Preferred Ship Mortgage and under all other Transaction Documents or Project Documents. Notwithstanding the foregoing, with

respect to Section 6.01 of the Supplemental Indenture there shall be no Assuming Party with respect to the Hire Purchase Agreement. Accordingly, the Issuer shall be the Assuming Party with respect to all Project Documents to which the Owner is a party, except for the Hire Purchase Agreement and the Sale and Funding Agreement, and the term Assumed Obligations shall be construed accordingly.

SECTION 9.02. For all purposes of the Indenture, the Owner shall not be responsible for any act or omission of the Lessor or the Lessee under or in connection with the Lease, as the same relates to the Drilling Rig or otherwise; provided that, such limitation shall not limit the Owner's responsibilities under the Indenture and under the Project Documents to which the Owner is a party and the Indenture taken as a whole.

SECTION 9.03. The Trustee agrees that upon a transfer of title to the Drilling Rig from the Owner to a third party in compliance with the terms and conditions of the Indenture the Trustee (at the expense of the Issuer and Lessee) shall promptly execute and deliver to the Owner such instruments as may be sufficient to release and discharge the Owner from its obligations created under the First Preferred Ship Mortgage, the Supplemental Indenture or the Second Supplemental Indenture; provided, however, that during such period, if any, as the First Preferred Ship Mortgage and the liens created by the Supplemental Indenture and/or the Second Supplemental Indenture continue in effect but have not been assumed by the Transferee, such pledge, liens and assignment, the lien of the First Preferred Ship Mortgage and the Owner's non-recourse obligation under Section 4.05 of the Supplemental Indenture (but no other obligation, covenant or undertaking of the Owner contained in the Supplemental Indenture or the First Preferred Ship Mortgage) shall continue in effect.

SECTION 9.04. The Trustee agrees that any right, title or interest of the Trustee in and to any Deposit (as such term is defined in the Deposit Agreement) made by or on behalf of the Issuer pursuant to the terms of the Deposit Agreement (a) shall be second, subordinate and inferior to any right, title or interest of Commerzbank AG to such Deposit, unless any portion of any such Deposit is derived from or pursuant to that portion of the Trust Estate which the Issuer is not entitled to receive pursuant to Article 5 of the Indenture, in which case the right, title or interest of the Trustee in and to such portion of the Deposit so derived shall not be subject to this Section 9.04 and (b), with respect to any such Deposit, the Issuer shall have absolute discretion in its use of such Deposit.

SECTION 9.05. Except as provided in Section 11.1 of the Indenture and in accordance with Section 6.01(b) of the Credit Agreement, the Trustee shall neither amend, modify or supplement any Project Document to which the Trustee is a party nor consent to the amendment, modification or supplementation of any other Project Document without the express written consent of the Liquidity Provider (Swiss Re).

SECTION 9.06. The Issuer or the Lessee, as appropriate, shall name or cause to be named the Liquidity Provider (Swiss Re) as an additional insured under all liability insurance policies maintained pursuant to the provisions of the Project Documents.

SECTION 9.07. The Lessee agrees that it will terminate the Lease (pursuant to clause 3.3(a) thereof) if Alliance & Leicester Group Treasury plc is not replaced in its capacity as Proceeds

Account Bank by July 14, 2000 in accordance with the provisions of the Deed of Proceeds.

ARTICLE 10

MISCELLANEOUS PROVISIONS

SECTION 10.01. Except as expressly amended and supplemented hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every Note Holder heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby and all terms and conditions of the Indenture as amended by the Supplemental Indenture and by this Second Supplemental Indenture shall be read together as though they constitute a single instrument.

SECTION 10.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Second Supplemental Indenture. This Second Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

SECTION 10.03. THE GOVERNING LAW AND SUBMISSION TO JURISDICTION PROVISIONS OF THE INDENTURE, INCLUDING BUT NOT LIMITED TO THE APPLICATION OF THE LAWS OF THE STATE OF NEW YORK, SHALL ALSO GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS SECOND SUPPLEMENTAL INDENTURE. For this purpose the term "Issuer" in Sections 13.4(b), 13.4(d) and 13.4(e) of the Indenture shall be deemed to include the Owner, the Standby Purchaser and the Lessee.

SECTION 10.04. THE LESSEE HEREBY IRREVOCABLY DESIGNATES CAPITOL SERVICES, INC. LOCATED AT 401 COLVIN STREET, SUITE 200, ALBANY, NEW YORK 12206 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE LESSEE TO RECEIVE, FOR AND ON BEHALF OF THE LESSEE, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THE PROJECT DOCUMENTS. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY OVERNIGHT COURIER TO THE LESSEE AT ITS ADDRESS SET FORTH IN SECTION 7.04 HEREOF, BUT THE FAILURE OF THE LESSEE TO RECEIVE SUCH COPY SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE LESSEE FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE LESSEE AT ITS SAID ADDRESS, SUCH SERVICE TO BECOME EFFECTIVE THIRTY DAYS AFTER SUCH MAILING.

SECTION 10.05. The Issuer and the Owner recognize and acknowledge that the Put Option is terminated.

SECTION 10.06. The Issuer represents, warrants and reaffirms that each of the representations and warranties contained in Article 5 of the Note Purchase Agreements were correct in all material respects as of the date such representations and warranties were made and are correct in all material respects as of the date hereof.

SECTION 10.07. With respect to that certain Risk Transfer Agreement between the Issuer and the Lessee dated June 2, 2000 ("Risk Transfer Agreement"), the Issuer and the Lessee understand and agree that the payments under clauses 2.2 and 2.3 thereunder of the Lease Payments (as defined in the Risk Transfer Agreement) and the Lease Receivables (as defined in the Risk Transfer Agreement) are subject to the prior security interests, liens, assignments and rights of the Trustee to the revenues from the SDDI Contract and to all other assets of the Lessee as provided under the Indenture, under that certain new Assignment of Drilling Contract to be granted from the Lessee to the Trustee in the form of Exhibit J ("New Assignment of Drilling Contract") and under the Debenture.

SECTION 10.08. All rights of the Trustee and security interests hereunder, and all obligations of each of the Lessee and the Standby Purchaser hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Project Documents or any other agreement or instrument relating thereto (other than against the Trustee);

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations under the Project Documents, or any other amendment or waiver of or any consent to any departure from the Project Documents or any other agreement or instrument relating thereto;

(c) any exchange, release or non-perfection of any collateral, or any release of any party liable on the Project Indebtedness, or amendment or waiver of or consent to any departure from any guaranty for all or any of the obligations under the Project Documents;

(d) any change in the number or identity of the Lessee, the Issuer, the Owner or the Standby Purchaser; or

(e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Lessee or the Standby Purchaser.

SECTION 10.09. The Parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the Parties hereto have caused this Second Supplemental Indenture to be duly executed as of the Effective Date.

ATTEST: /s/ F. STEEL

Name: F. Steel

Title: Solicitor

RBF EXPLORATION CO.

By /s/ T. NAGLE

Name: T. Nagle

Title: Officer

ATTEST: /s/ KENNETH B. NEWTON

Name: Kenneth B. Newton

Title: Vice President

BTM CAPITAL CORPORATION

By /s/ RORY P. LAUGHNA

Name: Rory P. Laughna

Title: Senior Vice President

ATTEST: /s/ C.C. JOHNSON

Name: C.C. Johnson

Title: Solicitor

NAUTILUS EXPLORATION LIMITED

By /s/ NEAL PHILLIP KING

Name: Neal Phillip King

Title: Attorney in Fact

ATTEST: /s/ F. STEEL

Name: F. Steel

Title: Solicitor

R&B FALCON DEEPWATER (UK) LIMITED

By /s/ D. HALKETT

Name: D. Halkett

Title: Director

ATTEST: /s/ JOHN R. WILLINGFORD

Name: John R. Willingford

Title: Attorney

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION

By /s/ MAURI J. LOWEN

Name: Mauri J. Lowen

Title: Vice President and Trust Officer

SCHEDULE 1

1. Hire Purchase Agreement
2. Lease
3. Deed of Proceeds
4. Second Preferred Ship Mortgage
5. Subordination Agreement (Lessor)
6. Subordination Agreement (Commerzbank AG)
7. Put-Option Agreement
8. Standby Lease
9. Transfer Agreement
10. SDDI Estoppel Letter
11. Letter of Support from the Lessor Parent
12. Amendment to First Mortgage
13. Operation and Maintenance Agreement
14. Security Agreement Pledge from the Issuer to the Lessor in a form approved by the Trustee
15. Security Agreement Pledge from the Lessee to the Lessor in a form approved by the Trustee
16. Lessor Assignment (as defined in the Deed of Proceeds)
17. New Assignment of Drilling Contract
18. Risk Transfer Agreement
19. Credit Agreement
20. Debenture
22. Deposit Agreement
22. Reimbursement Agreement
23. Counterparty Payment Agreement
24. Standby Assignment of Insurances from the Standby Purchaser to the Lessor in a form approved by the Trustee
25. Disbursement Agreement from the Lessee to the Standby Purchaser in a form approved by the Trustee
26. Escrow Agreement between the Issuer and Commerzbank AG in a form approved by the Trustee
27. Lessee Account Assignment between the Lessee and the Lessor in a form approved by the Trustee

EXHIBITS A-J

[to come]

RBF EXPLORATION CO.

AS ISSUER

$200,000,000 SENIOR SECURED CLASS A1 NOTES
$50,000,000 SENIOR SECURED CLASS A2 NOTES

THIRD SUPPLEMENTAL INDENTURE
AND AMENDMENT

DATED AS OF FEBRUARY 20, 2001

THE CHASE MANHATTAN BANK

AS TRUSTEE

This THIRD SUPPLEMENTAL INDENTURE AND AMENDMENT ("Third Supplemental Indenture"), dated as of February 20, 2001 but effective as of the Effective Time (as hereinafter defined), is among RBF Exploration Co., a Nevada corporation (the "Issuer"), BTM Capital Corporation, a Delaware corporation (the "Original Owner"), RBF Nautilus Corporation, a Delaware corporation (the "New Owner"), Nautilus Exploration Limited, a company incorporated in the Cayman Islands (the "Standby Purchaser"), R&B Falcon Deepwater (UK) Limited, a company incorporated in England and Wales (the "Lessee") and The Chase Manhattan Bank, a New York banking organization, as successor Trustee to Chase Bank of Texas, N.A., as Trustee (the "Trustee").

RECITALS

WHEREAS, the Issuer and the Trustee entered into, among other things, a Trust Indenture and Security Agreement, dated as of August 12, 1999 as supplemented and amended by a certain Supplemental Indenture and Amendment dated as of February 1, 2000 among the Issuer, the Original Owner and the Trustee, and as further supplemented and amended by a certain Second Supplemental Indenture and Amendment dated as of June 2, 2000 among the Issuer, the Original Owner, the Standby Purchaser, the Lessee and the Trustee (as may be further amended, the "Indenture"); and

WHEREAS, the Indenture provides that the Original Owner shall take appropriate action on or before February 28, 2001 to transfer all of its right, title and interest in the Drilling Rig (as defined in the Indenture) to another entity; and

WHEREAS, the Original Owner, the New Owner, the Issuer, the Standby Purchaser, the Lessee, RBF II Exploration Inc., a Nevada corporation, and the Trustee contemporaneously herewith will enter into an Assignment and Assumption Agreement ("Assignment and Assumption Agreement") whereby the Original Owner shall in consideration of the New Owner assuming the Original Owner's obligations under those Project Documents to which the Original Owner is a party, as provided for and set forth in the Assignment and Assumption Agreement, transfer all of its right, title and interest in, among other things, the Drilling Rig to the New Owner, such transfer of the Drilling Rig to be evidenced by a Bill of Sale executed by the Original Owner ("Bill of Sale"); and

WHEREAS, in connection with the execution and delivery of the Assignment and Assumption Agreement, the Bill of Sale and this Third Supplemental Indenture, the Original Owner, New Owner and Trustee contemporaneously herewith will enter into an Assignment, Third Amendment and Supplement to First Naval Mortgage ("Addendum" and together with the Assignment and Assumption Agreement, the Bill of Sale and any other agreements listed on Exhibit A hereto, the "New

Owner Transaction Documents"); and
- ----------

WHEREAS, Section 13.8 of the Indenture provides that the Indenture may be amended or supplemented subject to the provisions of Article 11 thereof; and

WHEREAS, the Performance Bond (as defined in the Indenture) has expired by its terms and the Trustee has returned the Performance Bond to the Sureties (as defined in the Indenture); and

WHEREAS, pursuant to Section 11.2 of the Indenture, each of the Note Holders have consented to the Trustee entering into this Third Supplemental Indenture and each other New Owner Transaction Document to which the Trustee is a party; and

WHEREAS, the Issuer, the Original Owner, the New Owner, the Standby Purchaser, the Lessee and the Trustee (the "Parties") now desire, with the consent of each of the Note Holders, to amend and supplement the Indenture to consent to and provide for the transactions above described and to allow for and make the New Owner a party thereto;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Parties covenant and agree for the equal and proportionate benefit of the respective Note Holders as follows:

ARTICLE I

GENERAL

Section 1.01. This Third Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes. From the Effective Time, in accordance with Section 13.8 and Article 11 of the Indenture, and by executing and delivering this Third Supplemental Indenture, the Parties whose signatures appear below are subject to all of the provisions of the Indenture and this Third Supplemental Indenture.

Section 1.02. Capitalized terms not otherwise defined herein shall have the respective meaning ascribed thereto in the Indenture.

ARTICLE II

TRUSTEE CONSENTS

Section 2.01. With the express written consent of each of the Note Holders and the Liquidity Provider (Swiss Re), the Trustee hereby consents, to the extent required by the provisions of the Indenture (including, without limitation, the provisions of Section 4.01 of the Supplemental Indenture), to the execution and delivery by the Parties thereto of each of the New Owner Transaction Documents.

Section 2.02. With the express written consent of each of the Note Holders and the Liquidity Provider (Swiss Re), the Trustee hereby consents to the transfer of the Drilling Rig by the Original Owner to the New Owner pursuant to the Assignment and Assumption Agreement subject to the existing security interests and liens in favor of the Trustee under the Indenture, the First Preferred Ship Mortgage and the Second Naval Mortgage dated June 2, 2000 in favor of Sovereign Corporate Limited.

ARTICLE III

NEW OWNER SECURITY INTEREST

Section 3.01. To secure the prompt and complete payment of the principal of, and interest and any applicable Make-Whole Amount on, all of the Notes issued and delivered and Outstanding, the payment of all other sums owing under the Indenture and under all other Project Documents (the "Project Indebtedness") and the performance of the covenants contained in the Indenture and in all other Project Documents, and in consideration of the premises and of the covenants contained herein and the sum of One Dollar ($1.00) paid by the Trustee to the New Owner at or before the delivery hereof, the receipt and sufficiency whereof are hereby acknowledged, the New Owner does hereby acknowledge, ratify and confirm all security interests heretofore granted pursuant to the First Preferred Ship Mortgage and the Indenture in the following described Properties and, in furtherance thereof, has also hereby granted, bargained, sold, conveyed, assigned, transferred, mortgaged, affected, pledged, set over, confirmed, granted a continuing security interest in, and hypothecated and does hereby grant, bargain, sell, convey, assign, transfer, mortgage, affect, pledge, set over, confirm, grant a continuing security interest to the Trustee and to any co-trustee or separate trustee hereafter acting pursuant to the Indenture, and to their respective successors and assigns in trust forever (subject to Section 12.1 of the Indenture), all of its right, title and interest in, to and under the following described Properties whether now owned, existing or hereafter acquired or arising (all of such Properties, including without limitation all properties hereafter specifically subjected to the liens of the Indenture by any indenture supplemental thereto to which the New Owner has consented in writing, being hereinafter collectively referred to as the "New Owner Trust Estate"):

(a) the Equipment and the Drilling Rig;

(b) all accounts and General Intangibles (including, without limitation, the Operation and Maintenance Agreement and all instruments, chattel paper, documents, deposit accounts and investment property now owned or hereafter acquired) together with any amendments or modifications to the foregoing;

(c) any insurance proceeds (other than insurance proceeds payable to the New Owner under liability policies for tort, environmental and similar liabilities), condemnation proceeds and the accounts, issues, profits, products, revenues and other income of and from the Drilling Rig and/or the Equipment and all the estate, right, title and interest of every nature whatsoever of the New Owner in and to the same and every part thereof; and

(d) all proceeds and products of any of the foregoing.

This security interest is granted under and pursuant to the Indenture and all of the New Owner Trust Estate is and shall be considered a part of the Collateral and the Trust Estate under and pursuant to the Indenture and this Third Supplemental Indenture for all intents and purposes. Subject to the provisions of Article IV and Article VI hereof, all of the terms and conditions of the Indenture with respect to the Collateral and the Trust Estate shall apply to the New Owner Trust Estate. Specifically and in this connection the provisions of Sections 7.4 through and including 7.12 of the

Indenture apply to the New Owner Trust Estate and, subject to the provisions of Article VI hereof, the provisions of such Sections with respect to the "Issuer" apply equally to the New Owner.

ARTICLE IV

NEW OWNER COVENANTS

Section 4.01. Notwithstanding any of the foregoing consents or any other provisions hereof, the New Owner agrees to comply with all the terms and provisions of the Indenture applicable to the Original Owner (in its capacity as Independent Owner under the Supplemental Indenture and in its capacity as Owner under the Second Supplemental Indenture) and hereby assumes all duties, obligations and liabilities of every kind and character of the Original Owner (in the capacities aforesaid) under the Indenture, whether or not attributable to periods of time before or after the Effective Time, and all references in the Indenture to the Additional Trust Estate shall be deemed to refer to the Collateral.

Section 4.02. The New Owner hereby assumes and agrees to pay as and when due the Project Indebtedness. The New Owner agrees that any and all payments and other proceeds paid or payable from or under the New Owner Trust Estate shall be paid into the Collection Account established under Section 4.3 of the Indenture and applied as provided therein. Notwithstanding the foregoing, the Issuer remains fully and completely liable to pay the Project Indebtedness as and when due.

Section 4.03. Until 367 days have elapsed following payment and satisfaction of all Notes, the New Owner shall not change its legal structure to anything other than a corporation and shall observe the applicable legal requirements for the recognition of the New Owner as a legal entity separate and apart from its stockholders and their Affiliates, the Original Owner and its Affiliates and the Issuer and its Affiliates (collectively, the "Associated Entities"), including, without limitation, compliance with the following:

(a) the New Owner shall maintain separate corporate records, books of account and financial statements (each of which shall be sufficiently full and complete to permit a determination of the New Owner's assets and liabilities and to permit a determination of the obligees thereon and the time for performance on each of the New Owner's obligations) from those of any of the Associated Entities;

(b) the New Owner shall not commingle any of its assets or funds with those of any of the Associated Entities;

(c) the board of directors of the New Owner shall be elected independently from the board of directors of any of the Associated Entities and shall at all times include at least one independent director (except in the case of death, incapacity, resignation or removal, and in any such case said independent director shall be promptly replaced) from each of the Associated Entities;

(d) the board of directors and stockholders of the New Owner shall hold all regular and special meetings appropriate to authorize corporate actions. Regular meetings of directors will be held at least annually. The board of directors may act from time to time through one or more committees of the board in accordance with the New Owner's by-laws. Appropriate minutes of all meetings of board of directors (and committees thereof) and of the stockholders' meetings shall be kept by the New Owner;

(e) the New Owner shall act solely in its own corporate name and through its own authorized officers and agents. None of the Associated Entities shall be appointed agent of the New Owner other than as permitted or required by the Project Documents;

(f) the New Owner shall at all times hold itself out to the public under the New Owner's own name as a legal entity separate and distinct from any of the Associated Entities (the foregoing to include, but not be limited to the use of materially separate and distinct letterhead);

(g) all financial reports prepared by the New Owner shall comply with GAAP and shall be issued separately from any reports prepared for any of the Associated Entities; and

(h) if required by GAAP, the financial reports of each of the Associated Entities shall disclose the separateness of the New Owner and that the Collateral is owned by the New Owner and is not available to creditors of any of such Associated Entities.

Section 4.04. The New Owner agrees to not enter into, and is currently not a party to, any contract or agreement other than the New Owner Transaction Documents and that certain Facilitation Agreement dated as of February 20, 2001 (the "Facilitation Agreement") among New Owner, J.H. Management Corporation and Parent; provided that, the New Owner may become a party to any amendment or supplement to, or other agreement contemplated by, the Facilitation Agreement or any Project Document that is entered into in accordance with the terms of such Facilitation Agreement or Project Document.

ARTICLE V

AMENDMENTS TO INDENTURE

Section 5.01. Section 1.1 of the Indenture is hereby amended by adding the following new definitions where alphabetically appropriate, which read in their entirety as follows:

Addendum shall have the meaning given in the Third Supplemental Indenture.

New Owner means RBF Nautilus Corporation, a Delaware corporation.

New Owner Party means New Owner, any shareholder of New Owner or any Affiliate of any of the foregoing.

Original Owner means BTM Capital Corporation, a Delaware corporation.

Third Supplemental Indenture means the Third Supplemental Indenture and
---
Amendment dated as of February 20, 2001 among Issuer, Original Owner, New Owner, Standby Purchaser, Lessee and Trustee.

Section 5.02. (a) Section 1.1 of the Indenture is hereby amended by replacing the following defined terms with the definitions herein stated, which read in their entirety as follows:

Project Documents means both the Project Documents previously defined in
---
the Indenture together with the New Owner Transaction Documents defined in the Third Supplemental Indenture.

(b) The definition of "First Preferred Ship Mortgage" shall be deemed to include the Addendum.

Section 5.03. Clauses (b), (j) and (q) of Section 7.1 of the Indenture are hereby amended respectively to hereafter read in their entirety as follows:

"(b) any representation, warranty or certification at any time made or deemed made herein or in any other Project Document by the Issuer, Parent, New Owner, Lessee, Standby Purchaser or Lessor, or any certificate furnished to any Purchaser or other holder of any Note or the Trustee pursuant to the provisions hereof or any other Project Document, shall prove to have been false or misleading as of the time made or furnished in any material respect; or"

"(j) Parent, SDDI, Royal Dutch Shell, RBF II, New Owner (but only with respect to (d), (e) or (f)), Sovereign, Lessor Parent, the Standby Purchaser (at any time that Sovereign or the Standby Purchaser is a party to the Hire Purchase Agreement or has title to the Drilling Rig) or the Lessee takes, suffers or permits to exist with respect to itself any of the events or conditions of the type referred to in paragraphs (d), (e), (f) or (i) hereof; or"

"(q) Any default occurs in the covenants or obligations of the (i) New Owner under the Indenture (including, without limitation, the Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture), the First Preferred Ship Mortgage or the Deed of Proceeds or (ii) Standby Purchaser or the Lessee under the Second Supplemental Indenture, the Deed of Proceeds or, with respect to the Standby Purchaser, any other Standby Purchaser Document or, with respect to the Lessee, any other Lessee Document (iii) Lessor under the Deed of Proceeds or (iv) the Trustee receives a notice from the New Owner pursuant to the second sentence of Section 4.02(a)(E) of the Supplemental Indenture; and, for the avoidance of doubt, the occurrence and continuation of a Termination Event under the Lease shall not of itself constitute an Indenture Event of Default unless the event or condition giving rise to the Termination Event is also stated to be a default under this Indenture or such Termination Event creates an Indenture Event of Default under the Indenture."

Section 5.04. Section 13.3 of the Indenture is amended by adding the following notice provision following the mail address of the Trustee:

If to the New Owner:
RBF Nautilus Corporation
c/o J.H. Management
P.O. Box 4024
Boston, MA 02101

Section 5.05. Each and every reference to the term "Owner" in Sections 9.01, 9.02 and 10.03 of the Second Supplemental Indenture shall be deemed to include the New Owner.

ARTICLE VI

CERTAIN ADDITIONAL AGREEMENTS

Section 6.01 Nothing in Article IV or elsewhere in this Third Supplemental Indenture shall relieve the Issuer from any of the covenants and obligations of the Issuer under and pursuant to the Indenture as amended and supplemented hereby and notwithstanding the ownership of the Drilling Rig by the New Owner, the Issuer remains fully responsible and liable (including, without limitation, as if it was the owner of the Drilling Rig) for the performance and compliance with all covenants and obligations of the Issuer under the Indenture as amended and supplemented hereby and the First Preferred Ship Mortgage. Further, the Issuer hereby covenants and agrees to perform all of the obligations of the New Owner under the Indenture as supplemented and amended hereby, the First Preferred Ship Mortgage and under all other Project Documents.

Section 6.02 Immediately upon the Effective Time, the Original Owner is discharged from all liabilities and obligations with respect to the Indenture and any other Project Documents, other than accrued and then existing defaulted obligations. Notwithstanding the foregoing, the Original Owner (including, without limitation, its officers, directors, stockholders and subscribers for capital stock) retains a non-exclusive right to indemnity, compensation and insurance against protection and indemnity risks to the extent provided in the Indenture insofar as they relate to events occurring on or prior to the Effective Time.

Section 6.03 No party (other than the New Owner itself) to this Third Supplemental Indenture shall have any claim, remedy or right to proceed against any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, J.H. Management Corporation or the New Owner (each such person being a "Protected Entity") with respect to any obligations under any of the Project Documents, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, in respect of any claim it might have against the New Owner or in respect of any act or omission of a Protected Entity, and any such Protected Entity may rely on this Section 6.03 to that extent.

ARTICLE VII

CONDITIONS TO EFFECTIVENESS

Section 7.01. This Third Supplemental Indenture shall become effective upon the date and time (the "Effective Time") that is the later of (a) the date of its execution and delivery of this Third Supplemental Indenture by each of the Issuer, the Owner, the New Owner, the Standby Purchaser, the Lessee and the Trustee and (b) the date that all of the following conditions (with each document referenced being in form and substance satisfactory to the Trustee) have been completed:

(a) each of the New Owner Transaction Documents have been executed and delivered by all parties thereto;

(b) the representations and warranties set out in the Assignment and Assumption Agreement are true and correct in all material respects;

(c) each of the RBF Parties, the New Owner, the Lessee and the Standby Purchaser shall have performed and complied with and shall continue to be in compliance with all of the Project Documents to which each is a party ;

(d) all necessary or appropriate financing statements and other filing and recording documents necessary to properly perfect the liens and security interests evidenced by the Indenture and each of the New Owner Transaction Documents which grants a lien, security interest or assignment in favor of the Trustee shall have been executed and delivered to the Trustee;

(e) opinions of counsel from each of Ropes & Gray, Gardere Wynne Sewell & Riggs, L.L.P., General Counsel of R&B Falcon Corporation and its subsidiaries, Watson Farley & Williams, Norton Rose, Jackson Walker, LLP, Maples & Calder Europe, Dewey Ballantine LLP and Benedetti & Benedetti shall have been delivered to the Note Holders and the Trustee;

(f) a letter shall have been received by the Trustee from Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc., confirming the rating of the Class A1 Notes as AA or better, and a letter shall have been issued by the Trustee from Duff & Phelps Credit Rating Co. confirming the rating of the Class A1 Notes as AA or better and the rating of the Class A2 Notes as BBB+ or better;

(g) appropriate UCC searches shall have been received by the Trustee establishing that the security interest granted pursuant to Article III of this Third Supplemental Indenture is first priority;

(h) a certificate or certificates shall have been received by the Trustee from appropriate insurance brokers reflecting that all insurance remains in full force and effect after giving effect to this Third Supplemental Indenture and the other New Owner Transaction Documents; and

(i) the Issuer shall have paid the reasonable fees, charges and disbursements of special counsel to each of the Class A1 Note Holders, the Class A2 Note Holders, Credit Support Parties, the Trustee, the Proceeds Account Bank and of special United Kingdom Counsel to all of the Class A1 Note Holders, the Class A2 Note Holders and Credit Support Parties; provided that such fees are reflected in a statement of each such counsel rendered to the Issuer at least one Business Day prior to the date hereof.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Except as expressly amended and supplemented hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every Note Holder heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby and all terms and conditions of the Indenture as amended by the Supplemental Indenture, the Second Supplemental Indenture and this Third Supplemental Indenture shall be read together as though they constitute a single instrument.

Section 8.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Third Supplemental Indenture. This Third Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 8.03. THE GOVERNING LAW AND SUBMISSION TO JURISDICTION PROVISIONS OF THE INDENTURE, INCLUDING BUT NOT LIMITED TO THE APPLICATION OF THE LAWS OF THE STATE OF NEW YORK, SHALL ALSO GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS THIRD SUPPLEMENTAL INDENTURE. For this purpose the term "Issuer" in Sections 13.4(b), 13.4(d) and 13.4(e) of the Indenture shall also be deemed to include the New Owner.

Section 8.04. The Issuer represents, warrants and reaffirms that each of the representations and warranties contained in Article 5 of the Note Purchase Agreements were correct in all material respects as of the date such representations and warranties were made and are correct in all material respects as of the date hereof.

Section 8.05. All rights of the Trustee and security interests hereunder, and all obligations of the New Owner hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Project Documents or any other agreement or instrument relating thereto (other than against the Trustee);

(b) any change in the time, manner or place of payment of, or in any other term

of, all or any of the obligations under the Project Documents, or any other amendment or waiver of or any consent to any departure from the Project Documents or any other agreement or instrument relating thereto;

(c) any exchange, release or non-perfection of any collateral, or any release of any party liable on the Project Indebtedness, or amendment or waiver of or consent to any departure from any guaranty for all or any of the obligations under the Project Documents;

(d) any change in the number or identity of the Lessee, the Issuer, the Original Owner or the Standby Purchaser; or

(e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the New Owner.

Section 8.06. The Parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the Parties hereto have caused this Third Supplemental Indenture to be duly executed as of the Effective Time.

ATTEST:

RBF EXPLORATION CO.

By /s/ ERIC B. BROWN

Name:

Name: Eric B. Brown

Title:

Title: Vice President

ATTEST:

RBF NAUTILUS CORPORATION

By /s/ R. DOUGLAS DONALDSON

Name: Rosa Olweri

Name: R. Douglas Donaldson

Title: Vice President

Title: Treasurer

ATTEST:

BTM CAPITAL CORPORATION

By /s/ DAVID A. MEEHAN

Name:

Name: David A. Meehan

Title:

Title: President and CEO

ATTEST:/s/ C.C. JOHNSON

NAUTILUS EXPLORATION LIMITED

By /s/ NEAL WING

Name: C.C. Johnson

Name: Neal Wing

Title: Solicitor

Title: Attorney in Fact

ATTEST: /s/ ARVID SLADE

R&B FALCON DEEPWATER (UK) LIMITED

By /s/ HELEN PALMER

Name: Arvid Slade

Name: Helen Palmer

Title: Trainee Solicitor

Title: Attorney in Fact

ATTEST: /s/ ARLA K. SCOTT

THE CHASE MANHATTAN BANK

By /s/ MAURI J. COWEN

Name: Arla K. Scott

Name: Mauri J. Cowen

Title: Assistant Vice President
And Trust Officer

Title: Vice President and Trust Officer

Exhibit A

List of New Owner Transaction Documents

1. Third Supplemental Indenture
2. Assignment and Assumption Agreement
3. Bill of Sale
4. Addendum
5. Assignment and First Addendum to Second Naval Panamanian Mortgage
6. Acknowledgment of Rig Ownership and Ratification of Operation and Maintenance Agreement
7. Supplemental Agreement by Sovereign to Lessee dated February 20, 2001
8. Supplemental Account Mandate Letter
9. Supplemental Lessor Support Letter

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement"), by and between Transocean Offshore Inc., a Cayman Islands corporation (the "Company"), and Victor E. Grijalva (the "Consultant"), is dated as of December 13, 1999.

WHEREAS, pursuant to the terms of that certain Agreement and Plan of Merger dated as of July 12, 1999 (the "Merger Agreement"), by and among the Company, Sedco Forex Holdings Limited, a British Virgin Islands corporation ("Sedco Forex"), and Schlumberger Limited, a Netherlands Antilles corporation ("Schlumberger"), the Consultant is to become the Chairman of the Board of Directors of the Company upon completion of the merger provided for in the Merger Agreement; and

WHEREAS, it is a condition to the Consultant's appointment as Chairman of the Board of Directors that he enter into a consulting agreement with the Company;

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements contained herein, it is hereby agreed as follows:

1. Definitions. Capitalized terms used herein without definition shall have the meanings assigned to them in the Merger Agreement.

2. Post-Merger Services.

(a) In connection with the Merger, the Company shall cause the Consultant to be nominated to its Board of Directors (the "Board") beginning as of the Effective Time to serve as Chairman thereof for a term or terms extending until the date of his sixty-fifth (65th) birthday ("Resignation Date"). On the Resignation Date, the Consultant shall tender to the Board his resignation, such tender of resignation to be acted upon in the discretion of the Board (without participation by the Consultant in the deliberation or vote with respect thereto).

(b) From the Effective Time through the Resignation Date, or such shorter period as may be provided pursuant to Section 4(a), (b), or (c) below (the "Engagement Period"), in consideration for the compensation provided for below, the Consultant shall make himself available to the Company, at mutually convenient times and places, for such consulting services as may be requested by the Chief Executive Officer or the Board of the Company, in connection with long-range planning, strategic direction, integration and rationalization and other matters following the Merger, including work with the Chief Executive Officer and, as may be requested by the Chief Executive Officer, other senior management of the Company with respect to matters to be presented to the Board.

3. Compensation and Benefits.

(a) The Company shall pay the Consultant a fee (the "Fee") of $400,000 per annum, payable monthly in advance in prorated one-twelfth (1/12) portions, during the Engagement Period. In addition, during the Engagement Period, the Consultant shall be entitled

to cost reimbursement (including travel expense reimbursement) as in effect for its non-employee members of the Board in accordance with the Company's policies.

(b) The Consultant shall receive the same compensation and benefits, other than cash director fees, as other non-employee members of the Board in accordance with the Company's policies.

(c) The Consultant's status hereunder during the Engagement Period shall be that of an independent contractor and not, for any purpose, that of an employee or agent with authority to bind the Company in any respect. All payments and other consideration made or provided to the Consultant under this Section 3 shall be made or provided without withholding or deduction of any kind, and the Consultant shall assume sole responsibility for discharging all tax or other obligations associated therewith, unless the Consultant and the Company shall otherwise agree.

4. Termination.

(a) If the Consultant should die or become Permanently Disabled before the Resignation Date, the Engagement Period shall end on the date of such death or Permanent Disability, and the Company shall pay to the Consultant's estate or to the Consultant or his legal guardian, as applicable, any portion of the Fee that has accrued but remains unpaid. For purposes of this Agreement, "Permanently Disabled" or "Permanent Disability" shall mean entitlement to benefits under the long-term disability plan sponsored by the Company.

(b) The Company (by a vote of the Board of Directors other than the Consultant, which vote must include the vote of at least one person serving as a member of the Board of Directors by designation of Schlumberger pursuant to the Merger Agreement) may terminate the Engagement Period for Cause, in which event no further payments of the Fee (other than any portion of the Fee that has accrued but remains unpaid) shall be made. For purposes of this Agreement, "Cause" shall mean (i) any material breach of Consultant's duty of loyalty to the Company or its shareholders, (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law or (iii) any transaction from which the Consultant derived a material improper personal

benefit. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Consultant in good faith and in the best interests of the Company and its subsidiaries.

(c) If the Consultant should resign or otherwise leave the Board prior to the Resignation Date, the Engagement Period shall end as of the date of such resignation or the date Consultant leaves the Board, in which event no further payments of the Fee (other than any portion of the Fee that has accrued but remains unpaid) shall be made.

(d) This Agreement shall terminate at the end of the Engagement Period.

5. Indemnification. The Company shall indemnify the Consultant and his estate, heirs and personal representatives, in connection with the Consultant's services hereunder, as and to the full extent provided in the Company's Articles of Association. In addition, the Consultant shall be covered by the Company's Directors and Officers' liability insurance program.

6. Successors.

(a) This Agreement is personal to the Consultant and shall not be assignable without the written consent of the Company.

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

7. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective permitted successors and assigns.

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

If to the Consultant:
Victor E. Grijalva
c/o Schlumberger Limited
277 Park Avenue
New York, New York 10172

If to the Company:
Transocean Sedco Forex Inc.
4 Greenway Plaza
Houston, Texas 77046
Attn: General Counsel

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

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

(d) From and after the Effective Time, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof. This Agreement shall be null and void, ab initio, and of no further effect if the Merger Agreement is terminated before the Effective Time.

(e) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Consultant has hereunto set the Consultant's hand and, pursuant to the authorization from its Board of Directors, the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

/s/ VICTOR E. GRIJALVA

Victor E. Grijalva

TRANSOCEAN OFFSHORE INC.

By /s/ J. MICHAEL TALBERT

Name:
Title:

PARTICIPATION AGREEMENT

dated as of July 30, 1998

among

DEEPWATER DRILLING L.L.C.,

DEEPWATER INVESTMENT TRUST 1998-A, as Investment Trust

WILMINGTON TRUST FSB, not in its individual capacity
except as expressly stated herein, but solely as Investment Trustee

ABN AMRO BANK N.V.,
as Administrative Agent,

WILMINGTON TRUST COMPANY,
not in its individual capacity except as expressly
provided herein, but solely as Charter Trustee,

BA LEASING & CAPITAL CORPORATION,
as Documentation Agent,

THE BANK OF NOVA SCOTIA,
as Syndication Agent,

THE OTHER FINANCIAL INSTITUTIONS LISTED ON THE
SIGNATURE PAGES HEREOF OR THAT MAY
HEREAFTER BECOME PARTY HERETO,
as Certificate Purchasers,

and

solely with respect to Sections 5.2 and 6.4,
RBF DEEPWATER EXPLORATION INC. and
CONOCO DEVELOPMENT COMPANY

SECTION 1

DEFINITIONS; INTERPRETATION

SECTION 2

COMMITMENTS OF THE PARTIES

SECTION 3

EFFECTIVE DATE; CLOSING DATE; CONDITIONS PRECEDENT

SECTION 4

DELIVERY DATE; CONDITIONS PRECEDENT

SECTION 5

REPRESENTATIONS AND WARRANTIES

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PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT, dated as of July 30, 1998 (this "Agreement" or "Participation Agreement"), is entered into by and among DEEPWATER DRILLING L.L.C., a Delaware limited liability company ("Deepwater"), WILMINGTON TRUST FSB, a Federal savings bank, not in its individual capacity except as expressly provided herein, but solely as trustee under the Investment Trust Agreement (the "Investment Trustee"), DEEPWATER INVESTMENT TRUST 1998-A, a Delaware business trust (the "Investment Trust"), ABN AMRO BANK N.V., as agent for the Certificate Purchasers (the "Administrative Agent"), WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as expressly provided herein, but solely as trustee under the Charter Trust Agreement (the "Charter Trustee"), BA LEASING & CAPITAL CORPORATION, a California corporation, as documentation agent (the "Documentation Agent"), THE BANK OF NOVA SCOTIA, as syndication agent (the "Syndication Agent"), each of the financial institutions listed on the signature pages hereto, or that may hereafter become a party hereto, as a certificate purchaser (each, a "Certificate Purchaser" and collectively, the "Certificate Purchasers") (each of the foregoing parties, a "Participant"), and solely with respect to Sections 5.2 and 6.4, RBF DEEPWATER EXPLORATION INC., a Nevada corporation, and CONOCO DEVELOPMENT COMPANY, a Delaware corporation (each, a "Member").

WITNESSETH

WHEREAS, the Charter Trustee contemplates acquiring title to the Drillship from the Builder or chartering the Drillship from the Head Lessor, and Deepwater contemplates chartering or subchartering the Drillship from the Charter Trustee;

WHEREAS, pursuant to the Construction Supervisory Agreement, the Charter Trustee and Deepwater have agreed that Deepwater will act as Construction Supervisor and supervise the construction of the Vessel and the acquisition and installation of the OFE (the Vessel and the OFE, collectively, the "Drillship");

WHEREAS, Deepwater, the Charter Trustee and the Investment Trust wish to arrange financing for the cost of the acquisition of OFE and the construction and delivery of the Vessel;

WHEREAS, Deepwater and Conoco Drilling are parties to the Drilling Contract providing for drilling services utilizing the Drillship from Deepwater, and payments to Deepwater by Conoco Drilling of the Day Rate and other amounts referred to in the Drilling Contract; and

WHEREAS, the Certificate Purchasers have agreed to make Advances to the Charter Trustee and the Investment Trust, as applicable, in an aggregate amount not to exceed the Maximum Certificate Purchaser Commitment to fund the construction of the Vessel pursuant to

the Construction Contract, the acquisition of the OFE and certain other costs.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1

DEFINITIONS; INTERPRETATION

Unless the context otherwise requires, capitalized terms used and not otherwise defined in this Agreement have the meanings given to them in Appendix 1 of this Agreement and, for all purposes of this Agreement, the rules of interpretation set forth in such Appendix 1 apply.

SECTION 2

COMMITMENTS OF THE PARTIES

Subject to the terms and conditions of this Agreement (including Sections 3 and 4) and the other Transaction Documents, each of the parties hereto agrees to participate in the transactions contemplated by this Agreement and the other Transaction Documents and, among other things, to take each of the actions to be taken by it on the Closing Date and thereafter, as more fully described in this Section 2.

SECTION 2.1 Certain Closing Date Events. On the Closing Date, subject to the terms and conditions of this Agreement and the other Transaction Documents:

(a) the Certificate Purchasers shall make Advances to the Charter Trustee pursuant to Section 2.3 in an aggregate amount equal to the Series A Portion of the Closing Date Construction Costs plus the Series A Portion of the Transaction Expenses then due and owing pursuant to Section 8.1;

(b) the Certificate Purchasers shall purchase, and the Charter Trustee shall issue, the Series A Trust Certificates in the aggregate principal amount of the Series A Portion of the Maximum Certificate Purchaser Commitment;

(c) the Certificate Purchasers shall make Advances to the Investment Trust pursuant to Section 2.3 in an aggregate amount equal to the Investment Portion of the Closing Date Construction Costs plus the Investment Portion of the Transaction Expenses then due and owing pursuant to Section 8.1;

(d) the Certificate Purchasers shall purchase, and the Investment Trust shall issue, the Investment Trust Certificates in the aggregate principal amount of the Investment

Portion of the Maximum Certificate Purchaser Commitment;

(e) the Investment Trust shall make advances to the Charter Trustee pursuant to Section 2.3 in an aggregate amount equal to the Investment Portion of the Closing Date Construction Costs plus the Investment Portion of the Transaction Expenses then due and owing pursuant to Section 8.1;

(f) the Investment Trust shall purchase, and the Charter Trustee shall issue, the Series B Trust Certificates in the aggregate principal amount of the Investment Portion of the Maximum Certificate Purchaser Commitment;

(g) the Charter Trustee shall advance to the Construction Supervisor (as directed by the Construction Supervisor) the amounts received from the Certificate Purchasers in accordance with Sections 2.3 and 2.6;

(h) the Transaction Expenses and the Facility Fees shall be paid to the Persons entitled to receive such payments on the Closing Date pursuant to Section 8.1 by the Person responsible therefor;

(i) Deepwater and the Charter Trustee shall enter into the Construction Supervisory Agreement;

(j) Deepwater and the Charter Trustee shall enter into the Charter, pursuant to which Deepwater shall charter the Drillship from the Charter Trustee effective as of the Delivery Date; and

(k) the parties shall enter into the other Transaction Documents indicated on Schedule 1 hereto as being entered into as of the Closing Date.

SECTION 2.2 Certain Delivery Date Events. On the Delivery Date, subject to the terms and conditions of this Agreement (including Section 4.1) and the other Transaction Documents:

(a) Deepwater, as Construction Supervisor on behalf of the Charter Trustee, shall take delivery of the Drillship from the Builder pursuant to the Construction Contract;

(b) if the Head Lease Transaction is being entered into in accordance with Section 4.2, Deepwater, as Construction Supervisor on behalf of the Charter Trustee, shall transfer and convey, or cause to be transferred and conveyed, to the Head Lessor all of its right, title and interest in and to the Drillship and the Construction Contract (other than the Warranties) and, immediately upon such transfer and conveyance, the Charter Trustee shall enter into the Head Lease with the Head Lessor;

(c) if the Head Lease Transaction is not being entered into, Deepwater, as

Construction Supervisor on behalf of the Charter Trustee, shall transfer all of its right, title and interest in and to the Drillship and the Construction Contract to the Charter Trustee;

(d) Deepwater, on behalf of the Head Lessor or the Charter Trustee, as applicable, shall cause the Drillship and the Ship Mortgage to be duly provisionally registered under the laws of the Republic of Panama;

(e) the Charter Term shall commence; and

(f) the parties shall enter into the other Transaction Documents indicated on Schedule 1 hereto as being entered into as of the Delivery Date.

SECTION 2.3 Advances by Certificate Purchasers. Subject to the terms and conditions of this Agreement (including Sections 2.5, 3 and 4), the Depository Agreement and the Trust Agreements, and in reliance on the representations and warranties of the other parties contained herein or made pursuant hereto, upon receipt of an Advance Request, each Certificate Purchaser shall advance (each an "Advance") to the Charter Trustee and to the Investment Trust, as applicable, on the Advance Date specified in such Advance Request in immediately available funds the Series A Portion and the Investment Portion, respectively, of its Commitment Percentage of the following amounts: (i) on the Closing Date, an amount equal to the Closing Date Construction Costs (plus any Transaction Expenses then due and owing pursuant to Section 8.1) as set forth in a written request from Deepwater to the Charter Trustee and the Investment Trust delivered at least three Business Days prior to the Closing Date (the "Initial Advance Request"); (ii) during the Construction Period, the amount of each Advance requested by Deepwater in a written request from Deepwater to the Charter Trustee and the Investment Trust delivered at least three Business Days prior to the date specified in such request for the payment of such Advance (a "Subsequent Advance Request"); (iii) on the Delivery Date, the amount of the Advance in the Subsequent Advance Request delivered in connection with the Delivery Date; (iv) during the Interim Charter Term, the amount of each Advance requested by Deepwater in a Subsequent Advance Request; and (v) on the Day Rate Commencement Date, the amount of the final Advance requested by Deepwater in the Final Advance Request.

SECTION 2.4 Certificates and Payments.

(a) Payments to Certificate Purchasers. Each Advance made available by a Certificate Purchaser pursuant to Section 2.3 shall be evidenced by the Certificates issued by the Investment Trust and the Charter Trustee, respectively, on the Closing Date to such Certificate Purchaser. Each Certificate Purchaser shall be entitled to receive on the last day of any Return Period as of which there is a Certificate Purchaser Balance greater than zero, a return on its Certificate Purchaser Amount at the Certificate Return Rate; provided that, notwithstanding the foregoing, Certificate Return accrued on the Certificate Purchaser Balance during the Interim Charter Term shall be capitalized to the extent provided in Section 2.9. Any payment required to be made to the Certificate Purchasers by the Charter Trustee or the Investment Trust pursuant to any Transaction Document shall be made in accordance with the Depository Agreement and

Article IV of the Investment Trust Agreement and Article IV of the Charter Trust Agreement, as applicable.

(b) Payments to Investment Trust. Each advance made available by the Investment Trust to the Charter Trustee pursuant to Section 2.6 shall be evidenced by the Series B Trust Certificate issued by the Charter Trustee on the Closing Date to the Investment Trust. The Investment Trust shall be entitled to receive on the last day of any Return Period as of which there is an Investment Balance greater than zero, a return on its Investment Trust Amount at the Certificate Return Rate; provided that, notwithstanding the foregoing, any such return accrued on the Investment Trust Amount during the Interim Charter Term shall be capitalized to the extent provided in Section 2.9. Any payment required to be made to the Investment Trust by the Charter Trustee pursuant to any Transaction Document shall be made in accordance with the Depository Agreement and Article IV of the Charter Trust Agreement.

SECTION 2.5 Limitations on Advances.

(a) Limitation on Disbursements and Capitalizations. The aggregate amount of Advances made by the Certificate Purchasers hereunder, together with the aggregate amount of all Capitalized Certificate Return, shall not exceed the Maximum Certificate Purchaser Commitment, and the aggregate amount of Advances made by any Certificate Purchaser hereunder, together with the aggregate amount of all Capitalized Certificate Return allocable to such Certificate Purchaser's Certificate Purchaser Amount, shall not exceed such Certificate Purchaser's Commitment.

(b) Number and Dates of Advances. Deepwater may not request that Advances be made (and the Certificate Purchasers shall not be required to make Advances) more than once in any calendar month other than: (i) Advances to be made in connection with the Delivery Date and the Date Rate Commencement Date, (ii) Advances to pay Capitalized Certificate Return and Non-Utilization Fees and (iii) Advances made in the calendar month in which the Closing Date occurs. Advances made by each Certificate Purchaser under the Investment Trust Agreement and the Charter Trust Agreement pursuant to an Advance Request shall be made on the same day and shall be considered one Advance for purposes hereof.

(c) Obligations Several. The obligations of the Certificate Purchasers, the Agents, the Depository and the Trustees under this Agreement and the other Transaction Documents shall be several and not joint obligations, and no Participant shall be liable or responsible for the acts or defaults of any other Participant under any Transaction Document.

(d) Termination of Commitments. Notwithstanding anything herein or in the Trust Agreements to the contrary, no Certificate Purchaser shall be obligated to make any Advances after 2:00 p.m., Eastern time, on the Outside Day Rate Commencement Date.

SECTION 2.6 Fundings; Application of Proceeds.

(a) Initial Advance. On the Closing Date, upon (i) receipt by the Charter Trustee and the Investment Trust of the Advances by the Certificate Purchasers pursuant to Section 2.3 and (ii) the satisfaction or waiver of each of the applicable conditions set forth in Section 3.2, (x) the Investment Trust shall advance in immediately available funds to the Charter Trustee on the Closing Date the amount of the Advances received by it from the Certificate Purchasers with respect to the Closing Date and (y) the Charter Trustee shall deposit in immediately available funds into the Trustee's Account all proceeds from the Advances made by the Certificate Purchasers pursuant to Section 2.3 and the amount advanced by the Investment Trust pursuant to clause (x) above, the total amount advanced in respect of the Closing Date (whether received directly by the Charter Trustee or by the Investment Trust).

(b) Subsequent Advances. On any Subsequent Advance Date, upon (i) receipt by the Charter Trustee and the Investment Trust of the Advances by the Certificate Purchasers pursuant to Section 2.3 and (ii) satisfaction or waiver of each of the applicable conditions set forth in Section 2.13, and subject to Section 2.5, (x) the Investment Trust shall advance to the Charter Trustee, from the Advances made by the Certificate Purchasers pursuant to Section 2.3, the amount of the Advances received by it from the Certificate Purchasers with respect to such date and (y) the Charter Trustee shall deposit in immediately available funds, into the Trustee's Account all proceeds from the Advances made by the Certificate Purchasers pursuant to Section 2.3 and the amount advanced by the Investment Trust pursuant to clause (x) above, the total amount advanced in respect of such date (whether received directly by the Charter Trustee or by the Investment Trust).

(c) Final Advance. At least three (3) Business Days prior to the Day Rate Commencement Date, to the extent that the aggregate amount of all prior Advances plus all Capitalized Certificate Return is less than the Maximum Certificate Purchaser Commitment, and subject to Section 2.5, Deepwater may make a final Advance Request (the "Final Advance Request") in an aggregate amount sufficient to fund (i) any remaining costs of mobilization of the Drillship to the Gulf of Mexico port designated pursuant to the Drilling Contract, (ii) any remaining Construction Costs (including Certificate Return and payments under the Deepwater Hedging Agreements, if any, that will be accrued and unpaid as of the Day Rate Commencement Date and that will accrue from the Day Rate Commencement Date through the end of the Interim Charter Term), and (iii) the reimbursement of any Transaction Costs paid by Deepwater out of its own funds (and not from the proceeds of any Advances) (the amounts in clauses (i), (ii) and (iii), "Deferred Construction Costs"), as set forth in the Final Advance Request. On the Day Rate Commencement Date, (i) upon receipt by the Charter Trustee and the Investment Trust of the Advances to be made by the Certificate Purchasers pursuant to Section 2.3 and (ii) the satisfaction or waiver of each of the applicable conditions set forth in Section 2.13 and subject to Section 2.5, (x) the Investment Trust shall advance to the Charter Trustee, from the Advances made by the Certificate Purchasers pursuant to Section 2.3, the amount of the Advances received by it from the Certificate Purchasers with respect to such date and (y) the Charter Trustee shall

advance to Deepwater the total amount advanced in respect of such date by the Certificate Purchasers in immediately available funds remitted by wire transfer to the Deferred Construction Costs Reserve Account.

(d) Application of Proceeds. The proceeds of all Advances made by the Certificate Purchasers to the Investment Trust shall be advanced by the Investment Trust to the Charter Trustee and all Advances made by the Certificate Purchasers or the Investment Trust to the Charter Trustee shall be deposited by the Charter Trustee (x) into the Trustee's Account in accordance with Section 2.10 or (y) to the extent applicable, into the Deferred Construction Costs Reserve Account pursuant to the Depository Agreement, and such proceeds shall be used solely to pay Construction Costs and otherwise as provided in Section 3.1(c) of the Depository Agreement.

SECTION 2.7 Time and Place of Advance Closings. The closing to occur on each Advance Date, if any, shall occur on the Advance Date set forth in the Advance Request at a time and place reasonably satisfactory to the Administrative Agent and Deepwater.

SECTION 2.8 Postponement of Advance. If the Certificate Purchasers have made Advances requested pursuant to an Advance Request and the conditions precedent to such Advance have not been satisfied or waived on the date specified in the Advance Request (each, a "Postponed Advance"), Deepwater shall pay to the Charter Trustee and the Investment Trust, for the benefit of each Certificate Purchaser which has made a Postponed Advance, yield (the "Postponement Yield") on the Advance funded by such Certificate Purchaser at a rate equal to the Certificate Return Rate. Neither the Investment Trust nor the Charter Trustee shall be required to invest such funds in interest-bearing accounts, but the Charter Trustee shall, upon the direction of Deepwater (or, if an Event of Default exists, the Required Certificate Purchasers), invest such funds in Permitted Investments to the extent it is able to do so. Amounts held by the Charter Trustee and the Investment Trust may be pooled for this purpose. The Postponement Yield shall be due and payable by Deepwater upon the occurrence of the postponed Advance Date and such payment shall be an additional condition precedent to such Advance Date. On such postponed Advance Date, the Charter Trustee is hereby directed to liquidate any Permitted Investments then held pursuant to this Section 2.8, to distribute the Postponed Advances in accordance with Section 2.6 and to distribute any proceeds of Permitted Investments held pursuant to this Section 2.8 in excess of the amount of the Postponed Advances to each Certificate Purchaser pro rata (based on the relation that such Certificate Purchaser's Postponed Advance bears to the aggregate of all such Postponed Advances) for application to Deepwater's obligation to pay Postponement Yield. Any accrued Postponement Yield thereafter remaining unpaid shall be deemed to be Certificate Return and shall be capitalized to the extent permitted under Section 2.9 (and, to the extent so capitalized, shall constitute Capitalized Certificate Return). No additional Advance Request shall be required if an Advance Date is postponed and thereafter timely consummated. If any Advance Date (including the Initial Advance Date) has not occurred by the third Business Day following the date specified in the Advance Request in respect thereof, then all Postponement Yield shall be due and payable on such third Business

Day (and shall not be capitalized pursuant to Section 2.9), and the Charter Trustee is hereby directed to liquidate any Permitted Investments then held pursuant to this Section 2.8 and to pay to each Certificate Purchaser on such third Business Day (i) the Postponed Advance funded by such Certificate Purchaser and (ii) the proceeds of any Permitted Investments held pursuant to this Section 2.8 in excess of the amount of the Postponed Advances refunded to such Certificate Purchaser pro rata based on the relation that such Certificate Purchaser's Postponed Advance bears to the aggregate of all such Postponed Advances to be applied to Deepwater's obligation to pay Postponement Yield.

SECTION 2.9 Records; Capitalized Certificate Return. Upon the making
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of each Advance, each Certificate Purchaser shall make a notation in its records indicating the amount of such Advance and the Certificate Purchaser Amount of such Certificate Purchaser as of such Advance Date. In addition, except as provided in Section 2.8 hereof, on the last day of each Return Period which occurs after the Closing Date and on or prior to the last day of the Interim Charter Term, with respect to the Certificate Return accrued on the Certificates during the Return Period ending on such date, each Certificate Purchaser shall make a notation in its records that its percentage portion of such accrued Certificate Return has been paid and such accrued Certificate Return shall thereby be added to the Certificate Purchaser Amount of such Certificate Purchaser and shall thereafter accrue yield at the Certificate Return Rate; provided, however, that to the extent that adding such accrued Certificate
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Return to the Certificate Purchaser Amount would cause such Certificate Purchaser Amount to exceed such Certificate Purchaser's Commitment, such excess accrued Certificate Return shall not be added to the Certificate Purchaser Amount but shall be paid by Deepwater on the last day of such Return Period to the Charter Trustee and the Investment Trust for the benefit of such Certificate Purchaser. Each Certificate Purchaser is hereby authorized to record the date and amount of each Advance made by such Certificate Purchaser, each continuation thereof, the date and amount of each payment or capitalization of Certificate Return with respect thereto, the date and amount of each payment or repayment of Certificate Purchaser Amount of such Certificate Purchaser and the length of each Return Period with respect thereto, in its records, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded. The failure to make any recordation described in this Section 2.9 or any error in such recordation shall not affect the obligation of the Charter Trustee or the Investment Trust with respect of such Certificates, or the obligation of Deepwater to pay Charter Hire in accordance with the Transaction Documents.

SECTION 2.10 The Trustee's Account. The Charter Trustee shall
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establish and maintain (or cause to be established and maintained) at Wells Fargo (the "Bank") a deposit account (the "Trustee's Account") in the name of
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the Charter Trustee and the Investment Trust into which the following amounts shall be paid: (x) the proceeds of Advances made by Certificate Purchasers in accordance with Sections 2.6(a) or (b) and 2.11 (other than Advances made pursuant to the Final Advance Request, which shall be deposited with the Depository pursuant to the Depository Agreement) and (y) any payments received from Deepwater or a Hedging Agreement Counterparty pursuant to the Deepwater Hedging Agreements or the Hedging Agreements, if any, prior to the Base Charter Term. Deepwater hereby grants to the

Charter Trustee a security interest in any rights it may have in the Trustee's Account and any proceeds therefrom. Deepwater and Construction Supervisor are hereby granted a power of attorney to make withdrawals from the Trustee's Account for payment of Construction Costs, so long as on any date of withdrawal (i) Deepwater has not been notified in writing that a Default has occurred and is continuing, (ii) Deepwater does not have Actual Knowledge or has not been notified in writing that a Material Default has occurred and is continuing or (iii) no Event of Default is continuing. The power of attorney granted in the preceding sentence shall be immediately revoked at any time when any of the events specified in clauses (i), (ii) or (iii) of the preceding sentence have occurred and shall be immediately reinstated when any such Default, Event of Default or Material Default has been cured or waived by the Required Certificate Purchasers. The Charter Trustee agrees to give, and each Certificate Purchaser agrees to take such action as may be required to cause the Charter Trustee to give, written notice to the Bank of revocation and the reinstatement of the power of attorney as provided in the immediately preceding sentence. Upon the occurrence of the Day Rate Commencement Date, Deepwater, the Charter Trustee and the Investment Trust shall notify the Hedging Agreement Counterparties that from and after the first day of the Base Charter Term, all payments made by the Hedging Agreement Counterparties under the Hedging Agreements shall be deposited to the Operating Account.

SECTION 2.11 Timing of Fundings to Investment Trustee and Payments to Certificate Purchasers. The Advance Date specified in an Advance Request shall be not less than three (3) Business Days after the date of delivery of such Advance Request to the Charter Trustee. Any Advance Request delivered by Deepwater to the Charter Trustee later than 2:00 p.m., New York time, on any day shall be deemed to have been delivered on the next Business Day. Subject to timely delivery of an Advance Request (together with a funding indemnity letter from each of Conoco and R&B in the form attached hereto as Exhibit A) and the other terms and conditions of the Transaction Documents, each Certificate Purchaser shall make its Commitment Percentage of the requested aggregate Advances available to the Charter Trustee and the Investment Trust in an account at the Charter Trustee's corporate trust department designated by the Charter Trustee by 12:00 noon, New York time, on the requested Advance Date, and the Charter Trustee and the Investment Trust will transfer any such amounts so received into the Trustee's Account, not later than 3:00 p.m., New York time, on such Advance Date in accordance with Section 2.6.

Charter Hire shall be paid by or on behalf of Deepwater in immediately available funds in accordance with the Depository Agreement and the Charter. All such payments shall be paid by the Depository to the Trustees, the Investment Trust or the Certificate Purchasers, as applicable, not later than 2:00 p.m., New York time, on the date due. Funds received after such time shall for all purposes of the Transaction Documents be deemed to have been received on the next succeeding Business Day.

SECTION 2.12 Computations.

(a) Determination of Certificate Return Rate and Fees. All computations of accrued amounts pursuant to the Transaction Documents shall be made on the basis of the actual number of days elapsed in a 360-day year; provided, that Certificate Return on any Advance that is an Alternate Rate Advance and all Non-Utilization Fees shall be calculated on the basis of the actual number of days elapsed in a 365-day or 366-day year, as applicable. The Charter Trustee shall, as soon as practicable, but in no event later than 11:00 a.m., New York time, on the date two (2) Business Days before the effectiveness of each Certificate Return Rate, cause to be determined such Certificate Return Rate and notify each Certificate Purchaser and Deepwater thereof by delivery of a notice of Certificate Return Rate in substantially the form of Exhibit Q hereto.

(b) Disbursement Information. The Charter Trustee shall deliver the Disbursement Information to Deepwater and the Depository in accordance with Section 4.3 of the Depository Agreement.

(c) Conclusive Determinations. All information provided by the Charter Trustee pursuant to this Section 2.12 for the purposes of any Transaction Document shall be conclusive and binding on the Charter Trustee, the Investment Trust, Deepwater and the Certificate Purchasers in the absence of manifest error.

SECTION 2.13 Conditions to each Advance. The obligation of each Certificate Purchaser to make an Advance in accordance with this Section 2 and the obligations of the Charter Trustee and the Investment Trust to disburse the proceeds of an Advance in connection with any Advance Request and in accordance with this Section 2 shall be subject to satisfaction or waiver of the following conditions precedent:

(a) no Material Default or Event of Default shall have occurred and be continuing; and

(b) the representations and warranties of Deepwater set forth in Section 5.1 shall be true and correct in all material respects on the date of such Advance as though made on and as of such date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

SECTION 2.14 Fees.

(a) Facility Fee. On the Closing Date, Deepwater shall pay to each Certificate Purchaser a nonrefundable upfront fee (the "Facility Fee") equal to such Certificate Purchaser's Commitment multiplied by the Facility Fee rate applicable to such Certificate Purchaser as set forth in Schedule 2.

(b) Non-Utilization Fee. Commencing on the Closing Date, Deepwater shall pay to the Charter Trustee and the Investment Trust for the ratable benefit of each Certificate Purchaser (measured by their respective Commitment Percentages) a non-utilization fee (the "Non-Utilization Fee") of ten (10) basis points per annum on the average daily unutilized amount of the aggregate Maximum Certificate Purchaser Commitment during the relevant period. The Non-Utilization Fee shall be payable by Deepwater in arrears on the last day of each Return Period until the earlier of (i) the Outside Day Rate Commencement Date and (ii) the Day Rate Commencement Date.

SECTION 3

EFFECTIVE DATE; CLOSING DATE; CONDITIONS PRECEDENT

SECTION 3.1 Effective Date; Closing Date.

(a) This Agreement shall become effective on the date (the "Effective Date") on which all of the conditions set forth on Schedule 8 have been satisfied or waived.

(b) All documents and instruments required to be delivered on the Closing Date shall be delivered at the offices of Hunton & Williams, 200 Park Avenue, New York, New York 10166, or at such other location as may be determined by the Documentation Agent and Deepwater.

SECTION 3.2 Conditions Precedent to Closing Date. The obligations of the parties hereto to enter into the transactions contemplated by this Agreement and the other Transaction Documents and to take the actions to be taken by each such party which are contemplated by Section 2.1 to occur on the Closing Date shall be subject to satisfaction or waiver as of the Closing Date of the following conditions precedent (provided, that the obligations of any party shall not be subject to any conditions contained in this Section 3.2 which are required to be performed or caused to be performed by such party or any of its respective Affiliates):

(a) Each Certificate Purchaser shall have funded the Advance to be made by it on the Closing Date in accordance with Section 2.3.

(b) Each Certificate Purchaser shall have received its respective Certificate in accordance with Section 2.4.

(c) Deepwater shall have given the Agents not less than three (3) Business Days prior written notice of the Closing Date, which notice may be included in the Initial Advance Request delivered in accordance with Section 2.3 and each Certificate Purchaser shall have received a funding indemnity letter from R&B and Conoco in the form of Exhibit A hereto not less than three (3) Business Days prior to the Closing Date.

(d) All parties thereto shall have executed and delivered each of the

Transaction Documents to be entered into on the Closing Date, as indicated on Schedule 1 hereto.

(e) Deepwater shall have delivered to the Charter Trustee (with copies for each Certificate Purchaser) copies of the Services Agreements, the Construction Contract, the Drilling Contract, and the Drilling Contract Guaranty, copies of all purchase orders and other documents relating to the purchase of the OFE, together with any amendments thereto, in each case certified by an authorized representative of Deepwater to be true, complete and correct copies thereof as of the Closing Date and each of the Services Agreements, the Construction Contract, the Drilling Contract and the Drilling Contract Guaranty shall be in full force and effect and no default or material breach shall exist thereunder.

(f) The Agents and each Certificate Purchaser shall have received the Appraisal in form and substance satisfactory to the Documentation Agent and Deepwater shall have received a copy thereof.

(g) All Taxes, fees and other charges due in connection with the execution, delivery, performance, recording, filing and registration of the Transaction Documents on the Closing Date shall have been paid.

(h) (i) White & Case LLP, special counsel to Deepwater, shall have issued its opinion to the effect and in the form set forth in Exhibit B; (ii) Hunton & Williams, counsel to Conoco, shall have delivered its opinion to the effect and in the form set forth in Exhibit C; (iii) Wayne K. Anderson, in-house counsel to Conoco, shall have delivered his opinion to the effect and in the form set forth in Exhibit D; (iv) Wayne K. Hillin, counsel to R&B, shall have delivered his opinion to the effect and in the form set forth in Exhibit E; (v) Arias, Fabrega & Fabrega, Panamanian counsel, shall have delivered its opinion to the effect and in the form set forth in Exhibit P; and (vi) Cynthia L. Corliss, Vice President and Trust Counsel of Wilmington Trust Company, and Richards, Layton & Finger, counsel to the Charter Trustee and Investment Trust, shall have delivered their opinions to the effect and in the form set forth in Exhibit U.

(i) All actions required to have been taken by any Government Authority on or prior to the Closing Date in connection with the transactions contemplated by this Participation Agreement and the other Transaction Documents shall have been taken and all Government Actions required to be in effect on or prior to the Closing Date in connection with the transactions contemplated by this Participation Agreement and the other Transaction Documents shall have been issued or made, and all such Government Actions shall be in full force and effect on the Closing Date. All necessary consents, approvals and authorizations of all non-Government Authorities required on the part of Deepwater, the Investment Trust, the Trustees or third parties to be obtained, given or made on or prior to the Closing Date in connection with the execution and delivery of the Transaction Documents and transactions contemplated hereby and thereby shall have been obtained, given or made and shall be in full force and effect.

(j) No action shall have been instituted, nor shall any action or proceeding be threatened, before any Government Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Government Authority (i) to set aside, restrain, enjoin or prevent the performance of this Participation Agreement, any other Transaction Document or any transaction contemplated hereby or thereby or (ii) which would have a Material Adverse Effect.

(k) The transactions contemplated by the Transaction Documents do not and will not (i) violate any Applicable Law, (ii) contravene any charter, by-laws or other organizational document of Deepwater, the Members, Conoco, R&B, the Investment Trust, the Trustees, the Agents or any Certificate Purchaser, (iii) contravene any contract, agreement or other arrangement to which Deepwater, the Investment Trust, the Trustees, the Agents or any Certificate Purchaser is a party or by which any of their respective properties or assets are bound, or (iv) subject Deepwater, any Member, the Investment Trust, the Trustees, any Agent or any Certificate Purchaser to any regulations to which such party had not been subject prior to entering into such Transaction Documents and which would be materially adverse to such party.

(l) Deepwater, each Member, Conoco and R&B shall have each delivered, or shall have caused to be delivered, to the Agents, and the Trustees the following, in each case in form and substance satisfactory to the Documentation Agent (with copies for each Certificate Purchaser):

(i) Organizational Documents. Copies of its articles of incorporation or other organizational documents, certified to be true and complete as of a recent date by the appropriate Government Authority of the state, province or country of its incorporation or formation.

(ii) Resolutions. Copies of resolutions of its Members or Board of Directors, as applicable, that, specifically or generally (as part of a general enabling resolution), approve and adopt the Transaction Documents and the transactions contemplated therein, and that, specifically or generally (as part of a general enabling resolution), authorize execution and delivery thereof, certified by an appropriate officer or representative as of the Closing Date to be true and correct and in full force and effect as of such date.

(iii) Bylaws. A copy of its operating agreement or bylaws certified by an appropriate officer or representative as of the Closing Date to be true and correct and in full force and effect as of such date.

(iv) Good Standing. Copies of certificates of good standing, existence or its equivalent, certified as of a recent date by the appropriate government authorities of the state, province or country of its incorporation or formation.

(v) Officer's or Manager's Certificate. An officer's certificate or

manager's certificate, dated the Closing Date, substantially in the form of Exhibit F.

(m) Each of the Trustees shall have delivered, or shall have caused to be delivered, to Deepwater, the Members, the Administrative Agent, and each Certificate Purchaser the following:

(i) Organizational Documents. Copies of its articles of association or other organizational documents and a copy of the Charter Trustee's and Investment Trust's certificate of trust (or, if certificates of trust are not issued in the Charter Trustee's or Investment Trust's jurisdiction of organization, other similar organizational documents), together with all amendments in each case certified to be true and complete as of a recent date by the appropriate Government Authority.

(ii) Resolutions. Copies of resolutions of its board of directors, approving and adopting the Transaction Documents and the transactions contemplated therein, and authorizing execution and delivery thereof, certified by an appropriate officer as of the Closing Date to be true and correct and in full force and effect as of such date.

(iii) Good Standing. Copies of certificates of good standing (or, if certificates of good standing are not issued in the Trustees' or Investment Trust's jurisdiction of organization, some other similar certificate), existence or its equivalent with respect to the Trustees and the Investment Trust, in each case certified as of a recent date by the appropriate Government Authorities.

(iv) Officer's Certificate. An officer's certificate, dated the Closing Date, substantially in the form of Exhibit G.

(n) Closing Date. The Closing Date shall occur on or prior to August 14, 1998.

(o) No Material Adverse Change. As of the Closing Date, there shall not have occurred any material adverse change in the consolidated assets, liabilities, operations, business or financial condition of: (i) Conoco (except as described in the letter, dated July 24, 1998, from Robert N. Heinrich of Conoco to Claire M. Liu of Bank of America National Trust and Savings Association ("Bank of America") and the copy of the press release attached thereto, copies of which have been previously delivered to each Certificate Purchaser) or Deepwater from that set forth in their respective financial statements for the fiscal year ended December 31, 1997 or (ii) R&B from that set forth in its financial statements for the fiscal quarter ended March 31, 1998.

(p) Transaction Expenses. All Transaction Expenses then due and owing for which Deepwater has received an invoice at least two (2) Business Days prior to the Closing Date and which will not be paid from the proceeds of the Initial Advance shall have been paid by Deepwater.

(q) Tax and Accounting. Deepwater shall have received (x) a satisfactory tax opinion of White & Case LLP and (y) confirmation from its auditors of the accounting treatment for the transactions contemplated hereby satisfactory in all respects to Deepwater.

(r) Representations. The representations and warranties of each party set forth in Section 5 and in any other Transaction Document entered into on or prior to the Closing Date shall be true and correct as of the Closing Date.

(s) Filings. All UCC and other applicable filings listed on Schedule 3 shall have been duly made at the locations set forth beside the filing on such schedule. All other filings or recordings of any document in any jurisdiction which are required to establish the perfected security interests of the Charter Trustee and the Investment Trust in the Accounts shall have been made.

(t) No Defaults under Transaction Documents. All Transaction Documents required to be executed and delivered on or prior to the Closing Date shall be in full force and effect as to all of the parties thereto and no Defaults shall exist under any such Transaction Document.

(u) Insurance Report. The Charter Trustee, the Investment Trust and each Certificate Purchaser shall have received a satisfactory report from J&H Marsh & McLennan with respect to the insurance to be carried by Deepwater pursuant to Article XIV of the Charter.

(v) Drilling Contract. Conoco Drilling and Deepwater shall have entered into the Drilling Contract in a form substantially similar to the form attached hereto as Exhibit H and Conoco Drilling shall have delivered the Conoco Drilling Consent in a form substantially similar to the form attached hereto as Exhibit I.

(w) Securities Act Representation. PricewaterhouseCoopers LLP and Bank of America shall each have delivered to the Charter Trustee (with copies for each Certificate Purchaser), the Investment Trust and Deepwater a certificate, in form substantially similar to the form attached hereto as Exhibit J.

SECTION 4

DELIVERY DATE; CONDITIONS PRECEDENT

SECTION 4.1 Conditions Precedent to Delivery Date. The obligations of the parties hereto to enter into the transactions to be entered into and take the actions to be taken by each such party which are contemplated by Section 2.2 to occur on the Delivery Date, taking into account Section 4.2, shall be subject to satisfaction or waiver on the Delivery Date of the following conditions precedent; provided, that the obligations of any party shall not be subject to any condition contained in this Section 4.1 which is required to be performed or caused to be performed by such party or any of its respective Affiliates:

(a) The following events shall have occurred with respect to the delivery and documentation of the Drillship:

(i) The Drillship (including the OFE) shall have been accepted and delivered, and a Protocol of Delivery and Acceptance substantially in the form set forth in Exhibit A to the Charter (the "Protocol of Delivery and Acceptance") shall have been executed by the Builder and the Construction Supervisor and delivered to the Head Lessor or the Charter Trustee, as the case may be, pursuant to the Construction Contract.

(ii) Copies of the Builder's Certificate and Bill of Sale substantially in the forms set forth in Exhibits L and M, respectively, a copy of the interim class certificate (showing that the Drillship shall have been recommended for classification with the Classification Society with the highest classification and rating for vessels of the same age and type), and all other documents required to be delivered by Builder under the Construction Contract shall be delivered to Deepwater, as Construction Supervisor (with copies to the Charter Trustee (and the Head Lessor, if applicable) and the Agents).

(iii) The Drillship shall have been duly provisionally registered in the name of the Head Lessor or the Charter Trustee, as the case may be, under Panamanian law free and clear of all Liens of record and a provisional patente (the "Provisional Patente") shall have been issued.

(iv) The Ship Mortgage shall have been duly provisionally recorded under Panamanian Law.

(v) The Charter Trustee and Deepwater shall have received a Certificate of Ownership and Encumbrance from the Panamanian registry, showing the Head Lessor or the Charter Trustee, as the case may be, to be the owner of the Drillship, free and clear of all recorded Liens, other than the Ship Mortgage.

(vi) The Charter Trustee, the Investment Trust, the Administrative Agent and the Certificate Purchasers shall have received an opinion of Panamanian counsel in

substantially the form of Exhibit P.

(b) If requested pursuant to Section 2.3, and subject to the terms and conditions of this Agreement and the other Transaction Documents, each Certificate Purchaser shall have funded the Advance, if any, to be made by it on the Delivery Date in accordance with Section 2.3.

(c) The parties shall have received opinions of counsel with respect to the transactions to be consummated on the Delivery Date substantially in the forms as set forth in Exhibits B, C, D, E, O, P and U.

(d) All Transaction Documents to be entered into on the Delivery Date, as indicated on Schedule 1 hereto, shall have been executed and delivered by each of the parties thereto.

(e) All Transaction Expenses (including registration and recordation fees under Panamanian Law) then due and owing shall have been paid on or prior to the Delivery Date.

(f) The Charter Trustee, the Documentation Agent and the Administrative Agent shall have received (i) an updated report from J&H Marsh & McLennan confirming that the insurance then in effect satisfies the insurance requirements set forth in Article XIV of the Charter, such report being satisfactory in form and substance to the Documentation Agent and (ii) certificates of insurance from Deepwater's insurance broker(s) evidencing that all insurance required under Article XIV of the Charter is in effect and that all premiums have been paid.

(g) Each of the Charter Trustee, the Investment Trust and the Certificate Purchasers shall have received an Officer's Certificate of Deepwater stating that the representations and warranties of Deepwater listed in Section 5.1 or in any other Transaction Document are true and correct as of the Delivery Date (except to the extent that such representations and warranties relate solely to an earlier or to a later date, in which event such representations and warranties shall be true on and as of such earlier or later date).

(h) No Material Default, Event of Default, Event of Loss or Construction Period Event of Loss shall have occurred and be continuing on such date.

(i) All necessary approvals, orders, permits, authorizations, and consents which are required as of the Delivery Date on the part of Deepwater, the Certificate Purchasers, the Agents, the Investment Trust, the Trustees or other third parties (except to the extent that such approvals, orders, permits, authorizations and consents are required as a result of such Person's status as a trust company or a regulated depository or banking institution) in connection with any of the transactions contemplated by this Agreement or in connection with the ownership, use or operation of the Drillship as of the Delivery Date shall have been duly obtained, and Deepwater shall have provided evidence thereof reasonably satisfactory to the

Documentation Agent.

(j) All actions, if any, required to have been taken by any Government Authority as of the Delivery Date in connection with the transactions contemplated by this Agreement shall have been taken and all Government Actions required to be in effect as of the Delivery Date in connection with the transactions contemplated by this Agreement shall have been issued and all such Government Actions shall be in full force and effect.

(k) The Outside Day Rate Commencement Date shall not yet have occurred.

(l) The Charter Trustee and the Certificate Purchasers shall have received a report from the Independent Marine Surveyor stating that the Drillship meets the Minimum Specifications.

SECTION 4.2 Head Lease Transaction. (a) Deepwater shall, with the consent of the Certificate Purchasers, be permitted to enter into, and to require the Charter Trustee to enter into, the following transactions (collectively, the "Head Lease Transaction") on or after the Delivery Date: (i) title to the Drillship shall be transferred to the Head Lessor; (ii) the Head Lessor shall charter (directly or through a sub-charter) the Drillship to the Charter Trustee; (iii) the Head Lessor shall finance its acquisition of title to the Drillship, in part, through a loan (the "Head Lease Loan"); (iv) the Head Lessor and the Charter Trustee shall enter into arrangements whereby the Charter Trustee's payment obligations under the Head Lease are defeased (the "Head Lease Defeasance Arrangements"); (v) the Head Lessor shall enter into the Ship Mortgage; and (vi) the economic benefit of entering into the Head Lease Transaction shall be paid over to, or otherwise accrue to the benefit of, Deepwater. If Deepwater shall have requested the Certificate Purchasers to consent to the Head Lease Transaction not less than 30 days prior to the proposed closing date of the Head Lease Transaction (which request shall be accompanied by drafts of the documents relating thereto), the Certificate Purchasers agree to consider such request in good faith. Thereafter, Deepwater shall promptly provide the Certificate Purchasers with the drafts of the Head Lease Documents to the extent such drafts are distributed to the other parties to the Head Lease Transaction. If each Certificate Purchaser in its sole discretion approves the Head Lease Transaction, the Charter Trustee shall enter into the Head Lease Transaction on the date proposed by Deepwater. Notwithstanding the provisions of this Section 4, neither the consummation nor the failure to consummate the Head Lease Transaction on or before the Delivery Date shall be a condition to the obligation of any party hereto to enter into the other transactions contemplated by this Agreement to occur on the Delivery Date or to execute and deliver the Transaction Documents to be executed and delivered on the Delivery Date (other than those transactions or documents reflecting only the Head Lease Transaction).

(b) If Deepwater shall have requested the Certificate Purchasers to consent to the Head Lease Transaction in accordance with this Section 4.2, Deepwater may, in its sole discretion, elect to replace any Certificate Purchaser that does not consent to the Head Lease Transaction by having another financial institution that meets the conditions set forth in this

Section 4.2(b) (a "Replacement Certificate Purchaser") purchase such non-consenting Certificate Purchaser's interest in accordance with this Section 4.2. Replacement of a Certificate Purchaser by a Replacement Certificate Purchaser shall be subject to the following conditions precedent (collectively, the "Certificate Purchaser Replacement Conditions"):

(i) such replacement does not conflict with any Applicable Law;

(ii) the Replacement Certificate Purchaser shall pay to the Certificate Purchaser being replaced the amount of its outstanding Certificate Purchaser Amount and accrued and unpaid Certificate Return with respect thereto plus any other accrued and unpaid amounts owed by Deepwater to such Certificate Purchaser under the Transaction Documents, including any reasonable expenses relating to its replacement; if the Replacement Certificate Purchaser does not provide sufficient funds to allow the Certificate Purchaser being replaced to receive such amount, Deepwater may provide funds sufficient to cover the shortfall;

(iii) the Replacement Certificate Purchaser shall have agreed to execute the Assignment and Assumption Agreement in substantially the form of Exhibit R hereto; and

(iv) the requirements set forth in Section 9.1 shall have been satisfied.

SECTION 5

REPRESENTATIONS AND WARRANTIES

SECTION 5.1 Representations and Warranties of Deepwater. Deepwater, in its individual capacity and as Construction Supervisor, represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. Deepwater is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and has the power and authority and has all requisite government licenses, permits and other approvals that are required as of the date hereof to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party. Deepwater is duly qualified to transact business and is in good standing as a foreign limited liability company in every jurisdiction where the nature of its business requires such qualification.

(b) Authorization; No Conflict. The execution, delivery and performance by Deepwater of each Transaction Document to which it is or will be a party (i) is within its company powers under Delaware law and its Certificate of Formation and LLC Agreement

(collectively, the "Organizational Documents"); (ii) has been duly authorized by all necessary company action on the part of Deepwater and its Members; (iii) requires no Government Action by, or filing with, any Government Authority which is required to be obtained, given or made by Deepwater or its Members as of the date hereof (other than such Government Action as has been duly obtained, given or made); (iv) does not and will not contravene, or constitute a default under, any Applicable Law or its Organizational Documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon or affecting Deepwater or the Drillship; and (v) does not and will not result in the creation, imposition or violation of any Lien on any asset of Deepwater other than as contemplated or permitted by the terms hereof or of the other Transaction Documents. Deepwater has obtained all Government Actions necessary to carry on its business as now conducted, except for those Government Actions that are normally obtained at a later time and with respect to which Deepwater does not anticipate any problems in obtaining.

(c) Enforceability, etc. Each of the Services Agreements, the Drilling Contract and the Transaction Documents, to which Deepwater is or will be a party has been, or on or before the date on which such document is to be signed will be, duly executed and delivered by Deepwater and each such document to which Deepwater is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery thereof by the other parties thereto, a legal, valid and binding obligation enforceable against Deepwater in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Financial Information. The balance sheet of Deepwater for the fiscal year ended December 31, 1997 fairly presents, in conformity with GAAP consistently applied, the financial position of Deepwater as of such date. Since December 31, 1997, no event has occurred with respect to the assets, liabilities, operations, business or financial condition of Deepwater which would have a Material Adverse Effect.

(e) Litigation. There is no litigation, action, proceeding, or labor controversy to which Deepwater is a party which, if adversely determined, would adversely affect the financial condition, operations, assets, business, properties or prospects of Deepwater or which purports to affect the legality, validity or enforceability of any of the Transaction Documents, the Services Agreements or the Drilling Contract.

(f) Ownership of Properties. Deepwater has good title to all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, tradenames, service marks and copyrights) which it purports to own, free and clear of all Liens (including infringement claims with respect to patents, trademarks, copyrights and the like), except for Permitted Liens.

(g) Taxes. Deepwater has filed all tax returns and reports required by law to have been filed by it and has paid all Taxes thereby shown to be owing, except for any Taxes which are not yet due or are being contested pursuant to a Permitted Contest.

(h) Pension and Welfare Plans. As of the date hereof, Deepwater does not maintain any Plan for the benefit of its employees. Except as provided in Section 6.1(o) hereof, Deepwater will not maintain any Plan for the benefit of its employees.

(i) Investment Company Act and Public Utility Holding Company Act. Deepwater is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Act of 1935, as amended.

(j) Securities Act. Neither Deepwater nor any Person authorized by Deepwater to act on its behalf has offered or sold any interest in the Certificates, or in any similar security relating to the transactions contemplated by the Transaction Documents, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto and not more than 18 other institutional investors, and neither Deepwater nor any Person authorized by Deepwater to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Charter Trust, the Investment Trust or the Certificates or in any similar security relating to the Drillship to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended. The only Persons which have been authorized to act on behalf of Deepwater for this purpose are PricewaterhouseCoopers LLP, Bank of America and the Syndication Agent.

(k) Chief Place of Business. Deepwater's chief place of business, chief executive office and office where the documents, accounts and records relating to the transactions contemplated by this Agreement and each other Transaction Document is kept and is located at 901 Threadneedle, Suite 200, Houston, Texas 77079.

(l) Business of Deepwater. (i) Deepwater has engaged in no business activity other than as contemplated by, or in connection with, the Construction Contract, the Drilling Contract, the Services Agreements, the Drilling Contract Guaranty and the Transaction Documents; (ii) Deepwater has no subsidiaries; (iii) as of the Closing Date, all of the membership interests in Deepwater are owned by the Members; and (iv) from and after the Closing Date, Deepwater will have no Indebtedness except for Permitted Indebtedness.

(m) Bankruptcy. Deepwater has not filed a voluntary petition in bankruptcy or been adjudicated as bankrupt or insolvent, or filed any petition or answer seeking any reorganization, liquidation, dissolution or similar relief under any federal or state bankruptcy,

insolvency or other law relating to relief for debtors, or sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator or liquidator of all or any part of its properties or its interest in the Drillship. No court of competent jurisdiction has entered an order, judgment or decree approving a petition filed against Deepwater seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under federal bankruptcy or insolvency act or other law relating to relief for debtors, and no other liquidator has been appointed for Deepwater or of all or any part of its properties or its interest in the Drillship and no such action is pending. Deepwater has not given notice to any Government Authority of insolvency or pending insolvency, or suspension or pending suspension of operations.

(n) Certain Contracts. From and after the Closing Date, the Construction Contract, the Services Agreements, the Drilling Contract and the Drilling Contract Guaranty are in full force and effect and have not been amended except as permitted or contemplated by the Transaction Documents. Deepwater is not in default under, and, to the knowledge of Deepwater, no other Person is in default under, any of the Construction Contract, the Services Agreements, the Drilling Contract or the Drilling Contract Guaranty. The execution, delivery and performance by Deepwater of its obligations under the Construction Contract, the Services Agreements, the Drilling Contract, this Agreement and the other Transaction Documents to which it is a party, will not violate in any material respect any provisions of any Applicable Law.

(o) Federal Reserve Regulations. Deepwater is not engaged in, and does not have as one of its activities, the business of extending credit for the purpose of purchasing or carrying any margin stock, and no proceeds of any Advances will be used for a purpose which violates, or would be inconsistent with, the rules and regulations of the Federal Reserve Board. Terms for which meanings are provided in Federal Reserve Board Regulations U or X or any regulations substituted therefor, as from time to time in effect, are used in this clause (o) with such meanings.

(p) Absence of Events. No Default or Event of Default has occurred and is continuing, and no Construction Period Event of Loss has occurred that has not been remedied before the date hereof and Deepwater is not in default in, nor has any non-permanent waiver been granted to Deepwater with respect to, the performance, observance or fulfillment of any of the obligations, conditions or covenants contained in the Construction Contract, the Drilling Contract or the Services Agreements.

(q) Subject to Government Regulation. None of the Investment Trust, the Trustees, the Agents or any Certificate Purchaser, solely by reason of entering into the Transaction Documents or the consummation of the transactions contemplated thereby, will become subject to ongoing regulation of its operations by any Government Authority having jurisdiction over the ownership or operations of the Drillship solely by reason of any of Deepwater's business activities or the nature of the Drillship.

(r) Solvency. Deepwater does not have capital unreasonably small in

relation to its business, will not be rendered insolvent by the execution, delivery and performance of its obligations under the Transaction Documents, and does not intend to hinder, delay or defraud its creditors by or through the execution, delivery and performance of the Transaction Documents to which it is a party, including the Charter. As of the date hereof and as of the Closing Date, there are no outstanding unsatisfied judgments, liens for Taxes or bankruptcy proceedings against Deepwater.

(s) Appraisal Disclosure. As of the date hereof, the information listed on Schedule 4 and provided by Deepwater or any Affiliates thereof in writing to the Appraiser in connection with the Appraisal, when taken as a whole, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading under the circumstances in which such statements were made.

(t) Accuracy of Information. The cash flow projections contained in Section 7E of the Private Placement Memorandum, dated as of October 27, 1997, were prepared by Deepwater in good faith on the basis of reasonable investigation, information, assumptions and procedures which Deepwater believed were reasonable under the facts and circumstances then existing, and since the date of such projections there has been no change in any of the facts on which such projections were based that would result in a material adverse change in such projections.

(u) Title to the Drillship; Documentation; Condition. On the Delivery Date, after giving effect to the transactions to be effected on the Delivery Date, the Charter Trustee (or the Head Lessor) will have valid title to the Drillship (including all OFE) and the Drillship will be duly provisionally documented in the name of the Charter Trustee (or the Head Lessor) under the laws of the Republic of Panama free and clear of all liens, charges, encumbrances and security interests other than Permitted Liens.

(v) Recording of Ship Mortgage. On the Delivery Date, after giving effect to the transactions to be effected on the Delivery Date, (i) the Ship Mortgage shall have been duly provisionally recorded with the appropriate Panamanian authorities in Panama City, Republic of Panama (which office is the only place in which such recording is necessary), (ii) the Ship Mortgage shall constitute a first naval mortgage on the Drillship in favor of the Investment Trust, the Hedging Agreement Counterparties and, if the Head Lessor is the mortgagor under the Ship Mortgage, the Charter Trustee, and (iii) no other recordings or periodic rerecording or filing or periodic filing of the Ship Mortgage is necessary under existing law to constitute the lien of the Ship Mortgage on the Drillship (including all OFE), except final recordation of the Ship Mortgage following the granting of the Permanent Patente by the Panamanian authorities within six (6) months of the provisional recording of the Ship Mortgage.

(w) Other Recordings and Filings. On the Delivery Date, all filings and recordings (including all filings of financing statements under the Uniform Commercial Code) will have been duly made in each jurisdiction in which such filings and recordings are required or reasonably requested by the Charter Trustee or the Investment Trust in order to perfect the

security interests granted by the Deepwater Assignment, the Ship Mortgage and the other Security Documents and to make such security interests valid and enforceable; provided, that Deepwater makes no representation or warranty with respect to any security interest in the Construction Contract or any Construction Document.

SECTION 5.2 Representations and Warranties of Members. Each Member, severally and not jointly, represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. Such Member is a corporation duly organized, validly existing and in good standing under the laws of the respective jurisdiction of its organization and has the power and authority and has all requisite government licenses, permits and other approvals currently necessary to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party. Such Member is duly qualified to transact business in every jurisdiction where the nature of its business requires such qualification.

(b) Authorization; No Conflict. The execution, delivery and performance by such Member of each Transaction Document to which it is or will be a party (i) is within its corporate powers; (ii) has been duly authorized by all necessary corporate action; (iii) requires no Government Action by, or filing with, any Government Authority; (iv) does not contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon or affecting it; and (v) does not result in the creation, imposition or violation of any Lien on any of its assets. Such Member possesses all government licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(c) Enforceability, etc. Each Transaction Document to which the Member is or will be a party has been, or on or before the Closing Date or the Delivery Date on which such Transaction Document is to be signed will be, duly executed and delivered by such Member and each such Transaction Document to which such Member is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery thereof by the other parties thereto, a legal, valid and binding obligation of such Member enforceable against such Member in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws effecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Securities Act. Neither such Member nor any Person authorized by such Member to act on its behalf has offered or sold any interest in Deepwater, or in any security relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any

offer to acquire any of the same from, any Person other than the parties hereto and not more than 10 other institutional investors, and neither such Member nor any Person authorized by such Member to act on its behalf will take any action which would subject the issuance or sale of any interest in Deepwater to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(e) Litigation. To such Member's Actual Knowledge, there is no action or proceeding pending or threatened to which the Charter Trustee or the Investment Trust is or will be a party before any court or arbitrator or Government Authority that, if adversely determined, would reasonably be expected to have a material adverse effect on the property, operations or financial condition of Deepwater.

(f) Assignment. From and after the Closing Date, such Member will not assign or transfer to any Person that is not a party hereto, any of its right, title or interest in or under Deepwater, the Charter, the Completion Guaranty, the Construction Supervisory Agreement, the Drillship, or the Collateral or any other Transaction Document, except as contemplated by the Transaction Documents.

(g) Absence of Events. To such Member's Actual Knowledge, no Default or Event of Default has occurred and is continuing, and no Construction Period Event of Loss has occurred that has not been remedied before the date hereof and Deepwater is not in default in, nor has any non-permanent waiver been granted to Deepwater with respect to, the performance, observance or fulfillment of any of the obligations, conditions or covenants contained in the Construction Contract, Drilling Contract or the Services Agreements.

(h) Compliance With Laws. To such Member's Actual Knowledge, Deepwater is currently in compliance, in all material respects, with all Applicable Laws with respect to the conduct of its business and the ownership of its properties.

SECTION 5.3 Representations and Warranties of the Investment Trust. The Investment Trust represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. It is a business trust duly formed and validly existing and in good standing under the laws of the jurisdiction of its organization and has the power and authority to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party.

(b) Authorization; No Conflict. The execution, delivery and performance by it of each Transaction Document to which it is or will be a party (i) is within its powers; (ii) has been duly authorized by all necessary action; (iii) requires no Government Action by, or filing with, any Government Authority; (iv) does not contravene, or constitute a default under,

any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon it; and (v) does not result in the creation, imposition or violation of any Lien on any of its assets. It possesses all government licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(c) Enforceability, etc. Each Transaction Document to which it is or will be a party has been, or on or before the date on which such Transaction Document is to be signed will be, duly executed and delivered by it and each such Transaction Document to which it is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, a legal, valid and binding obligation enforceable against it in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Assignment. It has not assigned or transferred any of its right, title or interest in or under the Charter, the Completion Guaranty, the Construction Supervisory Agreement, the Drillship, or the Collateral or any other Transaction Document, except as expressly contemplated by the Transaction Documents.

(e) Securities Act. Neither it nor any Person authorized by it to act on its behalf has offered or sold any interest in the Trust Estate, the Charter Trust, the Investment Trust or the Certificates, or in any similar security relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto, and neither it nor any Person authorized by it to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Charter Trust, the Investment Trust or the Certificates or in any similar security related to the Drillship to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(f) Chief Place of Business. The Investment Trust's chief place of business, chief executive office and office where the documents, accounts and records relating to the transactions contemplated by this Agreement and each other Transaction Document are and will be kept is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001.

(g) No Other Activities. It does not hold any assets, conduct any business nor is it party to any document, agreement or instrument other than the Transaction Documents to which it is, or will be, a party.

SECTION 5.4 Representations and Warranties of the Certificate Purchasers. Each

Certificate Purchaser, individually and not jointly, represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. Such Certificate Purchaser is duly organized, validly existing and in good standing (to the extent relevant under Applicable Law) in the jurisdiction of its organization and has the power and authority to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party.

(b) Authorization; No Conflict. The execution, delivery and performance by such Certificate Purchaser of each Transaction Document to which it is or will be a party (i) is within its powers; (ii) has been duly authorized by all necessary action; (iii) requires no Government Action by, or filing with, any Government Authority (it being understood that such Certificate Purchaser makes no representation or warranty relating to the Drillship or the Applicable Laws pertaining thereto); (iv) does not contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon such Certificate Purchaser; and (v) does not result in the creation, imposition or violation of any Lien on any asset of such Certificate Purchaser.

(c) Enforceability, etc. Each Transaction Document to which such Certificate Purchaser is or will be a party has been, or on or before the Closing Date will be, duly executed and delivered by such Certificate Purchaser and each such Transaction Document to which such Certificate Purchaser is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, a legal, valid and binding obligation enforceable against such Certificate Purchaser in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws effecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) ERISA. Either (x) such Certificate Purchaser is not and will not be making any Advance with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or a "plan" (as defined in Section 4975(e)(1) of the Code) or (y) the source of funds for any Advance made by such Certificate Purchaser is an insurance company general account (as such term is defined in PTE 95-60 (issued July 12, 1995) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners) (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan, together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee

organization in the general account, do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Certificate Purchaser's state of domicile.

(e) Securities Act. Neither such Certificate Purchaser nor any Person authorized by such Certificate Purchaser to act on its behalf has offered or sold any interest in the Trust Estate, the Charter Trust, the Investment Trust or the Certificates, or in any similar security relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto, and neither such Certificate Purchaser nor any Person authorized by such Certificate Purchaser to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Charter Trust, Investment Trust or the Certificates or in any similar security relating to the Drillship to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(f) Litigation. To such Certificate Purchaser's Actual Knowledge, there is no action or proceeding pending or threatened to which the Charter Trustee, the Trust Estate or the Investment Trust is or will be a party before any court or arbitrator or Government Authority that, if adversely determined, would reasonably be expected to have a material adverse effect on the property, operations or financial condition of the Charter Trustee or the Investment Trust.

(g) No Other Documents. Such Certificate Purchaser has not authorized, or voted to authorize, the Charter Trustee or the Investment Trust to execute any document, agreement or instrument other than the Transaction Documents to which either the Charter Trustee or the Investment Trust is or will be a party.

SECTION 5.5 Representations and Warranties of the Trustees. Each of the Trustees in their respective individual capacities (and where indicated, as trustee) represents and warrants, severally and not jointly, to each of the other Participants as of the date hereof as follows:

(a) Due Organization, etc. It is a banking corporation or a Federal savings bank (as applicable), duly organized, validly existing and in good standing under the laws of the state of its incorporation or the United States (as applicable), has full corporate power and authority to enter into and perform its obligations under the Transaction Documents to which it (individually or as trustee, as the case may be) is or will be a party and each other agreement, instrument and document to be executed and delivered by it (individually or as trustee, as the case may be) in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party.

(b) Authorization; No Conflict. The execution, delivery and performance by it of each Transaction Document to which it (individually or as trustee, as the case may be) is or will be a party (i) is within its powers; (ii) has been duly authorized by all necessary action; (iii) requires no Government Action by, or filing with, any Government Authority; (iv) does not

contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon it (individually or as trustee); and (v) does not result in the creation, imposition or violation of any Lien on any of its assets (individually or as trustee).

(c) Enforceability, etc. Each Transaction Document to which it is or will be a party (individually or as trustee, as the case may be) has been, or on or before the Closing Date or the Delivery Date on which such Transaction Document is to be signed will be, duly executed and delivered by it and each such Transaction Document to which it is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, a legal, valid and binding obligation enforceable against it in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Litigation. There is no action, suit or proceeding pending or, to its knowledge (individually or as trustee, as the case may be) threatened to which it (individually or as trustee), or, in the case of the Investment Trustee, the Investment Trust is or will be a party, before any court or arbitrator or any Government Authority that, if adversely determined, would reasonably be expected to materially and adversely affect the ability of it (individually or as trustee, as the case may be), or, in the case of the Investment Trustee, the Investment Trust to perform their respective obligations under each of the Transaction Documents to which it (individually or as trustee, as the case may be), or, in the case of the Investment Trustee, the Investment Trust is or is to be a party.

(e) Assignment. It has not assigned or transferred any of its right, title or interest in or under the Charter, the Completion Guaranty, the Construction Supervisory Agreement, the Drillship or the Collateral, except as expressly contemplated by the Transaction Documents.

(f) Securities Act. Neither it (individually or as trustee) nor any Person authorized by it (individually or as trustee) to act on its behalf has offered or sold any interest in the Trust Estate, the Investment Trust or the Certificates, or in any similar security relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto, and neither it (individually or as trustee) nor any Person authorized by it (individually or as trustee) to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Investment Trust or the Certificates to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(g) Chief Place of Business. The Charter Trustee's chief place of business and the office where the documents, accounts and records relating to the Drillship and the transactions contemplated by this Agreement and the other Transaction Documents are and will be kept is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001. The Investment Trustee's chief place of business, chief executive office and the office where the documents, accounts and records relating to the Drillship and the transactions contemplated by this Agreement and the other Transaction Documents are and will be kept is located at 3773 Howard Hughes Parkway, Suite 300 North, Las Vegas, Nevada 89109.

(h) No Other Documents. The Charter Trustee has not executed, and the Investment Trustee has not authorized, or voted to authorize, the Investment Trust to execute, any document, agreement or instrument other than the Transaction Documents to which either the Charter Trustee or the Investment Trust is or will be a party.

SECTION 6

CERTAIN COVENANTS AND AGREEMENTS

SECTION 6.1 Covenants of Deepwater.

(a) No Other Business. From the date hereof to the expiration or termination of the Charter Term, Deepwater shall not (i) engage in any business other than as expressly contemplated by the Transaction Documents, the Head Lease Documents (if any), the Drilling Contract or the Services Agreements; (ii) become a party to any agreement other than this Agreement, the other Transaction Documents, the Drilling Contract, the Drilling Contract Guaranty, the Services Agreements, the Construction Contract, the Construction Documents, the Head Lease Documents (if any), and any other agreements incidental to the performance of its obligations hereunder or thereunder; (iii) amend, modify or supplement the Drilling Contract, the Drilling Contract Guaranty, or the Services Agreements in any manner that would have an adverse effect on the rights or interests of the Charter Trustee, the Investment Trust or the Certificate Purchasers without the prior written consent of the Majority Certificate Purchasers; (iv) make any distributions to its Members so long as an Event of Loss has occurred or a Material Default or Event of Default has occurred and is continuing; or (v) incur any Indebtedness other than Permitted Indebtedness. Deepwater shall provide the Charter Trustee with substantially final drafts of any amendments, modifications or supplements to the Drilling Contract, the Drilling Contract Guaranty or the Services Agreements at least ten (10) Business Days prior to the effectiveness of such amendments, modifications or supplements.

(b) No Profit-Sharing. From the date hereof to the expiration or termination of the Charter Term, Deepwater shall not enter into any partnership, profit-sharing or royalty arrangement or other similar arrangement whereby Deepwater's income or profits are, or might be, shared with any other Person, or enter into any management contract or similar arrangement whereby its business or operations are managed by any other Person, in each case

other than as provided in the Transaction Documents, the Head Lease Documents, the LLC Agreement, the Drilling Contract, the Services Agreements or any other agreement incidental to the performance of its obligations under the Transaction Documents; provided that, notwithstanding the foregoing, this Section 6.1(b) shall not prohibit profit-sharing arrangements made pursuant to a Plan maintained by Deepwater in accordance with Section 6.1(o).

(c) No Merger. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, merge with any other entity or sell all or substantially all of its assets.

(d) No Subsidiaries. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, form, or cause to be formed, or own any interest in, any Subsidiaries.

(e) No Abandonment. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, abandon or agree to abandon the Drillship other than a tender of an abandonment to an insurer in connection with obtaining payment from such insurer for an Event of Loss.

(f) Corporate Existence, Etc. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, do or cause to be done, in all material respects, all things necessary to preserve and keep in full force and effect its rights and powers and franchises as a limited liability company and its power and authority to perform its obligations under the Transaction Documents, including any necessary qualification or licensing in any foreign jurisdiction.

(g) Compliance With Laws. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, comply in all material respects with all Applicable Laws with respect to the conduct of its business and the ownership of its properties except in connection with a Permitted Contest.

(h) Change of Name or Location. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, furnish to the Administrative Agent and each Certificate Purchaser notice before any relocation of its chief executive officer, principal place of business or the office where it keeps its records concerning its accounts or change of its name, identity or limited liability structure.

(i) No Disposition of the Drillship. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, not sell, contract to sell, assign, transfer, convey or otherwise dispose of or permit to be sold, assigned, leased, transferred, conveyed or otherwise disposed of the Drillship or any part thereof except as otherwise contemplated by the Transaction Documents.

(j) Brokers Fees. Deepwater shall hold the Charter Trustee, the

Investment Trust, the Administrative Agent, and each Certificate Purchaser harmless from and against any claim, demand or liability for any brokers, finders, or placement fees or commissions incurred as a result of any action by Deepwater in connection with the transactions contemplated by the Transaction Documents, except for any such fee or commission included in Construction Costs; provided, that the covenant contained in this Section 6.1(j) shall not apply to any claim, demand or liability for any brokers, finders or placement fees or commissions: (i) due and payable to Bank of America; (ii) due and payable to any broker engaged by the Trustees, Investment Trust, Certificate Purchasers, Administrative Agent or Affiliate thereof; or (iii) due and payable to any broker retained after Deepwater's election of the Return Option pursuant to Section 20.3 of the Charter.

(k) Notice of Material Default, Event of Default or Environmental Claim; Other Certificates. If a Responsible Officer of Deepwater has Actual Knowledge of a Material Default, Event of Default, Construction Period Event of Loss or Environmental Claim with respect to the Drillship (to the extent that Deepwater reasonably expects the cost to remediate or liability to be incurred with respect to all such Environmental Claims then outstanding to exceed $2,000,000 individually or in the aggregate), Deepwater shall promptly give notice thereof to each other party to this Agreement.

Deepwater shall, upon the request of the Administrative Agent, (i) advise the Charter Trustee and the Administrative Agent in writing in reasonable detail of its response to any Environmental Claim with respect to the Drillship and (ii) provide to the Administrative Agent prompt notice of the date and location of the next scheduled dry-docking, if any, of the Drillship prior to such date.

If a default occurs and is continuing with respect to Deepwater's obligations under any Permitted Indebtedness of the type specified in clause (iii) of the definition of Permitted Indebtedness, Deepwater shall notify the Trustees of such default promptly after Deepwater obtains Actual Knowledge of such default and, upon receiving such notice, either of the Trustees may cure such default at Deepwater's expense.

Deepwater shall furnish to the Charter Trustee, the Investment Trust and the Administrative Agent (with copies for the Certificate Purchasers) within ninety (90) days after each anniversary of the Delivery Date, the annual confirmation of classification of the Drillship issued by the Classification Society, and at any other time upon the request of the Charter Trustee, copies of all certificates issued by the U.S. Coast Guard or the Classification Society with respect to the Drillship.

(l) Documentation of Drillship and Ship Mortgage. Deepwater shall obtain a Permanent Patente from the Panamanian authorities and shall cause the Drillship to be duly permanently documented and the Ship Mortgage to be duly permanently recorded under the laws of Panama at least ten (10) Business Days before the end of six (6) months following the issuance of the Provisional Patente. In the event that a successor trustee to the Charter Trustee shall have been appointed pursuant to Section 5.10 of the Charter Trust Agreement and Section

12.18, or the Charter Trustee shall merge or consolidate with any Person in accordance with Section 5.12 of the Charter Trust Agreement and Section 12.18, Deepwater, at its sole expense, shall cause the Drillship to be provisionally documented (if the Head Lease Transaction has not been entered into) and the Ship Mortgage to be provisionally recorded under the laws of Panama in the name of any successor trustee within fifteen (15) Business Days of the receipt of written notice of any such appointment, merger or consolidation; provided that Deepwater shall not be deemed to be in violation of the covenant contained in this sentence to the extent that any delay in procuring such provisional documentation or recordation results from the failure of any of the Participants to execute any necessary documents or instruments promptly upon receipt from Deepwater or to take any other action necessary to effectuate such documentation or recording promptly upon request by Deepwater. Deepwater, at its sole expense, shall thereafter cause the Drillship to be duly permanently documented (if the Head Lease Transaction has not been entered into) and the Ship Mortgage to be duly permanently recorded at least 10 Business Days prior to the end of the six (6) months following the issuance of the provisional documentation.

(m) Financial Statements. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, provide to the Charter Trustee and each Certificate Purchaser financial statements as follows:

(i) for each fiscal year ended after December 31, 1997, within 90 days after the end of such fiscal year, annual financial statements including a statement of earnings, a statement of cash flows and a balance sheet of Deepwater for the fiscal year then ended prepared in conformity with GAAP, consistently applied, and audited by its independent outside auditors;

(ii) for each fiscal quarter of Deepwater, within 45 days after the end of such fiscal quarter, unaudited financial statements, including a statement of earnings, a statement of cash flows and a balance sheet of Deepwater for the fiscal quarter then ended prepared in conformity with GAAP, consistently applied; and

(iii) together with the financial statements required to be delivered under clauses (i) and (ii) above, a certificate from a member's representative of Deepwater certifying that no Material Default or Event of Default has occurred and is then continuing.

(n) Subordinated Operating Expenses. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, maintain the Services Agreements in effect and shall ensure that to the extent that Operation and Maintenance Expenses incurred during each month of the Charter Term exceed the Unsubordinated Operating Expense Amount, such expenses shall be payable by Deepwater under the Services Agreements as Subordinated Operating Expenses. In the event that on any Charter Hire Payment Date there are insufficient funds in the Operating Account to pay all Subordinated Operating Expenses then due and payable in accordance with Section 3.4(b) of the Depository Agreement, Deepwater shall be entitled to issue Subordinated Debt to the Person to whom such Subordinated Operating

Expenses are due in the amount of such shortfall.

(o) Plans. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, maintain any Plan for the benefit of its employees; provided, however, that, notwithstanding the foregoing, Deepwater may adopt one or more Plans for the benefit of its employees which are, in the aggregate, comparable to the Plans maintained by other employers engaged in the same or similar industry. With respect to any such Plan adopted by Deepwater:

(i) such Plan shall be operated and administered by Deepwater in compliance with its terms and with the requirements of any and all Applicable Laws, in all material respects;

(ii) no material liability pursuant to Titles I or IV of ERISA or the penalty or excise tax provisions of the Code shall be incurred; and

(iii) no lien pursuant to Titles I or IV of ERISA or Section 412 of the Code shall be imposed on any of the rights, properties or assets of Deepwater.

(p) Y2K Compliance. Deepwater shall use its best efforts to cause the computer programs used as part of the OFE, when used in accordance with the pertinent user documentation and when the input to them is formatted in accordance with such documentation, to comply with the following: (i) such programs shall accurately and completely process (including but not limited to calculation, comparison and sequencing, and including without limitation leap year calculations) date-related data for dates prior to the year 2000, date-related data for dates after the year 1999, and date-related data for dates both before the year 2000 and after the year 1999; and (ii) such programs shall not, as a consequence of the change of centuries or the fact that data from more than one century is being processed, cause an abnormal termination of execution, an endless loop, incorrect values or invalid results, or otherwise fail to perform accurately and completely those functions set forth in such user documentation. All date-related data generated by or embodied in such programs shall include an indication of century.

SECTION 6.2 Certain Covenants of the Charter Trustee, the Investment Trustee and the Investment Trust. Each of the Charter Trustee, the Investment Trustee and the Investment Trust, severally and not jointly, covenants as follows:

(a) Maintenance of Existence. The Investment Trust shall maintain its existence as a Delaware business trust and its qualification to do business in each jurisdiction in which the failure to have such a qualification may have a material adverse effect on the performance of its obligations under the Transaction Documents. The Charter Trustee shall maintain its existence and its qualification to do business in each jurisdiction in which the failure to have such qualification may have a material adverse effect on the performance of its obligations under the Transaction Documents.

(b) Indebtedness; Other Business. Neither the Investment Trust nor the Trustees shall contract for, create, incur or assume any Indebtedness, or enter into any business or other activity, other than pursuant to, or as contemplated by, the Transaction Documents and the Head Lease Documents.

(c) Change of Chief Place of Business. Each of the Trustees in their respective individual capacities shall give prompt notice to Deepwater if any of the Investment Trust's or Trustees' chief place of business or chief executive office or the office where the records concerning the accounts or contract rights relating to the Drillship are kept, shall cease to be located at the address set forth in Section 12.3.

(d) No Voluntary Bankruptcy by Investment Trust. The Investment Trust shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for them or for all or any substantial part of its assets or property or (iii) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 6.2.

(e) No Voluntary Bankruptcy by Charter Trustee. The Charter Trustee, in its individual capacity or as trustee, shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to it, its debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or property or (iii) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 6.2.

(f) No Voluntary Bankruptcy by Investment Trustee. The Investment Trustee, in its individual capacity or as trustee, shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to it, its debts, the Investment Trust or the Investment Trust's debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for all or any substantial part of its or the Investment Trust's assets or property or (iii) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 6.2.

(g) No Sale of Drillship. Neither the Trustees nor the Investment Trust shall transfer all or any of its interest in the Drillship or the Transaction Documents except as expressly permitted in the Transaction Documents.

(h) Trust Agreements. Without prejudice to any right of either of the Trustees under the Trust Agreements to resign as trustee, or the right of the Certificate Purchasers under the Trust Agreements to remove either of the Trustees as trustee, and in each case subject to the terms of the Transaction Documents, neither the Trustees nor the Investment

Trust shall (i) terminate or revoke the trusts created by the Trust Agreements before the later of the expiration or termination of the Charter or the payment in full of the obligations under the Certificates, (ii) amend, modify, supplement, terminate or revoke or otherwise modify any provision of any Transaction Document (other than the Ship Mortgage) or any Head Lease Document in any manner that would have an adverse effect on the rights or interests of Deepwater without the prior written consent of Deepwater, or (iii) amend, modify or supplement the Ship Mortgage without Deepwater's prior written consent.

(i) Liens. Neither Trustee (in its individual capacity or as trustee) shall create or suffer to exist (and shall discharge promptly) any Trust Lien; provided, however, that such Trustee shall not be required to remove a Trust Lien if it is being contested pursuant to a Permitted Contest and is bonded to the satisfaction of Deepwater.

(j) Change of Jurisdiction of the Trustees. Neither Trustee (in its individual capacity) shall (i) without sixty (60) days' prior written notice to Deepwater and the Participants, change its jurisdiction of incorporation or organization (individually or as trustee) or (ii) change the jurisdiction of the Investment Trust or the trust created by the Charter Trust Agreement, in any case, without the consent of Deepwater and the Administrative Agent.

(k) Quiet Enjoyment. So long as no Charter Event of Default shall have occurred and be continuing and Deepwater shall have received no notice thereof, neither the Investment Trustee (in its individual and trustee capacities) nor the Investment Trust shall take any action to interfere with or otherwise disturb Deepwater's, its agents' or its permitted subcharterers' full use and possession of the Drillship or do or cause to be done any act which would deprive Deepwater, its agents, or its permitted subcharterers of the full use and possession of the Drillship on the terms provided for in the Transaction Documents.

SECTION 6.3 Covenants of the Certificate Purchasers.

Each Certificate Purchaser, individually and not jointly, covenants as follows:

(a) Trust Agreements. Without prejudice to any right of the Trustees under the Trust Agreements to resign as Trustees, or the right of the Certificate Purchasers under the Trust Agreements to remove the Trustees, and in each case subject to the terms of the Transaction Documents, such Certificate Purchaser hereby agrees with Deepwater (i) not to terminate or revoke the trusts created by the Trust Agreements before the later of the expiration or termination of the Charter Term or the payment in full of the obligations under the Certificates, and (ii) not to amend, modify, supplement, terminate or revoke or otherwise modify any provision of any Transaction Document or any Head Lease Document in any manner that would have an adverse effect on the rights or interests of Deepwater without the prior written consent of Deepwater; provided, however, that the consent requirement contained in clause (ii) of this Section 6.3(a) shall only apply to amendments, supplements revocations or other modifications which can be made legally effective without Deepwater's execution.

(b) Compliance by Charter Trustee and Investment Trust. Subject to the terms of Section 12.13, each of the Certificate Purchasers agrees that it shall not instruct, or vote to instruct, the Charter Trustee or the Investment Trust to take any action inconsistent with, contrary to or in violation of the Transaction Documents or the Charter Trustee's or the Investment Trust's obligations thereunder, and each of the Certificate Purchasers agrees that it shall instruct, or vote to instruct, the Investment Trust and the Charter Trustee to take any affirmative action necessary to satisfy the Investment Trust's and the Charter Trustee's obligations under the Conoco Drilling Consent (including any obligation to enter into an assumption agreement, replacement drilling contract or similar arrangement in accordance with the terms of the Conoco Drilling Consent).

(c) Each of the Certificate Purchasers agrees that it shall not create or suffer to exist (and shall discharge promptly) any Certificate Purchaser Lien attributable to it; provided, however, that no Certificate Purchaser shall be required to remove a Certificate Purchaser Lien attributable to it if it is being contested pursuant to a Permitted Contest and is bonded to the satisfaction of Deepwater.

(d) No Voluntary Bankruptcy. Each of the Certificate Purchasers agrees that it shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to the Charter Trustee's or Investment Trust's debts, or (ii) seek appointment of a receiver, trustee, custodian or other similar official for the Charter Trustee or the Investment Trust or for all or any substantial part of either or both of their assets or property and each of the Certificate Purchasers shall not take any action in furtherance of, or indicating its consent to, approval of, any of the acts set forth in this Section 6.3 (d).

(e) Quiet Enjoyment. Each of the Certificate Purchasers agrees that so long as no Charter Event of Default shall have occurred and be continuing and Deepwater shall have received no notice thereof, such Certificate Purchaser shall not take any action to interfere with or otherwise disturb Deepwater's, its agents' or its permitted subcharterers' full use and possession of the Drillship or do or cause to be done any act which would deprive Deepwater, its agents, or its permitted subcharterers of the full use and possession of the Drillship on the terms provided for in the Transaction Documents.

SECTION 6.4 Covenants of the Members. As the sole obligation of the Members under this Agreement, each of the Members, severally and not jointly, covenants as follows:

(a) Bankruptcy. Such Member agrees that it shall not (i) commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to Deepwater or its debts; (ii) seek appointment of a receiver, trustee, custodian or other similar official for Deepwater or for all or any substantial part of its property; or (iii) vote its interest as a member of Deepwater to, or

to otherwise, cause Deepwater to file a voluntary petition in bankruptcy or an answer seeking reorganization in a proceeding under any bankruptcy, insolvency or similar laws or an answer admitting the material obligations of a petition filed against Deepwater in any such proceeding.

(b) No Amendment to LLC Agreement. Other than in connection with a transfer of an ownership interest permitted by Section 6.4(c) or a transaction permitted by Section 6.1(c), such Member agrees that it will not amend the LLC Agreement as in effect on the Closing Date, in a manner that has an adverse effect on the rights or interests of the Trustees, the Investment Trust, the Certificate Purchasers, or their respective rights under the Transaction Documents or the obligations of Deepwater thereunder, in each case, without the prior written consent of the Administrative Agent, such consent not to be unreasonably withheld.

(c) Maintenance of Membership Interests. Such Member agrees that it shall not sell, assign or transfer any of its interest in Deepwater if the result of such sale, assignment or transfer is to cause the aggregate membership interests in Deepwater of such Member and its Affiliates to be less than 40% of all of the Membership interests in Deepwater.

(d) Compliance by Deepwater. Subject to the terms of Section 12.13, such Member agrees that it shall not instruct Deepwater to take any action inconsistent with, contrary to or in violation of the Transaction Documents or Deepwater's obligations thereunder.

SECTION 6.5 Hedging Agreements. On or prior to the Delivery Date, if Deepwater has arranged for one or more interest rate swaps in an aggregate notional principal amount of up to $185,000,000 in substantially the form of Exhibit S-1 hereto (the "Hedging Agreements") to be entered into by one or more Hedging Agreement Counterparties, then upon the written request from Deepwater the Charter Trustee shall enter into such Hedging Agreements and, concurrently therewith, Deepwater and the Charter Trustee shall enter into one or more matching interest rate swaps in substantially the form of Exhibit S-2 hereto (the "Deepwater Hedging Agreements"); provided that, at the time the Hedging Agreements are entered into, each of the Hedging Agreement Counterparties shall be a Certificate Purchaser or an Affiliate thereof and each of the Hedging Agreement Counterparties shall have executed acknowledgements to the Depository Agreement, the Charter Trustee Assignment and any other appropriate Transaction Document. The Charter Trustee is hereby instructed and agrees to deposit all amounts owed to Deepwater under the Deepwater Hedging Agreements (the "Deepwater Hedge Payments") and all amounts paid to the Charter Trustee under the Hedging Agreements (x) into the Trustee's Account pursuant to Section 2.10 or (y) with the Depository to be applied pursuant to the Depository Agreement, as applicable. All Deepwater Hedge Payments deposited pursuant to the preceding sentence shall satisfy, to the extent so deposited, the obligations of the Charter Trustee under the Deepwater Hedging Agreements. All payments made to the Hedging Agreement Counterparties of amounts owed to the Hedging Agreement Counterparties under the Hedging Agreements pursuant to the Depository Agreement shall satisfy the corresponding obligations of Deepwater under the Deepwater Hedging Agreements. If a Responsible Officer of Deepwater has Actual Knowledge of an Event of Default, Construction Period Event of Loss or Event of Loss, Deepwater shall promptly give notice thereof to each of the Hedging Agreement Counterparties.

In addition, Deepwater shall provide to each of the Hedging Agreement Counterparties a copy of any notice of its election to exercise its Construction Period Purchase Right under Section 6.3 of the Construction Supervisory Agreement or its election of its Special Purchase Right under Section 16.4 of the Charter. The Charter Trustee shall provide to each of the Hedging Agreement Counterparties a copy of any notice given to Deepwater under Article XVI of the Charter.

SECTION 6.6 Purchase Obligation. Notwithstanding any other provision of this Agreement or any other Transaction Document, in the event that the Day Rate Commencement Date has not occurred on or before the Outside Day Rate Commencement Date, Deepwater shall be obligated to purchase the Charter Trustee's and Investment Trust's rights in and to the Drillship on the first Business Day after the Outside Day Rate Commencement Date for an amount equal to the Certificate Purchaser Balance plus all accrued and unpaid Certificate Return as of the date of payment, plus all amounts then due and owing by Deepwater under the Transaction Documents. Deepwater shall pay all such amounts in immediately available funds on the first Business Day after the Outside Day Rate Commencement Date. Nothing contained in this Section 6.6 shall be deemed to extend the Outside Day Rate Commencement Date. Upon payment of all such amounts, the Charter and the Construction Supervisory Agreement shall terminate and the Trustees, the Investment Trust and the Certificate Purchasers shall convey all of their right, title and interest in and to the Drillship (including their rights under the Construction Contract or the Head Lease Documents, if any), free and clear of the Ship Mortgage, all Trust Liens and Certificate Purchaser Liens and otherwise "as is," "where is", without recourse or warranty (except as to the absence of Trust Liens and Certificate Purchaser Liens), to Deepwater, and Deepwater shall have no further obligation under the Charter or the Construction Supervisory Agreement immediately upon such payment.

SECTION 6.7 Charter Extension Option. In the event that Deepwater elects the Charter Extension Option in accordance with Section 20.2 of the Charter, Deepwater may, in its sole discretion, elect to replace any Certificate Purchaser that does not submit an offer to extend or whose offer to extend is rejected by Deepwater by having a Replacement Certificate Purchaser purchase such non-consenting Certificate Purchaser's interest in accordance with this Agreement. Replacement of a Certificate Purchaser by a Replacement Certificate Purchaser shall be subject to the Certificate Purchaser Replacement Conditions.

SECTION 6.8 Excessive Use Indemnity. In the event that (a) Deepwater elects the Return Option and (b) after paying to the Charter Trustee all amounts due under Section 20.3 of the Charter, including Net Sales Proceeds and the Residual Guarantee Amount, the Charter Trustee has not received sufficient funds to reduce the Certificate Purchaser Balance to zero, then Deepwater shall deliver a report from an independent appraiser acceptable to the Required Certificate Purchasers establishing whether or not the decline in the fair market value of the Drillship from the anticipated fair market value of the Drillship as of the Scheduled Charter Expiration Date in the Appraiser's report delivered pursuant to Section 3.2(f) was due to wear and tear on the Drillship in excess of ordinary wear and tear. Deepwater shall pay to the Charter

Trustee promptly after receipt of such report an amount equal to the amount, if any, of the decline in the fair market value of the Drillship that the appraiser has attributed to such excess wear and tear; provided, however, that the amount owed by Deepwater pursuant to this Section 6.8 shall in no event exceed the amount of funds necessary to reduce the Certificate Purchaser Balance to zero and to pay all accrued and unpaid Certificate Return after Deepwater's payment of all amounts due under Section 20.3 of the Charter. The appraiser's determination shall be absolute and final and not contested by any of the parties hereto, absent manifest error.

SECTION 7

CERTAIN PROCEDURES

SECTION 7.1 Illegality. If after the date of this Agreement the adoption of any Applicable Law, or any change in any Applicable Law, or in the interpretation or administration by any central bank or other Government Authority of any Applicable Law, has made it unlawful, or it is asserted by any central bank or other Government Authority that it is unlawful, for any Certificate Purchaser or its Applicable Office to make Base Rate Advances (an "Illegality Event") then, on written notice thereof by such Certificate Purchaser to Deepwater and the Charter Trustee, any obligation of such Certificate Purchaser to make Base Rate Advances shall be suspended to the extent necessary to comply with any such Applicable Law until such Certificate Purchaser notifies the Charter Trustee and Deepwater that such Illegality Event no longer exists.

If an Illegality Event occurs, upon written notice of such Illegality Event from the affected Certificate Purchaser to Deepwater (with a copy to the Charter Trustee), all Base Rate Advances of that Certificate Purchaser then outstanding shall automatically be converted to an Alternate Rate Advance, either on the last day of the Return Period thereof, if the Certificate Purchaser may lawfully continue to maintain such Base Rate Advances to such day, or immediately, if the Certificate Purchaser may not lawfully continue to maintain such Base Rate Advance.

If the obligation of any Certificate Purchaser to make or maintain Base Rate Advances has been terminated or suspended in accordance with this Section 7.1, Deepwater may elect, by giving notice to such Certificate Purchaser through the Charter Trustee or the Investment Trust that all Advances which would otherwise be made by such Certificate Purchaser as Base Rate Advances shall be made instead as Alternate Rate Advances.

Before giving any notice to Deepwater, the Charter Trustee or the Investment Trust under this Section 7.1, the affected Certificate Purchaser shall designate a different Applicable Office with respect to its Base Rate Advances if such designation will avoid or cure the Illegality Event and will not, in the judgment of the Certificate Purchaser, be illegal or otherwise disadvantageous to the Certificate Purchaser.

SECTION 7.2 Increased Costs and Reduction of Return. (a) If due to either (i) the adoption of or any change in or in the interpretation by any Government Authority of any law or regulation or (ii) the compliance by any Certificate Purchaser with any guideline or request from any central bank or other Government Authority (whether or not having the force of law), any Certificate Purchaser becomes subject to any Tax, duty or other charge (other than Taxes for which indemnification is provided under Section 10.4) such that there shall be any increase in the cost to any Certificate Purchaser of agreeing to make or making, funding or maintaining any Base Rate Advances, then, subject to Section 7.6, Deepwater shall be liable for, and shall from time to time, upon written demand from such Certificate Purchaser (with a copy of such demand to be sent to the Charter Trustee), pay to the Charter Trustee for the account of such Certificate Purchaser, additional amounts equal to the amount of such increased costs.

(b) If (i) the adoption of any Applicable Law relating to the adequacy of the Certificate Purchaser's capital, (ii) any change in any such Applicable Law, (iii) any change in the interpretation or administration of any such Applicable Law by any central bank or other Government Authority charged with the interpretation or administration thereof, or (iv) compliance by the Certificate Purchaser (or its Applicable Office) or any corporation controlling the Certificate Purchaser with any such Applicable Law, affects or would affect the amount of capital required or expected to be maintained by the Certificate Purchaser or any corporation controlling the Certificate Purchaser such that the return on capital of such Certificate Purchaser is reduced as a consequence of such Certificate Purchaser's Commitment or obligations under this Agreement to a level below that which such Certificate Purchaser could have achieved but for such adoption or change (taking into consideration such Certificate Purchaser's or such corporation's policies with respect to capital adequacy and such Certificate Purchaser's reasonably expected return on capital), then upon written notice from such Certificate Purchaser to Deepwater (with a copy to the Charter Trustee) Deepwater shall, subject to Section 7.6, pay to the Certificate Purchaser additional amounts sufficient to compensate the Certificate Purchaser for such reduction in return.

(c) A Certificate Purchaser affected by a change as described in subparagraphs (a) or (b) shall, pursuant to Section 7.6, deliver to Deepwater and the Charter Trustee as promptly as practicable a certificate setting forth in reasonable detail the amount actually imposed or assessed on payments made under the Certificates in the case of the occurrence of an event described in Section 7.2(a) or (b), setting forth in reasonable detail such increased amounts or the amount required to compensate such Certificate Purchaser for such reduced return and the basis for the determination of such amounts.

SECTION 7.3 Funding Losses. Deepwater shall reimburse each Certificate Purchaser and hold each Certificate Purchaser harmless from any direct loss or expense (as opposed to consequential loss or expense) which the Certificate Purchaser may sustain or incur as a consequence of: (a) the failure of Deepwater to make on a timely basis any payment which it is required to make under the Transaction Documents which is to be applied to the payment of principal of any Base Rate Advance; (b) the failure of Deepwater to accept the proceeds of any

Advance; (c) the failure of Deepwater to accept, continue or convert the proceeds of an Advance paid to the Charter Trustee by a Certificate Purchaser after Deepwater has given (or is deemed to have given) an Advance Request; (d) the failure of Deepwater to make any payment which it is required to make under the Transaction Documents which is to be applied to the prepayment of an Advance in accordance with any notice delivered pursuant to this Agreement or any Transaction Document; (e) the prepayment or other payment (including after acceleration thereof) of a Base Rate Advance on a day that is not the last day of the relevant Return Period, or (f) the automatic conversion of any Base Rate Advance to an Alternate Rate Advance on a day that is not the last day of the relevant Return Period, including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Base Rate Advances or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by Deepwater to the Certificate Purchasers under this Section 7.3 and under Sections 2.4 and 2.8, each Base Rate Advance made by the Certificate Purchaser (and each related reserve, special deposit or similar requirements) shall be conclusively deemed to have been funded at the LIBOR used in determining the Certificate Return Rate for such Base Rate Advance by a matching deposit or other borrowing in the interbank Eurodollar market for a comparable amount and for a comparable period, whether or not such Base Rate Advance is in fact so funded.

SECTION 7.4 Inability to Determine Rates. If the Charter Trustee or
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the Required Certificate Purchasers determine that for any reason adequate and reasonable means do not exist for determining the Base Rate for any requested Return Period with respect to a proposed Base Rate Advance by reason of any changes arising after the date of this Agreement affecting the interbank Eurodollar market, the Charter Trustee will promptly so notify Deepwater and each Certificate Purchaser. Thereafter, the obligation of the Certificate Purchasers to make or maintain Base Rate Advances hereunder shall be suspended until the Charter Trustee, upon the instruction of the Required Certificate Purchasers, revokes such notice in writing. Upon receipt of such notice, Deepwater may revoke any Advance Requests then submitted by it. If Deepwater does not revoke any such Advance Request, the Certificate Purchasers shall make, convert or continue the Advances, as proposed by Deepwater, in the amount specified in the applicable notice submitted by Deepwater, but such Advances shall be made, converted or continued as Alternate Rate Advances instead of Base Rate Advances.

SECTION 7.5 Reserves on Base Rate Advances. If after the date hereof
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any Certificate Purchaser shall be required under regulations of the Federal Reserve Board or any other applicable Government Authority to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), Deepwater
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shall pay to such Certificate Purchaser additional costs on the unpaid principal amount of each Base Rate Advance equal to the actual costs of such reserves maintained and allocated to such Advance by the Certificate Purchaser, payable on each date on which interest is payable on such Advance, provided Deepwater shall have received at least 15 days' prior written notice (with a copy to the Charter Trustee) of such additional Certificate Return from the Certificate Purchaser. If a Certificate Purchaser fails to give notice 15 days

prior to the relevant Payment Date, such additional Certificate Return shall be payable 15 days from receipt of such notice.

SECTION 7.6 Certificates of Certificate Purchasers. Any Certificate Purchaser claiming reimbursement or compensation under this Section 7 shall deliver to Deepwater (with a copy to the Charter Trustee) a certificate setting forth in reasonable detail the amount payable to the Certificate Purchaser hereunder and the basis for the determination of such amount and such certificate shall be conclusive and binding on Deepwater in the absence of manifest error. Deepwater shall not be obligated to compensate any Certificate Purchaser for any costs incurred more than 120 days before the date on which such Certificate Purchaser first notifies Deepwater of its intent to make such a claim or it notifies Deepwater of an event that entitles it to compensation.

SECTION 7.7 Substitution of Certificate Purchasers; Change in Applicable Office; Prepayments. Upon the receipt by Deepwater from any Certificate Purchaser (an "Affected Certificate Purchaser") of a claim for compensation under Section 7.2, Deepwater may: (i) request the Affected Certificate Purchaser to use its commercially reasonable efforts to obtain a replacement bank or financial institution satisfactory to Deepwater (a "Substitute Certificate Purchaser") to acquire and assume all or a ratable part of all of such Affected Certificate Purchaser's Advances and Commitment so long as the Affected Certificate Purchaser is paid its Certificate Purchaser Amount, accrued and unpaid Certificate Return and any other accrued and unpaid amount owed to it by Deepwater under the Transaction Documents; (ii) request one more of the other Certificate Purchasers to acquire and assume all or part of such Affected Certificate Purchaser's Advances and Commitment; (iii) designate a Substitute Certificate Purchaser and require the Affected Certificate Purchaser to transfer all of its Advances and Commitments to such Substitute Certificate Purchaser; (iv) request the Affected Certificate Purchaser to designate a different Applicable Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not be illegal or otherwise disadvantageous to the Affected Certificate Purchaser; or (v) make payments to the Charter Trustee which are equal to the amounts necessary for the Charter Trustee to prepay all or a portion of the Certificate Purchaser Amount of the Affected Certificate Purchaser, together with accrued and unpaid Certificate Return attributable to the amount being prepaid. The Affected Certificate Purchaser shall take any commercially reasonable actions necessary to carry out a request or election made by Deepwater in accordance with this Section 7.7 at Deepwater's sole cost and expense. Any designation of a Substitute Certificate Purchaser under this Section 7.7 shall be subject to the prior written consent of the Administrative Agent which consent shall not be unreasonably withheld, delayed or conditioned.

SECTION 7.8 Legal and Tax Representation. Deepwater acknowledges and agrees that none of the Trustees, the Investment Trust, the Agents or any Certificate Purchaser has made any representation or warranty concerning the tax, accounting or legal characteristics of the Charter or any of the other Transaction

Documents, and that Deepwater has obtained and relied on such tax, accounting and legal advice regarding the Charter and the other Transaction Documents as its deems appropriate. Each of the Charter Trustee, Investment Trust and each Certificate Purchaser acknowledges and agrees that it has obtained and relied on the Transaction Documents and the various items delivered in connection therewith, and on such tax, accounting and legal advice regarding the Charter and the other Transaction Documents as it deems appropriate.

SECTION 7.9 Failure of a Certificate Purchaser to Fund. If an Advance is to be made in accordance with the terms and conditions hereof and if the Charter Trustee determines that any Certificate Purchaser (each such Certificate Purchaser a "Defaulting Certificate Purchaser") will not make available all or a portion of its Commitment Percentage of such Advance (the "Defaulted Amount"), the Charter Trustee shall promptly so notify Deepwater and each other Certificate Purchaser (each, a "Non-Defaulting Certificate Purchaser") and shall specify the additional amounts required to be funded by each such Non-Defaulting Certificate Purchaser pursuant to this Section 7.9. Each such Non-Defaulting Certificate Purchaser as soon as practical after receipt of notice but not before the Advance Date, shall transfer to the Charter Trustee and the Investment Trust, as applicable, in immediately available funds, its pro rata share of the Defaulted Amount, determined in the same proportion that such Non-Defaulting Certificate Purchaser's Commitment bears to the aggregate Commitments of all such Non-Defaulting Certificate Purchasers; provided, that such amount, together with all amounts previously funded by each such Non-Defaulting Certificate Purchaser, shall not exceed such Non-Defaulting Certificate Purchaser's Commitment; provided, further, that any funds advanced to the Investment Trust by any Certificate Purchaser pursuant to this Section 7.9 shall be advanced to the Charter Trustee. If the Defaulted Amount cannot be fully funded by the Non-Defaulting Certificate Purchasers, the Charter Trustee shall so notify Deepwater and the Non-Defaulting Certificate Purchasers and give to all such Non-Defaulting Certificate Purchasers the opportunity to increase their respective Commitments by notice in writing to the Charter Trustee; provided, that should the aggregate proposed increased Commitments by one or more Non-Defaulting Certificate Purchasers exceed the Defaulted Amount, the Charter Trustee shall increase the Commitments of the participating Non-Defaulting Certificate Purchasers on a pro-rata basis in accordance with the respective amounts by which such Non-Defaulting Certificate Purchasers have offered to participate, it being understood that in no event shall the aggregate amount funded by any Certificate Purchaser exceed the amount of such Certificate Purchaser's Commitment after giving effect to any increase in such Commitment pursuant to this sentence. If the Non-Defaulting Certificate Purchasers do not increase their commitments by an amount sufficient to fund the entire Defaulted Amount, then Deepwater shall have the right to elect to fund any such shortfall and shall thereafter be deemed to be a Certificate Purchaser for all purposes of the Transaction Documents and shall be entitled to receive yield on the amount so funded in an amount equal to the applicable Certificate Return; provided, however, that Deepwater shall not be deemed to be a Certificate Purchaser for purposes of the definitions of "Required Certificate Purchasers" or "Majority Certificate Purchasers". Notwithstanding anything contained in this Section 7.9 to the contrary, if Deepwater elects to fund a shortfall in accordance with this Section 7.9, Deepwater shall not be obligated to make any subsequent Advances (including any subsequent Advances with respect to any Defaulting Certificate

Purchaser).

In the event of any funding of all or a portion of the Defaulted Amount by the Non-Defaulting Certificate Purchasers, the following rules shall apply notwithstanding any other provision in any Transaction Document:

(i) The Commitment of the Defaulting Certificate Purchaser shall be decreased in an amount equal to the total aggregate increase, if any, in the Commitments of the Non-Defaulting Certificate Purchasers pursuant to this Section 7.9 and the Commitment Percentages of the Certificate Purchasers shall be revised accordingly; provided, that nothing shall preclude any party from pursuing any rights or remedies it may have against the Defaulting Certificate Purchaser in connection with its failure to make an Advance;

(ii) The Defaulting Certificate Purchaser shall be obligated to fund any Advances occurring after its default based upon its revised Commitment Percentage, if the Commitment Percentages are revised in accordance with the immediately preceding clause (i); and to the extent that the Commitment Percentage of any Defaulting Certificate Purchaser shall not be so revised, the Charter Trustee may thereafter call upon such Defaulting Certificate Purchaser to fund a share of one or more future Advances in an amount greater than such Defaulting Certificate Purchaser's Commitment Percentage so that the aggregate amount disbursed by such Defaulting Certificate Purchaser shall equal (after giving effect to such Advance or Advances) its original Commitment Percentage of the aggregate amount of all Advances then made by all Certificate Purchasers;

(iii) A Defaulting Certificate Purchaser shall not have the right to fund its Defaulted Amount without the written consent of Deepwater and then only to the extent such Defaulted Amount has not been funded by the Non-Defaulting Certificate Purchasers in a manner that resulted in a decrease in such Defaulting Certificate Purchaser's Commitment Percentage;

(iv) If and to the extent that the Defaulted Amount is not funded in full by the Non-Defaulting Certificate Purchasers, the Charter Trustee, after providing written notice thereof to Deepwater, may delete funds from the Advance Request so that the total Advance specified in the Advance Request equals the aggregate revised fundings for the Advance Date and shall so notify all Certificate Purchasers thereof; and

(v) The Non-Defaulting Certificate Purchasers shall not be responsible for any damages suffered by Deepwater or any of Deepwater's Affiliates as a result of the Defaulting Certificate Purchaser's failure to so fund. The Defaulting Certificate Purchasers shall not be responsible for any consequential or special damages suffered by Deepwater or any of Deepwater's Affiliates as a result of its failure to fund.

SECTION 8

PAYMENT OF CERTAIN EXPENSES

SECTION 8.1 Transaction Expenses. If the transactions contemplated by this Agreement to occur on the Closing Date are consummated, Deepwater shall pay promptly all Transaction Expenses incurred in connection with the negotiation, execution and delivery of this Agreement and the other Transaction Documents on the Closing Date and the consummation of the other transactions contemplated hereby and thereby to occur on (or in connection with) the Closing Date and on (or in connection with) the Delivery Date as and when they become due. Deepwater may pay any such Transaction Expenses out of the proceeds of Advances made available to Deepwater in accordance with Section 2; provided, that Deepwater may not pay Transaction Expenses in connection with the Closing Date in excess of $2,800,000 out of proceeds of Advances other than the final Advance.

SECTION 8.2 Transaction Expenses if Closing does not Occur. If the transactions contemplated by this Agreement to occur on the Closing Date are not consummated for any reason Deepwater shall promptly pay all of the Transaction Expenses submitted to Deepwater as they become due.

SECTION 8.3 On-Going Expenses. Deepwater shall, promptly upon demand, pay or reimburse the Charter Trustee, the Investment Trust, the Certificate Purchasers, the Agents or the other Persons entitled thereto for all other out-of-pocket expenses (including counsel fees) reasonably incurred in connection with: (a) entering into, or the giving or withholding of, any future amendments, supplements, waivers or consents with respect to the Transaction Documents, to the extent required by the terms of the Transaction Documents, the Head Lease Documents, the Services Agreements, the Drilling Contract or the Drilling Contract Guaranty, or requested or consented to by Deepwater (whether or not consummated); (b) the negotiation and documentation of any restructuring or "workout" whether or not consummated, of any Transaction Document to the extent requested or consented to by Deepwater; (c) the enforcement, attempted enforcement or preservation of the rights or remedies under the Transaction Documents, the Services Agreements, the Drilling Contract or the Drilling Contract Guaranty; (d) further assurances requested by Deepwater pursuant to Section 12.11; (e) any transfer by the Charter Trustee, the Investment Trust or any Certificate Purchaser of any interest in the Transaction Documents during the continuance of an Event of Default; (f) the ongoing fees (if any) and expenses of the Agents, the Trustees and the Depository pursuant to separate agreements entered into by Deepwater with such Persons; and (g) the costs and expenses associated with the Delivery Date or any Advance Date, including fees and expenses of U.S. and Panamanian counsel, recordation and recording fees and all other out-of-pocket expenses of the parties hereto in connection with the Delivery Date and the transactions contemplated herein (provided, that Deepwater shall only be responsible for fees and expenses of one U.S. counsel and one Panamanian counsel for all of the Certificate Purchasers, the Agents, the Trustees and the Investment Trust).

SECTION 9

RESTRICTIONS ON TRANSFERS; CHANGE OF CONTROL

SECTION 9.1 Restrictions on the Certificate Purchasers. A Certificate Purchaser may transfer all or a portion of its interest in its Series A Trust Certificate and its Investment Trust Certificate with the prior written consent of Deepwater, to a transferee that has executed an Assignment and Assumption Agreement in substantially the form of Exhibit R hereto, by which such transferee assumes the duties and obligations of the transferring Certificate Purchaser under the Transaction Documents; provided, however, that no consent of Deepwater will be required to transfer all or a portion of a Certificate Purchaser's interest in its Series A Trust Certificate and its Investment Trust Certificate if the following conditions shall be satisfied:

(a) such transfer shall be in respect of an aggregate outstanding Certificate Purchaser Amount at least equal to the lesser of $5,000,000 and such Certificate Purchaser's then outstanding Certificate Purchaser Amount;

(b) if the transferee is an Affiliate of a Certificate Purchaser and does not otherwise qualify under clause (c) below, such Certificate Purchaser shall have unconditionally and irrevocably guaranteed the payment and performance obligations of the transferee;

(c) if the transferee is an Affiliate of a Certificate Purchaser, such transferee shall have a capital and surplus of at least $250 million or a tangible net worth at least equal to $100 million; or

(d) if the transferee is not an Affiliate of a Certificate Purchaser, the transferee, or a party unconditionally and irrevocably guaranteeing the payment and performance obligations of the transferee pursuant to a guaranty in form and substance satisfactory to Deepwater, shall meet the following criteria:

(i) the transferee or guarantor shall have a capital and surplus of at least $400 million or a net worth of at least $150 million;

(ii) each of the transferee and the guarantor of the payment and performance obligations of the transferee, if any, is an institutional investor;

(iii) Deepwater, Conoco and R&B have not previously been involved in material litigation with the proposed transferee or guarantor, if any, and are not currently involved in material litigation proceedings with the proposed transferee or guarantor, if any;

(iv) on the date of such transfer the transferee shall provide evidence satisfactory to Deepwater that it is not subject to or is exempt from United States withholding taxes;

(v) neither such transferee nor any of its Affiliates is a Competitor; and

(vi) on the date of such transfer, the transferee shall certify, in writing, that no facts exist that would permit such transferee to make a claim against Deepwater for increased costs, indemnities or other additional amounts under Section 7.

Any transfer of an interest in a Series A Trust Certificate or an Investment Trust Certificate by a Certificate Purchaser in violation of the foregoing restrictions shall be null and void, and the transferor and any guarantor thereof shall remain liable under the Transaction Documents. A Certificate Purchaser that intends to transfer an interest in its Series A Trust Certificate or Investment Trust Certificate (including a sale of a participation in any such Certificate pursuant to Section 3.8(h) of the Trust Agreement or Section 3.8(h) of the Investment Trust Agreement, respectively, or a pledge thereof) must transfer the same percentage interest in both its Series A Trust Certificate and Investment Trust Certificate together to the same purchaser or transferee in a single transaction.

Notwithstanding any other provision in this Section 9.1, any Certificate Purchaser may at any time create a security interest in, or pledge, all or any portion of its rights under its Investment Trust Certificate and its Series A Trust Certificate, together with the rights evidenced by such certificates, in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 C.F.R. Section 203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under Applicable Law.

SECTION 9.2 Restrictions on Trustees. The Charter Trustee shall not resign as Charter Trustee and the Investment Trustee shall not resign as Investment Trustee, unless and until a successor has been appointed which is a Person who has agreed to act as Charter Trustee or Investment Trustee, as applicable, and is reasonably acceptable to Deepwater.

SECTION 9.3 Expenses. All reasonable and documented costs and expenses (including counsel fees and disbursements) of the parties thereto in connection with any transfer permitted by Sections 9.1 or 9.2 shall be the responsibility of the transferor.

SECTION 9.4 Conoco Change of Control.

(a) If a Prepayment Change of Control Trigger Event occurs, each Certificate Purchaser shall have the right, by written notice delivered to Deepwater, the Charter Trustee and the Investment Trust within 10 days of such event, to require Deepwater to make payments to the Charter Trustee and the Investment Trust in an aggregate amount equal to such Certificate Purchaser's Certificate Purchaser Amount, together with its accrued and unpaid Certificate Return (the "Change of Control Prepayment Amount"). Deepwater shall make such payment, in immediately available funds, no later than seven (7) Business Days after receipt of such notice. Upon receipt of such payment from Deepwater, the Charter Trustee shall pay the Series A Portion of the Change of Control Prepayment Amount to the Certificate Purchaser requiring prepayment pursuant to this Section 9.4 and shall pay the Investment Portion of the Change of Control Prepayment Amount to the Investment Trust, which, in turn, shall pay the Investment Portion of the

Change of Control Prepayment Amount to such Certificate Purchaser.

(b) If a Pricing Change of Control Trigger Event occurs, the Certificate Return Rate shall increase effective as of the date of such Pricing Change of Control Trigger Event (with such increase to be based on the rating of Conoco or the Acquiror of Conoco, and in the case of ratings that are not equivalent, the lower of the two ratings) in accordance with the following schedule:

Credit Rating of Conoco or Acquiror of Conoco	Increase of Certificate Return Rate
Greater than or equal to Baa1/BBB+	12.5 basis points
Less than or equal to Baa2/BBB	additional 12.5 basis points

(c) If a Pricing Change of Control Trigger Event occurs and the Certificate Return Rate has been increased as set forth in Section 9.4(b), in the event that Conoco or the Acquiror of Conoco at any time thereafter obtains a rating of at least A2 from Moody's and at least A from S&P, then the Certificate Return Rate shall be adjusted downward to the Certificate Return Rate in effect as of the Closing Date. Such decrease shall be effective as of the first day of the Return Period which next succeeds the date of such adjustment.

SECTION 10

INDEMNIFICATION

SECTION 10.1 General Indemnity. Deepwater hereby agrees to indemnify, on an After-Tax Basis, each of the Trustees (in their trust and individual capacities, respectively), the Investment Trust, the Certificate Purchasers, the Depository, the Agents (in their agent and individual capacities), the Hedging Agreement Counterparties (if any) and their respective officers, directors, employees, agents and Affiliates (each an "Indemnified Party" and, collectively, the "Indemnified Parties") from and against any and all claims, damages, losses, liabilities, demands, suits, judgments, causes of action, legal proceedings, whether civil or criminal, penalties, fines and other sanctions, and any reasonable and documented costs and expenses in connection with any of the foregoing ("Claims"), which may be asserted against such Indemnified Party arising out of:

(a) the condition, ownership, construction, purchase, delivery, nondelivery, subcharter, charter, acceptance, rejection, possession, return, abandonment, disposition, use or operation of the Drillship;

(b) any defect in the Drillship arising from the material or any articles used therein or from the design, testing, or use thereof or from any maintenance, service, repair,

overhaul or testing of the Drillship;

(c) any failure by Deepwater or either Member to perform or observe any covenant, condition or agreement contained in any of the Transaction Documents, or the falsity of any of Deepwater's or either Member's representations and warranties;

(d) the transactions contemplated by the Transaction Documents;

(e) any Environmental Claims arising from or relating to the construction, use, operation, ownership, maintenance, chartering or return of the Drillship;

(f) the exercise by such Indemnified Party of remedies in the event of a default under the Transaction Documents and the enforcement of any security or other rights with respect thereto;

(g) any violation of Applicable Law by Deepwater or a Member with respect to the transactions contemplated by the Transaction Documents;

(h) any Liens which Deepwater or any Member is required to remove; or

(i) any obligation asserted to be owed by the Indemnified Party under any Assigned Contract as a result of the assignment of such Assigned Contract pursuant to the Deepwater Assignment.

SECTION 10.2 General Indemnity Exclusions. Notwithstanding the provisions of Section 10.1, Deepwater shall not be obligated to indemnify an Indemnified Party under Section 10.1 for any Claim that is attributable to any of the following:

(a) acts, events or circumstances occurring after the expiration or earlier termination of the Charter and the return of the Drillship, when required in accordance with the Charter;

(b) Taxes, loss of tax benefits and the cost and expense of tax controversies (whether or not indemnified by Deepwater under Section 10.4 and other provisions of the Transaction Documents) (except (A) Taxes, penalties, interest or charges of any nature whatsoever to the extent necessary to make any required payment on an After Tax Basis, (B) Taxes that are governmental charges incidental to any Government Action or proceeding that is in the nature of court costs, filing fees, recording fees, postage, stamps, duties, license fees and other similar charges);

(c) increased costs, losses or expenses for which compensation is provided under Sections 2.8, 2.14, 6.8, 7.1, 7.2, 7.3, 7.4, 7.5, 8.1, 8.2, 8.3, 9.3 and 9.4;

(d) the gross negligence, willful misconduct or breach of any covenant, representation or warranty under any Transaction Document by such Indemnified Party to the

extent that such Claim arises out of or is caused by an act, misrepresentation, breach or omission of such Indemnified Party where such act, misrepresentation, breach or omission (x) is in breach or violation of the express covenants, representations or warranties of such Indemnified Party under the Transaction Documents, (y) constitutes gross negligence or willful misconduct of such Indemnified Party (other than gross negligence or willful misconduct imputed as a matter of law to such Indemnified Party solely by reason of entering into the Transaction Documents or consummation of the transactions contemplated thereby) or (z) is in violation of any Applicable Law and such violation causes such Claim;

(e) transfers (direct or indirect) by: (i) the Charter Trustee or the Investment Trust of either of their interests in the Drillship or any portion thereof (other than any such transfer pursuant to Sections 5.2, 16.2, 16.4, 20.1 or 20.3 of the Charter, Section 6.6 of the Participation Agreement or Section 6.3 of the Construction Supervisory Agreement) or (ii) a Certificate Purchaser of all or any portion of its interest in the Trust Estate, the Investment Trust or the Transaction Documents, other than a transfer upon an exercise of remedies after a Charter Event of Default has occurred and is continuing and the Charter has been declared in default;

(f) any amount for which such Indemnified Party has agreed to make payment without a right of reimbursement from Deepwater;

(g) any Claim resulting from the imposition of any Lien which such Indemnified Party is responsible for or is required to lift and discharge;

(h) any Claim arising out of or related to an inspection of the Drillship by or on behalf of an Indemnified Party, unless at the time of such inspection a Charter Event of Default has occurred and is continuing or unless and to the extent such Claim arises from the gross negligence or willful misconduct of Deepwater or its agents; and

(i) any Claim for an amount of Basic Hire, Termination Value, Construction Period Termination Amount, Certificate Return, Certificate Purchaser Balance, Residual Guarantee Amount, or Postponement Yield, or an amount due under the Deepwater Hedging Agreements or the Hedging Agreements.

SECTION 10.3 Proceedings in Respect of Claims. With respect to any amount that Deepwater is requested by an Indemnified Party to pay by reason of Section 10.1, such Indemnified Party shall, if so requested by Deepwater and prior to any payment, submit such additional information to Deepwater as Deepwater may reasonably request and which is in the possession of such Indemnified Party to substantiate properly the requested payment. In case any action, suit or proceeding shall be brought against any Indemnified Party in respect of any Claim, such Indemnified Party shall notify Deepwater of the commencement thereof, and Deepwater shall be entitled, at its expense, to participate in, and, to the extent that Deepwater desires to, assume and control the defense thereof; provided, however, that Deepwater shall have acknowledged in writing its obligation to indemnify such Indemnified Party in respect of such action, suit or proceeding under Section 10.1, such acknowledgment to be conditioned on the

accuracy and completeness of the information provided to Deepwater by such Indemnified Party with respect to the Claim; and, provided further, that
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Deepwater shall not be entitled to assume and control the defense of any such action, suit or proceeding if and to the extent that, (A) in the reasonable opinion of such Indemnified Party (x) such action, suit or proceeding involves any possibility of imposition of criminal liability or any material risk of material civil liability on such Indemnified Party or (y) the control of such action, suit or proceeding would involve a conflict of interest (in which case each Indemnified Party may retain separate counsel at the expense of Deepwater), (B) such proceeding involves Claims not indemnified by Deepwater which Deepwater and the Indemnified Party have been unable to sever from the indemnified claim(s), or (C) an Event of Default has occurred and is continuing. Deepwater shall keep such Indemnified Party fully apprised of the status of such action, suit or proceeding and shall provide such Indemnified Party with all information with respect to such action suit or proceeding as such Indemnified Party shall reasonably request. The Indemnified Party may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by Deepwater in accordance with the foregoing.

No Indemnified Party shall enter into any settlement or other compromise with respect to any Claim which is entitled to be indemnified under Section 10.1 without the prior written consent of Deepwater, which consent shall not be unreasonably withheld, unless such Indemnified Party waives its right to be indemnified under Section 10.1 with respect to such Claim.

Upon payment in full of any Claim by Deepwater pursuant to Section 10.1 to or on behalf of an Indemnified Party, Deepwater, without any further action, shall be subrogated to any and all claims that such Indemnified Party may have relating thereto to the extent of such payment, and such Indemnified Party shall execute such instruments of assignment and conveyance, evidence of claims and payment and such other documents, instruments and agreements as may be reasonably necessary to preserve any such claims and otherwise cooperate with Deepwater and give such further assurances as are reasonably necessary or advisable to enable Deepwater vigorously to pursue such claims.

Any amount payable to an Indemnified Party pursuant to Section 10.1 shall be paid to such Indemnified Party promptly upon receipt of a written demand therefor from such Indemnified Party accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable.

SECTION 10.4 General Tax Indemnity. (a) Without regard to any of the
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exclusions set forth in Section 10.4(b), if any amount payable by Deepwater as Charter Hire (or by the Charter Trustee to the Investment Trust or any Certificate Purchaser) under the Transaction Documents or otherwise payable by Deepwater under the Head Lease Documents becomes subject to any Tax imposed by way of withholding at the source, Deepwater shall hold harmless the Indemnified Party against such Tax, and, if such withholding is required, shall, at the same time that any such payment is due and payable, either (i) pay such Tax directly to the appropriate taxing authority, (ii) indemnify such Person for such Tax, or (iii) pay an additional amount, such

that the net amount actually received by each Indemnified Party entitled thereto, free and clear of, and without deduction for, any and all Taxes imposed by withholding will equal the amount then due absent such withholding and shall pay any additional Taxes payable in respect of such payment, indemnity or additional amount, as the case may be, by each Indemnified Party. In the event Deepwater is required to make any payment or indemnity pursuant to this paragraph in respect of withholding Taxes on any payment made to any Indemnified Party, Deepwater shall not be treated as responsible for such withholding Taxes (1) if such withholding Taxes would not have been imposed but for (x) the failure of the Indemnified Party or a Related Indemnified Party to be incorporated in the United States or any state in the United States (it being understood that, for this purpose, the Charter Trust shall not be treated as failing to be incorporated in the United States or any state in the United States merely as a result of the organization of the Charter Trust under the laws of Panama) or (y) the amount payable to such Indemnified Party being attributable to a permanent establishment of the Indemnified Party or a Related Indemnified Party in any jurisdiction other than the United States (unless such permanent establishment results solely from the location of all or any part of the Drillship in, such jurisdiction) (it being understood that, for this purpose, amounts payable to the Charter Trustee shall not be treated as attributable to a permanent establishment of the Charter Trust in Panama merely as a result of the organization of the Charter Trust under the laws of Panama and/or the making of payments and the performance of its obligations by the Charter Trustee in accordance with, and as contemplated by, the Transaction Documents ("Permitted Charter Trustee Acts")), (2) if such withholding Tax

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results from a breach of any covenant or undertaking in Section 10.4(i) of such Indemnified Party or any of its Related Indemnified Parties, (3) with respect to any such Tax imposed in respect of any transferee of such Indemnified Party to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified hereunder had such original Indemnified Party from which such Indemnified Party derives its interest not sold, assigned, transferred or otherwise disposed of all or a portion of its interest in the Drillship or Transaction Documents (unless such transferee acquired its interest pursuant to the transferor's exercise of remedies), (4) if such withholding Tax results from (x) the gross negligence, willful misconduct or fraud of such Indemnified Party or any of its Related Indemnified Parties or (y) the inaccuracy or breach of a representation, warranty, covenant or any undertaking of such Indemnified Party or any of its Related Indemnified Parties, (5) if such withholding Taxes are imposed by a taxing authority of or in a country other than the United States or Panama and would not have been imposed but for activities, property or operations of the Indemnified Party or any of its Related Indemnified Parties that are unrelated to the transactions contemplated by the Transaction Documents, or (6) if such withholding Taxes are imposed by a taxing authority in Panama as a result of the Indemnified Party's (or a Related Indemnified Party's) direction that Deepwater make payments to an account located in Panama (except if such direction is made while an Event of Default exists). If, for any reason, Deepwater is required to make any payment to an Indemnified Party or to a taxing authority on behalf of any Indemnified Party pursuant to this Section 10.4(a) with respect to, or as a result of, any withholding Tax imposed with respect to any payment of Charter Hire by Deepwater (or by the Charter Trustee to the Investment Trust or any Certificate Purchaser) pursuant to the Transaction Documents or other payment by Deepwater under the Head Lease Documents, which

withholding Tax is not the responsibility of Deepwater under this Section 10.4(a), then such Indemnified Party shall pay to Deepwater on written demand an amount which equals on an After-Tax Basis such additional amount paid by Deepwater with respect to, or as a result of, such withholding Tax plus interest at (i) the Certificate Return Rate during the period commencing on the date Deepwater shall have paid an amount pursuant to the first sentence of this paragraph and ending on the date Deepwater demands in writing payment of such amount pursuant to this sentence and (ii) the Overdue Rate from the period commencing five Business Days following the date Deepwater shall have demanded in writing such payment to the date Deepwater actually receives such payment.

(b) Except as provided in Section 10.4(a) and 10.4(c) hereof, Deepwater agrees to indemnify, defend and hold harmless on an After-Tax Basis each Indemnified Party against any and all Taxes, imposed against or payable by, or imposed on payments to or from, Deepwater or any Indemnified Party, or imposed against all or any part of, or interest in, the Drillship by any federal, state or local taxing authority of or within the United States and by any jurisdiction outside of the United States if the Drillship or Deepwater is located in such jurisdiction, upon or with respect to or in connection with, based upon or measured by, in whole or in part:

(i) the Drillship or any part thereof or interest therein;

(ii) the manufacture, purchase, financing, refinancing, ownership, delivery, redelivery, transport, location, leasing, subleasing, possession, registration, use, operation, condition, maintenance, repair, return, abandonment, preparation, storage, transfer of title, sale, acceptance, importation, exportation, rejection or other disposition of or action or event with respect to the Drillship or any part thereof or interest therein;

(iii) the hire, receipts, income or earnings arising from the purchase, financing, ownership, delivery, redelivery, leasing, subleasing, possession, use, operation, return, storage, transfer of title, sale or other disposition of the Drillship or any part thereof or interest therein;

(iv) the Advances, Certificates, their issuance, modification, refinancing or acquisition, or the payments of any amounts thereon or with respect thereto;

(v) the Transaction Documents or the Head Lease Documents or amendments or supplements thereto, their execution or the transactions contemplated thereby or any proceeds or payments under any thereof; or

(vi) otherwise with respect to or in connection with the transactions contemplated or effected by or resulting from the Transaction Documents or the Head Lease Documents or the exercise of rights and remedies thereunder or the enforcement thereof.

(c) Exclusions. Except as provided in Section 10.4(a), the indemnity provided for in Section 10.4(b) above shall not apply to any of the following:

(i) Taxes (other than Taxes that are sales, use or rental Taxes) imposed by the United States federal government on, based on, or measured by or with respect to the gross or net income, or gross or net receipts or that are in the nature of, or are imposed with respect to, capital, net worth, excess profits, accumulated earnings, capital gains, franchise or conduct of business of such Indemnified Party; provided, that this Section 10.4(c)(i) shall not be interpreted to exclude any amounts necessary to make any payment on an After-Tax Basis;

(ii) Taxes imposed by (x) any state or local taxing authority in the United States (other than Taxes that are sales, use, rental, stamp, property (tangible or intangible) or similar Taxes imposed as a result of a Deepwater Person's activities in (including being incorporated in, or making payments from), or the location of the Drillship or any portion thereof in, such state or local jurisdiction) or (y) any jurisdiction outside of the United States other than any Taxes imposed as a result of a Deepwater Person's activities in (including being incorporated in, having a permanent establishment or other residence in, or making payments from), or the location of the Drillship or any portion thereof in, such jurisdiction outside of the United States or Taxes imposed by Panama merely as a result of the organization of the Charter Trust under the laws of Panama and/or the performance by the Charter Trustee of Permitted Charter Trustee Acts; provided, that this Section 10.4(c)(ii) shall not be interpreted to exclude any amounts necessary to make any payment on an After-Tax Basis;

(iii) Taxes imposed on or against or payable by such Indemnified Party to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified hereunder had there not been a transfer by the original Indemnified Party (from which such Indemnified Party derives its interest) of any interest in the Drillship, the Certificates, the Trust Estate, the Investment Trust, any Indemnified Party or the Transaction Documents or the Head Lease Documents; except (x) if such transferee acquired its interest in connection with the exercise of remedies with respect to a Charter Event of Default or (y) to the extent necessary to make indemnity payments to the transferee on an After-Tax Basis;

(iv) Taxes imposed with respect to any period (except during the exercise of remedies pursuant to the Charter in connection with the occurrence and continuance of a Charter Event of Default) more than one year after the expiration or earlier termination of the Charter and, where required, the return of the Drillship pursuant to Section 20.3 of the Charter (but not to the extent attributable to events occurring on or prior to such date);

(v) Taxes resulting from (x) the gross negligence, willful misconduct or fraud of the Indemnified Party or any of its Related Indemnified Parties (except as solely attributed to such Party by virtue of its having executed the Transaction Documents),

(y) the inaccuracy or breach of a representation, warranty or covenant under the Transaction Documents or the Head Lease Documents or any undertaking required by the Transaction Documents or the Head Lease Documents of such Indemnified Party or any of its Related Indemnified Parties (unless such inaccuracy or breach is caused by Deepwater's breach of any representation, warranty or covenant under the Transaction Documents or a breach by Deepwater or an Affiliate of Deepwater under the Head Lease Documents), or (z) in the case of any Indemnified Party, any Liens attributable to such Indemnified Party or a Related Indemnified Party;

(vi) Taxes that result from (x) a voluntary transfer or other voluntary disposition by the Indemnified Party or a Related Indemnified Party of all or any portion of its interest in the Drillship, the Trust Estate, the Investment Trust, any Indemnified Party, the Certificates, the Transaction Documents or the Head Lease Documents (other than a transfer or disposition resulting from (A) any Charter, substitution, or maintenance of, or any modification to the Drillship or any portion thereof, (B) Deepwater's exercise of any purchase or termination option, (C) an Event of Loss or (D) the exercise of remedies under the Charter following a Charter Event of Default) or (y) an involuntary transfer or other involuntary disposition by the Indemnified Party or a Related Indemnified Party of all or any part of an interest in the Drillship, the Trust Estate, the Investment Trust, any Indemnified Party, the Certificates, the Transaction Documents or the Head Lease Documents (other than any such transfer or disposition that occurs while an Event of Default has occurred and is continuing) in connection with any bankruptcy or other proceeding for the relief of debtors in which an Indemnified Party is the debtor or any foreclosure by a creditor of an Indemnified Party that is in each case unrelated to the transactions contemplated by the Transaction Documents or the Head Lease Documents;

(vii) Taxes imposed on the Administrative Agent in its individual capacity with respect to any fees received by or payable to the Administrative Agent for services rendered;

(viii) Taxes that would not have been imposed but for an amendment to any Transaction Document or Head Lease Document not requested or consented to or acquiesced in by Deepwater in writing, other than any amendment (A) that may be necessary or appropriate to, and is in conformity with, any amendment to any Transaction Document or Head Lease Document initiated or requested by or consented to by any Deepwater Person in writing, (B) to any Transaction Document or Head Lease Document due to, or in connection with there having occurred, an Event of Default or (C) that is required by Applicable Law or the terms of the Transaction Documents or the Head Lease Documents or is executed in connection with any other amendment to the Transaction Documents or the Head Lease Documents that is required by Applicable Law;

(ix) Taxes to the extent actually utilized on a current basis by an Indemnified Party or an Affiliate of such Indemnified Party as a credit against Taxes not

indemnifiable by Deepwater hereunder;

(x) Taxes to the extent resulting from or measured by income, assets, activities, or other matters of or relating to the Indemnified Party or a Related Indemnified Party that are unrelated to the transactions contemplated by the Transaction Documents (except to the extent necessary to make a payment on an After-Tax Basis (which shall be calculated assuming the Indemnified Party is taxable at the highest marginal rate in the applicable jurisdiction));

(xi) any Taxes, while such Taxes are being contested in accordance with the contest provisions of Section 10.4(f);

(xii) any interest, penalties or additions to Tax that result from the failure of an Indemnified Party to file any return properly and timely, unless such failure is caused by the failure of Deepwater to fulfill its obligations, if any, under this Agreement with respect to such return (including the provision of information sufficient to enable such Indemnified Party to file such return);

(xiii) Taxes that would not have been imposed but for the Indemnified Party or a Related Indemnified Party having its tax residence, place of business, situs of organization, place of management or controls, permanent establishment or other presence in the taxing jurisdiction (unless such tax residence, place of business, situs of organization, place of management or control, permanent establishment or other presence results from the presence or activities of Deepwater or any Deepwater Person (including the making of payments unless directed by the Charter Trustee or any Certificate Holder to make payment to an account located in Panama (except if such direction is made while an Event of Default exists)) in such jurisdiction it being understood that, for this purpose, the Charter Trustee shall not be treated as having any such presence in Panama merely as a result of the trust being formed pursuant to the Charter Trust Agreement under the laws of Panama and/or the performance by the Charter Trustee of Permitted Charter Trustee Acts).

(d) Calculation of Payments. Any payment that Deepwater shall be required to make to or for the account of any Indemnified Party with respect to any Tax that is subject to indemnification under this Section 10.4 shall be paid on an After-Tax Basis. If an Indemnified Party or any Affiliate of such Indemnified Party who files any tax return on a combined, consolidated, unitary or similar basis with such Indemnified Party shall actually realize any saving of any Tax not indemnified by Deepwater pursuant to the Transaction Documents (by way of credit (including any foreign tax credit), deduction, exclusion from income or otherwise) by reason of any amount with respect to which Deepwater has indemnified such Indemnified Party pursuant to this Section 10.4, and such tax saving was not taken into account in determining the amount payable by Deepwater on account of such indemnification, such Indemnified Party shall pay to Deepwater, so long as no Event of Default shall have occurred and be continuing (but shall be required to make such payment at such time as the

Event of Default shall have been cured or at the time Deepwater shall have fulfilled all of its obligations arising upon such Event of Default), within 30 days after such Indemnified Party shall have actually realized such tax saving, the amount of such saving, together with the amount of any tax saving resulting from any payment pursuant to this sentence; provided, that Deepwater shall not
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be entitled to receive an amount in excess of all amounts previously paid by Deepwater pursuant to this Section 10.4, to such Indemnified Party or to the relevant taxing authority on behalf of such Indemnified Party (less the aggregate amount of all prior payments by such Indemnified Party to Deepwater under this Section 10.4(d)) (but any excess amount described in this proviso shall reduce pro tanto any amount that Deepwater is subsequently obligated to
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pay to such Indemnified Party pursuant to Section 10.4).

(e) Payment. Deepwater shall pay any Tax for which it is liable
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pursuant to this Section 10.4 directly to the appropriate taxing authority or upon demand of an Indemnified Party to such Indemnified Party in immediately available funds within 30 days of a written demand, but in no event more than two Business Days prior to the date such Tax is due (including all extensions), or, in the case of Taxes which are being contested, more than two Business Days prior to the time such contest is finally resolved. Any such demand shall specify in reasonable detail the calculation of the payment and the facts upon which the right to payment is based. Each Indemnified Party shall promptly forward to Deepwater any notice, bill or advice received by it from the relevant taxing authority concerning any Tax against which Deepwater may be required to indemnify hereunder. Deepwater upon the reasonable written request of an Indemnified Party shall furnish such Indemnified Party with the original or a certified copy of a receipt (if any is reasonably available to Deepwater) for Deepwater's payment of any Tax that is subject to indemnification pursuant to this Section 10, or such other evidence of payment of such Tax as is reasonably acceptable to such Indemnified Party (and reasonably available to Deepwater).

(f) Contest. If a written claim is made against an Indemnified
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Party or if any proceeding shall be commenced against any Indemnified Party (including a written notice of such proceeding), for any Taxes with respect to which Deepwater may be liable for payment or indemnity hereunder or if any Indemnified Party shall determine that any Tax as to which Deepwater may have an indemnity obligation hereunder shall be payable, such Indemnified Party shall promptly notify Deepwater in writing and shall not take any action with respect to such claim, proceeding or Tax without the consent of Deepwater for 30 days after the receipt of such notice by Deepwater; provided, however, that, in the
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case of any such claim or proceeding, if action shall be required by law or regulation to be taken prior to the end of such 30-day period, such Indemnified Party shall, in such notice to Deepwater, so inform Deepwater, and no action shall be taken with respect to such claim or Tax without the consent of Deepwater before the end of such shorter period. If, within 30 days of receipt of such notice from the Indemnified Party (or such shorter period as the Indemnified Party has notified Deepwater is required by law or regulation for the Indemnified Party to commence such contest), Deepwater shall request in writing that such Indemnified Party contest the imposition of such Tax, the Indemnified Party shall, at the expense of Deepwater, in good faith contest (including, without limitation, by pursuit

of appeals), and shall not settle without Deepwater's good faith consent (or (i) if such contest can be pursued in the name of Deepwater and independently from any other proceeding involving a tax liability, other than a net income or withholding Tax, of such Indemnified Party, the Indemnified Party shall, at Deepwater's sole discretion, allow Deepwater to contest, (ii) if such contest involves a Tax, other than a net income or withholding Tax, which must be pursued in the name of the Indemnified Party, but can be pursued independently from any other proceeding involving a tax liability of such Indemnified Party, the Indemnified Party shall allow Deepwater to contest in the name of the Indemnified Party unless, in the good faith judgment of the Indemnified Party, such contest by Deepwater could have a material adverse impact on the business or operations of the Indemnified Party, in which case the Indemnified Party may control such contest or (iii) in the case of any contest, the Indemnified Party may request Deepwater to contest) the validity, applicability or amount of such Taxes by, in the sole discretion of the Person conducting such contest, (i) resisting payment thereof, (ii) not paying the same except under protest, if protest is necessary and proper, (iii) if the payment be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; or (iv) taking such other action as is reasonably requested by Deepwater from time to time.

Notwithstanding the foregoing provisions of this Section 10.4(f), such Indemnified Party shall not be required to take any administrative or judicial or other action and Deepwater shall not be able to contest such claim in its own name or that of the Indemnified Party unless (A) Deepwater shall have agreed to pay, and shall pay, to such Indemnified Party on demand all reasonable out-of-pocket costs, losses and expenses that such Indemnified Party may incur in connection with contesting such Taxes, including all reasonable legal, accounting and investigatory fees and disbursements (including reasonable allocated time charges of internal counsel of such Indemnified Party), (B) the action to be taken will not result in any material imminent danger of sale, forfeiture or loss of the Drillship or any part thereof or interest therein or risk of criminal liability, (C) if such contest shall involve the payment of the Tax prior to the contest, Deepwater shall, at its option, either (x) pay or reimburse the Indemnified Party for such Taxes or (y) provide to the Indemnified Party an interest-free advance in an amount equal to the Tax which the Indemnified Party is required to pay (with no additional net after-tax cost to such Indemnified Party), (D) Deepwater shall have provided to such Indemnified Party an opinion of independent tax counsel selected by Deepwater, and reasonably satisfactory to the Indemnified Party that a Reasonable Basis exists to contest such claim, and (E) if such contest is controlled by Deepwater, Deepwater shall have acknowledged, in writing, its liability for such indemnity in the event such contest is unsuccessful. In no event shall an Indemnified Party be required to appeal an adverse judicial determination to the United States Supreme Court. The Indemnified Party shall consult in good faith with Deepwater regarding the conduct of any contest controlled by such Indemnified Party and shall allow Deepwater to participate in the conduct of any such contest unless the Indemnified Party shall in good faith determine that allowing Deepwater to participate in the conduct of such contest could have a material adverse impact on the business or operations of the Indemnified Party. The parties agree that an Indemnified Party may at any time decline to take further action with respect to the contest of any claim for a Tax and may settle such claim, if such Indemnified Party shall waive its rights to any indemnity from Deepwater

that otherwise would be payable in respect of such claim (or any logically related claim) and shall pay to Deepwater any amount previously paid or advanced by Deepwater pursuant to this Section 10.4(f) other than clause (A) of this paragraph (by way of indemnification or advance for the payment of a Tax) with respect to such Taxes.

If an Indemnified Party shall fail to perform its obligations under this Section 10.4(f), such failure shall not discharge, diminish or relieve Deepwater of any liability for indemnification that it may have to such Indemnified Party hereunder, unless the contest of a claim is precluded as a result of such failure; provided, that any payment by Deepwater to such Indemnified Party
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pursuant hereto shall not be deemed to constitute a waiver or release of any right or remedy (including any remedy of damages) that Deepwater may have against such Indemnified Party.

(g) Refund. If an Indemnified Party shall receive a refund of (or
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receive a credit against, or any other current reduction in, any Tax not indemnified by Deepwater under this Section 10.4, in respect of) all or part of any Taxes which Deepwater shall have paid on behalf of such Indemnified Party or for which Deepwater shall have reimbursed, advanced funds to or indemnified such Indemnified Party (or would have received such a refund, credit or reduction but for a counterclaim or other claim not indemnified by Deepwater hereunder (a "deemed refund")), within 30 days of such receipt (or, in the case of a deemed refund, within 30 days of the final determination of such deemed refund), such Indemnified Party shall pay or repay to Deepwater an amount equal to the amount of such refund or deemed refund, plus any net tax benefit (taking into account any Taxes incurred by such Indemnified Party by reason of the receipt of such refund, credit or reduction or deemed refund) realized by such Indemnified Party as a result of any payment by such Indemnified Party made pursuant to this sentence; provided, however, that such Indemnified Party shall not be obligated
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to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments made by Deepwater to such Indemnified Party pursuant to this Section 10.4 less (y) the amount of all prior payments by such Indemnified Party to Deepwater pursuant to this Section 10.4(g); provided, further, however, that such Indemnified Party shall
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not be obligated to make any payment to Deepwater pursuant to this sentence while an Event of Default is continuing, but shall be required to make such payment at such time as the Event of Default is cured or at the time Deepwater shall have fulfilled all its obligations arising upon such Event of Default. If, in addition to such refund, credit or reduction or deemed refund, as the case may be, such Indemnified Party shall receive (or would have received but for a counterclaim or other claim not indemnified by Deepwater hereunder) an amount representing interest on the amount of such refund, credit or reduction, or deemed refund, as the case may be, such Indemnified Party shall pay to Deepwater within 30 days of such receipt or, in the case of a deemed refund, within 30 days of the final determination of such deemed refund, that proportion of such interest that shall be fairly attributable to Taxes paid, reimbursed or advanced by Deepwater prior to the receipt of such refund or deemed refund.

(h) Reports. Deepwater will provide such information as may be
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available

to it and reasonably requested in writing by an Indemnified Party that is required to enable an Indemnified Party to fulfill its tax filing requirements with respect to the transactions contemplated by the Transaction Documents. If any return, statement or report is required to be made or filed with respect to any Tax imposed on or indemnified against by Deepwater under this Section 10.4, Deepwater shall promptly notify the appropriate Indemnified Party of such requirement and (i) to the extent permitted by law (unless otherwise requested by the Indemnified Party) or required by law, make and file in its own name such return, statement or report and furnish the relevant Indemnified Party with a copy of such return, statement or report, (ii) where such return, statement or report is required to be in the name of or filed by such Indemnified Party or the Indemnified Party otherwise requests that such return, statement or report be filed in its name, prepare and furnish such return, statement or report for filing by such Indemnified Party in such manner as shall be satisfactory to such Indemnified Party and send the same to the Indemnified Party for filing no later than 15 days prior to the due date or (iii) where such return, statement or report is required to reflect items in addition to Taxes imposed on or indemnified against under this Section 10.4 as determined by such Indemnified Party, provide such Indemnified Party with information within a reasonable time, sufficient to permit such return, statement or report to be properly made and timely filed with respect thereto. If an Indemnified Party fails to file a return after it has been properly prepared by Deepwater in accordance with this Section 10.4(h) and furnished to such Indemnified Party at least 15 days prior to the due date of such return, Deepwater shall not be liable for Taxes imposed as a result of the failure to file. Each Indemnified Party shall furnish Deepwater, at the request and expense of Deepwater, with such information, not within the control of Deepwater, as is in such Indemnified Party's control and is reasonably available to such Indemnified Party and necessary for Deepwater to comply with its obligations under this Section 10.4(h).

(i) Forms, etc. Each Indemnified Party agrees to furnish to Deepwater from time to time, at Deepwater's timely made written request and expense, such duly executed and properly completed forms as may be necessary or appropriate in order to claim any reduction of or exemption from any withholding or other Tax imposed by any taxing authority in respect of any payments otherwise required to be made by Deepwater pursuant to the Transaction Documents, which reduction or exemption may be available to such Indemnified Party. Each Indemnified Party agrees that it will use its reasonable best efforts to the extent permitted by Applicable Law (and to the extent such Indemnified Party is entitled to do so) to file returns or tax declarations that would minimize any indemnity payable by Deepwater; provided, that Deepwater shall indemnify the Indemnified Party for any cost resulting from such Indemnified Party's filing of such return or declaration. Notwithstanding the foregoing, no Indemnified Party shall be required to furnish any form or file any return or tax declaration if it has determined in its reasonable good faith judgment that furnishing the form or filing the return or tax declaration could have a material adverse impact on the business or operations of such Indemnified Party or any Related Indemnified Party, unless the Indemnified Party is indemnified in a manner reasonably satisfactory to such Indemnified Party by Deepwater for such material adverse impact.

(j) Records. In addition to its obligations under the first sentence of Section 10.4(h), Deepwater shall make available for inspection and copying by an Indemnified Party such records that are regularly maintained by Deepwater in the ordinary course of its business as may be reasonably necessary to enable such Indemnified Party to fulfill its tax return filing obligations, subject to reasonable confidentiality requirements of Deepwater.

(k) Non-Parties. If an Indemnified Party is not a party to this Agreement, Deepwater may require the Indemnified Party to agree in writing, in a form reasonably acceptable to Deepwater, to the terms of this Section 10.4 prior to making any payment to such Indemnified Party under this Section 10.4.

(l) Verification. The results of all computations required under this Section 10.4, together with a statement describing in reasonable detail the manner in which such computations were made, shall be delivered to Deepwater in writing. If Deepwater so requests within 30 days after receipt of such computations, any determination shall be reviewed by a nationally recognized independent public accounting firm mutually acceptable to the relevant Indemnified Party and Deepwater who shall be asked to verify, after consulting with Deepwater and the relevant Indemnified Party whether the relevant Indemnified Party's computations are correct, and to report its conclusions to both Deepwater and the relevant Indemnified Party. Subject to satisfactory confidentiality agreements, the relevant Indemnified Party and Deepwater hereby agree to provide such accountants with all information and materials as shall be reasonably necessary or desirable in connection herewith. The fees of the accountants in verifying an adjustment pursuant to this Section 10.4 shall be paid by Deepwater, unless such verification discloses an error adverse to Deepwater in an amount greater than 4.0% of the amount of the indemnity payment as determined by the accounting firm, in which case such fees shall be paid by the relevant Indemnified Party. Any information provided to such accountants by any Person shall be and remain the exclusive property of such Person and shall be deemed by the parties to be (and the accountants will confirm in writing that they will treat such information as) the private, proprietary and confidential property of such Person, and no Person other than such Person and the accountants shall be entitled thereto, and all such materials shall be returned to such Person. Such accounting firm shall be requested to make its determination within 30 days of Deepwater's request to such accounting firm for review. In the event such independent public accounting firm shall determine that such computations are incorrect, then such firm shall determine what it believes to be the correct computations. The computations of the independent public accounting firm shall be final, binding and conclusive upon, Deepwater and the relevant Indemnified Party and Deepwater shall not have any right to inspect the books, records, tax returns or other documents of or relating to the relevant Indemnified Party to verify such computations or for any other purpose. The parties hereby agree that the independent public accounting firm's sole responsibility shall be to verify the computation of any amounts payable under this Section 10.4 and that matters of interpretation of this Agreement and the other Transaction Documents are not within the scope of such independent public accounting firm's responsibilities.

(m) Restructuring For Withholding Taxes. Each party covered by this Section 10.4 agrees to use reasonable efforts to investigate alternatives for reducing any withholding Taxes that are indemnified against hereunder or imposed on Charter Hire (or payments by the Charter Trustee to the Investment Trust or any Certificate Purchaser) (whether or not indemnifiable hereunder) and to use reasonable efforts to reduce any withholding Taxes that are indemnified against hereunder, including, without limitation, negotiating in good faith to relocate or restructure the Advance (which relocation or restructuring shall be at Deepwater's expense) or the domicile of the Investment Trust or the Charter Trustee, but no Party shall be obligated to take any such action as such Party determines will be adverse to its business or financial or commercial interest.

SECTION 11

AGENTS

SECTION 11.1 Appointment of Administrative Agent, Documentation Agent and Syndication Agent; No Duties. Each Certificate Purchaser hereby irrevocably (subject to Section 11.9) designates, authorizes and appoints ABN AMRO Bank N.V., as Administrative Agent of such Certificate Purchaser under the Transaction Documents, BA Leasing & Capital Corporation, as Documentation Agent of such Certificate Purchaser under the Transaction Documents, and The Bank of Nova Scotia, as Syndication Agent of such Certificate Purchaser under the Transaction Documents, and each such Certificate Purchaser irrevocably authorizes each of ABN AMRO Bank N.V., BA Leasing & Capital Corporation and The Bank of Nova Scotia to act as the Administrative Agent, Documentation Agent and Syndication Agent, respectively, for such Certificate Purchaser, to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to such Agent by the terms of this Agreement and the other Transaction Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary herein or elsewhere in the Transaction Documents, the Agents shall not have any duties or responsibilities except those expressly set forth herein or therein, or any fiduciary relationship with any Certificate Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into the Transaction Documents or otherwise exist against the Agents.

SECTION 11.2 Delegation of Duties. The Agents may execute any of their duties under this Agreement and the other Transaction Documents by or through agents or attorneys-in-fact, and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agents shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by them with reasonable care.

SECTION 11.3 Exculpatory Provisions. No Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action taken or omitted to be taken by it or such Person under or in connection with the Transaction Documents

(except for its or such Person's own gross negligence or willful misconduct), or (ii) except as expressly set forth in the Transaction Documents, responsible in any manner to any of the Certificate Purchasers for any recitals, statements, representations or warranties made by Deepwater or any officer thereof contained in the Transaction Documents or in any certificate, report, statement or other document referred to or provided for in, or received by such Administrative Agent under or in connection with, the Transaction Documents, or for the validity, effectiveness, genuineness, enforceability or sufficiency of the Transaction Documents, including the Certificates, or for any failure of Deepwater to perform its obligations hereunder or thereunder. The Agents shall be under no obligation to any Certificate Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the Transaction Documents, or to inspect the properties, books or records of Deepwater.

SECTION 11.4 Reliance by Agents. The Agents shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex, facsimile or teletype message, statement, order or other document or conversation reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Deepwater), independent accountants and other experts selected by such Agent. The Agents may deem and treat the registered owner of any Certificate as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with such Agent. Agents shall be fully justified in failing or refusing to take any action under the Transaction Documents unless they shall first receive such advice or concurrence of the Majority Certificate Purchasers (or, where expressly required by any provision of the Transaction Documents, the Required Certificate Purchasers) as they deem appropriate and, if they so request, they shall first be indemnified to their satisfaction against any and all liability and expense which may be incurred by them by reason of taking or continuing to take any such action. The Agents shall in all cases be fully protected in acting, or in refraining from acting, under the Transaction Documents and the Certificates in accordance with a request of the Majority Certificate Purchasers (or, where expressly required by any provision of the Transaction Documents, the Required Certificate Purchasers), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Certificate Purchasers and all future holders of the Certificates.

SECTION 11.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default, Material Default or Event of Default hereunder unless such Administrative Agent has received notice from a Certificate Purchaser, either Trustee or Deepwater referring to this Agreement, describing such Default, Material Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, Administrative Agent shall give notice thereof to the Documentation Agent, the Syndication Agent and the Certificate Purchasers. The Administrative Agent shall take such action with respect to such Default, Material Default or Event of Default as shall be reasonably directed by the Majority Certificate Purchasers (or,

where expressly required by any provision of the Transaction Documents, the Required Certificate Purchasers); provided, that unless and until the
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Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default, Material Default or Event of Default, as it shall deem advisable in the best interests of the Certificate Purchasers.

SECTION 11.6 Non-Reliance on Administrative Agent and Other Certificate
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Purchasers. Each Certificate Purchaser expressly acknowledges that neither the
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Administrative Agent, Documentation Agent, Syndication Agent nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates have made any representation or warranty to it, and that no act by the Administrative Agent, the Documentation Agent or the Syndication Agent hereinafter taken, including any review of the affairs of Deepwater and its Affiliates, shall be deemed to constitute any representation or warranty by the Administrative Agent, the Documentation Agent or the Syndication Agent to any Certificate Purchaser. Each Certificate Purchaser represents to the Administrative Agent, the Documentation Agent and the Syndication Agent that it has, independently and without reliance upon the Administrative Agent, the Documentation Agent and the Syndication Agent, or any other Certificate Purchaser, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of Deepwater and its Affiliates, the value of and title to any collateral, and all applicable bank regulatory laws relating to the transactions contemplated hereby and by the other Transaction Documents and has made its own decision to make its Certificate Purchaser Amount available hereunder and enter into this Agreement and the other Transaction Documents to which it is a party as a Certificate Purchaser. Each Certificate Purchaser also represents that it will, independently and without reliance upon the Administrative Agent, the Documentation Agent or the Syndication Agent, or any other Certificate Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Transaction Documents to which it is a party as a Certificate Purchaser, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of Deepwater and its Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Certificate Purchasers by the Agents hereunder, the Agents shall have no duty or responsibility to provide any Certificate Purchaser with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of Deepwater or its Affiliates, the Administrative Agent, the Documentation Agent, the Syndication Agent and their respective Affiliates which may come into the possession of the Administrative Agent, the Documentation Agent or the Syndication Agent, or any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates.

SECTION 11.7 Indemnification. The Certificate Purchasers severally
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agree to indemnify each of the Administrative Agent, the Documentation Agent and the Syndication Agent in their capacity as such (to the extent not reimbursed by Deepwater within a reasonable period after demand has been made to Deepwater for those amounts owing by Deepwater, and

without limiting the obligation of Deepwater to do so), ratably according to their respective Certificate Purchaser Amounts, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Certificates) be imposed on, incurred by or asserted against the Administrative Agent, the Documentation Agent or the Syndication Agent in any way relating to or arising out of the Transaction Documents, or any documents contemplated by or referred to herein or therein or any action taken or omitted by the Administrative Agent, the Documentation Agent or the Syndication Agent under or in connection with any of the foregoing; provided that no Certificate Purchaser
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shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's, the Documentation Agent's or the Syndication Agent's gross negligence or willful misconduct; and provided, further, that the Administrative Agent, the Documentation Agent and
- -------- -------
the Syndication Agent shall not make any claim under this Section 11.7 for any claim or expense indemnified against by Deepwater or its Affiliates without first making demand on such Person for payment of such claim or expense (unless such demand shall then be prohibited by Applicable Law). Whenever, at any time after the Administrative Agent, the Documentation Agent or the Syndication Agent has received from any Certificate Purchaser such Certificate Purchaser's ratable share of amounts owing to the Administrative Agent, the Documentation Agent or the Syndication Agent pursuant to this Section 11.7, the Administrative Agent, the Documentation Agent or the Syndication Agent shall receive any reimbursement from Deepwater on account of such amounts, the Administrative Agent, the Documentation Agent or the Syndication Agent shall distribute to such Certificate Purchaser its ratable share thereof in like funds as received; provided, however, that in the event that the receipt by the Administrative
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Agent, the Documentation Agent or the Syndication Agent of such reimbursement is required by law or court or administrative order to be returned, such Certificate Purchaser shall return to the Administrative Agent, the Documentation Agent or the Syndication Agent any portion thereof previously distributed by the Administrative Agent, the Documentation Agent or the Syndication Agent to it in like funds as such reimbursement is required to be returned by the Administrative Agent, the Documentation Agent or the Syndication Agent.

SECTION 11.8 Agents. The Administrative Agent, the Documentation Agent
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and the Syndication Agent and their respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of business with Deepwater, Conoco, R&B and their Affiliates as though the Administrative Agent, the Documentation Agent and the Syndication Agent were not the Administrative Agent, the Documentation Agent and the Syndication Agent hereunder and without notice to or the consent of the Certificate Purchasers. It is understood and acknowledged by each Certificate Purchaser that an Affiliate of the Administrative Agent, the Documentation Agent and the Syndication Agent may also separately be a Certificate Purchaser. It is further understood and acknowledged by each Certificate Purchaser that, pursuant to the activities referenced in this Section 11.8, the Administrative Agent, the Documentation Agent and the Syndication Agent and their Affiliates may receive information regarding Deepwater, Conoco, R&B and their

Affiliates (including information that may be subject to confidentiality obligations in favor of Deepwater, Conoco, R&B and their Affiliates) and acknowledge that the Administrative Agent, the Documentation Agent and the Syndication Agent shall be under no obligation to provide such information to them. With respect to its Certificate Purchaser Amount, if any, each of the Agents shall have the same rights and powers under this Agreement as any other Certificate Purchaser and may exercise the same as though it were not an Agent.

SECTION 11.9 Successor Agent. At any time during the term of this Agreement, the Administrative Agent, the Documentation Agent and the Syndication Agent may resign upon thirty (30) days' notice to the Certificate Purchasers and Deepwater. If any of the Administrative Agent, the Documentation Agent or the Syndication Agent resigns herewith, the Required Certificate Purchasers shall appoint from among the Certificate Purchasers a successor Agent which successor Agent shall be approved by Deepwater (which approval shall not be unreasonably withheld or delayed). If no successor Agent is appointed prior to the effective date of the resignation of the corresponding Agent, such Agent may appoint, after consulting with the Certificate Purchasers and Deepwater, a successor Agent from among the Certificate Purchasers. Upon the successor Agent's acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers and duties of the retiring Agent and (i) the term "Administrative Agent" shall mean such successor administrative agent and such retiring Administrative Agent's appointment, powers and duties as an Administrative Agent shall be terminated, (ii) the term "Documentation Agent" shall mean such successor documentation agent and such retiring Documentation Agent's appointment, powers and duties as a Documentation Agent shall be terminated, and (iii) the term "Syndication Agent" shall mean such successor syndication agent and such retiring Syndication Agent's appointment, powers and duties as a Syndication Agent shall be terminated. After the retiring Agent's resignation herewith, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Agent hereunder and under the other Transaction Documents. If no successor agent has accepted appointment by the date which is forty-five (45) days following the notice of resignation, the resignation shall thereupon become effective and the Certificate Purchasers shall perform all of the duties of such Agent hereunder and under the other Transaction Documents until such time, if any, as the Required Certificate Purchasers appoint a successor Agent as provided for above.

SECTION 12

MISCELLANEOUS

SECTION 12.1 Survival of Agreements. The representations, warranties, covenants, indemnities and agreements of the parties provided for in the Transaction Documents, and the parties' obligations under any and all thereof, shall survive the execution and delivery of this Agreement, the transfer of the Drillship to the Head Lessor (if applicable), the lease of the Drillship by the Head Lessor (if any) to the Charter Trustee and the subsequent charter of the Drillship by the Charter Trustee to Deepwater, the construction of the Drillship, any disposition of any interest of the Charter Trustee or the Investment Trust in the Drillship, the payment of the Advances and shall be and continue in effect notwithstanding any investigation made by any party and the fact that any party may waive compliance with any of the other terms, provisions or conditions of any of the Transaction Documents. Except as expressly provided herein, it is expressly understood and agreed that the indemnification obligations of Deepwater under Section 10 shall survive the expiration or termination of the Charter and the other Transaction Documents and the payment by Deepwater and Conoco of all amounts due thereunder for a period of three (3) years (but shall continue in full force and effect following such date with respect to any Claim asserted prior to such date) and shall be separate and independent from any remedy under the Charter or any other Transaction Document.

SECTION 12.2 No Broker; etc. Each of the parties hereto represents to the others that it has not retained or employed any broker, finder or financial advisor, other than PricewaterhouseCoopers LLP and Bank of America, to act on its behalf in connection with this Agreement or the transactions contemplated herein, nor has it authorized any broker, finder or financial adviser retained or employed by any other Person so to act. Any party who is in breach of this representation shall indemnify and hold the other parties harmless from and against any cost or liability arising out of such breach of this representation.

SECTION 12.3 Notices. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof to be given to any Person shall be given in writing by United States mail, by nationally recognized courier service, by hand or by facsimile communication and any such notice shall become effective one (1) Business Day after delivery to a nationally recognized courier service specifying overnight delivery or, if delivered by hand, when received, or, if sent by facsimile communication, when confirmed by electronic or other means during business hours on a Business Day (or, if confirmed after business hours or on a non-Business Day, on the next Business Day) and shall be directed to the address of such Person as indicated:

If to Deepwater, to it at:

Attn: Manager
Deepwater Drilling L.L.C.
901 Threadneedle, Suite 200
Houston, Texas 77079
Telephone: (281) 496-5000
Telecopier: (281) 496-0285

with copies to:

Attn: Wayne K. Anderson, Esq.
Corporate Counsel
Conoco Inc. (formerly Continental Oil Company)
Charter Number 523126
600 North Dairy Ashford
Houston, Texas 77079
Telephone: (281)293-3890
Telecopier: (281)293-3700

Attn: Wayne K. Hillin, Esq.
Counsel
R & B Falcon Corporation
901 Threadneedle, Suite 200
Houston, Texas 77079
Telephone: (281) 496-5000
Telecopier: (281) 496-0285

If to the Investment Trust, to it at:

Attn: Corporate Trust Administration
Wilmington Trust FSB
3773 Howard Hughes Parkway, Suite 300 North
Las Vegas, Nevada 89109
Telephone: (702) 866-2200
Telecopier: (702) 866-2244

If to the Charter Trustee, to it at:

Attn: Corporate Trust Administration
Wilmington Trust Company
1100 North Market Street
Wilmington, DE, 19890
Telephone: (302) 651-1000
Telecopier: (302) 651-8882

If to Administrative Agent, to it at

Attn: Linda Boardman
ABN AMRO Bank N.V.
1325 Avenue of the Americas, 9th Floor
New York, NY 10019
Telephone: (212) 314-1724
Telecopier: (212) 314-1712

If to the Investment Trustee, to it at:

Attn: Corporate Trust Administration
Wilmington Trust FSB
3773 Howard Hughes Parkway, Suite 300 North
Las Vegas, Nevada 89109
Telephone: (702) 866-2200
Telecopier: (702) 866-2244

If to any Member, to it at:

Conoco Development Company
600 North Dairy Ashford
Houston, Texas 77079
Telephone: (281) 293-3890
Telecopier: (281) 293-3700
Attn: Assistant Secretary

or

RBF Deepwater Exploration Inc.
901 Threadneedle, Suite 200
Houston, Texas 77079
Telephone: (281) 496-5000
Telecopier: (281) 496-0285
Attn: President

If to a Certificate Purchaser, to it at the address set forth in Schedule 5.

SECTION 12.4 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same agreement.

SECTION 12.5 Amendments, Waivers and Consents. Except as otherwise expressly provided herein or in any other Transaction Document, no amendment, waiver or termination of any provision of this Agreement or any other Transaction Document, and no consent with respect to any departure by any Person therefrom, shall be effective unless the same shall be in writing and signed by the Majority Certificate Purchasers and the applicable Person and acknowledged by the Trustees, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment or consent shall, unless in writing and signed by all Certificate Purchasers and acknowledged by the Trustees, do any of the following:

(a) change the Commitment of any Certificate Purchaser (except with the written consent of such Certificate Purchaser) except as provided in Section 7.9;

(b) postpone or delay any date fixed by any Transaction Document for any payment of Certificate Return on the Certificates, or any fees or other amounts due to the Certificate Purchasers (or any of them) under any Transaction Document (except, with respect to amounts owed only to a particular Certificate Purchaser, with the written consent of such Certificate Purchaser);

(c) reduce (i) the amount of any outstanding Advances or the rate of the Certificate Return on the Certificates, or (ii) any fees or other amounts payable to Certificate Purchasers (or any of them) under any Transaction Document (except, with respect to amounts owed only to a particular Certificate Purchaser, with the written consent of such Certificate Purchaser);

(d) postpone or reduce the payment obligations of Deepwater pursuant to any Transaction Document (except, with respect to amounts owed only to a particular Certificate Purchaser, with the written consent of such Certificate Purchaser);

(e) change the aggregate percentage of the Certificate Purchaser Balance or the Commitment Percentage which is required for Certificate Purchasers (or any of them) to take any action hereunder;

(f) amend this Section or any provision herein or in any other Transaction Document providing for consent or other action by all Certificate Purchasers;

(g) discharge the Completion Guarantor, the Conoco Guaranty, the R&B Guaranty or the Drilling Contract Guarantee, or release the Lien of the Ship Mortgage or any

material portion of any other Collateral or subordinate or take any action, including the issuance of additional instruments or documents, which results in the subordination of the interest of any Certificate Purchaser in any Collateral;

(h) amend the definition of "Certificate Return Rate," "Certificate Margin", "Base Rate", "Alternate Rate", "Federal Funds Rate", "Charter Residual Risk Amount", "Coverage Ratio", "Residual Guarantee Amount", "Required Certificate Purchaser", "Certificate Return" or "Return Period"; or

(i) amend Section 14.1 of the Charter or Article 3 of the Depository Agreement;

and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Trustees in addition to the appropriate number of Certificate Purchasers or the Hedging Agreement Counterparties, as applicable, affect the rights or duties of the Trustees under this Agreement or any other Transaction Document or the Hedging Agreement Counterparties, respectively.

SECTION 12.6 Confidentiality. Each party hereto agrees to exercise commercially reasonable efforts to keep any non-public information delivered or made available by Deepwater to it which is indicated or stated in writing to be confidential information, confidential from anyone other than persons employed or retained by such Participant who are or are expected to become engaged in evaluating, approving, structuring or administering any of the Transaction Documents (such Persons to likewise be under similar obligations of confidentiality with respect to such information); provided, however, that nothing herein shall prevent any party from disclosing such information (i) to any other party, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over such Participant, (iv) which has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which any party or its Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Transaction Document, (vii) to such party's legal counsel, independent auditors and to such party's Affiliates, (viii) to any actual or proposed assignee or other transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section 12.6 and (ix) except as otherwise required by Applicable Law; provided, however, that, should disclosure of any such confidential information be required by virtue of clause (ii) or (v) of the immediately preceding provisos, such party shall notify Deepwater of the same so as to allow Deepwater to seek a protective order or to take any other appropriate action; provided, further, that no such party shall be required to delay compliance with any directive to disclose beyond the last date such delay is legally permissible any such information so as to allow Deepwater to effect any such action and provided, further, that if Deepwater exercises the Return Option, no Participant thereafter shall be bound by the terms of this Section 12.6 with respect to any information regarding the Drillship (excluding, however, any information regarding the Drilling Contract).

SECTION 12.7 Headings; etc. The Table of Contents and headings of the various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

SECTION 12.8 Parties in Interest. Except as expressly provided herein, none of the provisions of this Agreement are intended for the benefit of any Person except the parties hereto.

SECTION 12.9 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW BUT EXCLUDING, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES). THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK.

SECTION 12.10 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 12.11 Further Assurances. The parties hereto shall promptly cause to be taken, executed, acknowledged or delivered, at the expense of Deepwater, all such further acts, conveyances, documents and assurances as any of the parties may from time to time reasonably request in order to carry out and effectuate the intent and purposes of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby (including, the preparation, execution and filing of any and all Uniform Commercial Code financing statements and other filings or registrations which the parties hereto may from time to time request to be filed or effected). Deepwater will, at its own expense and without need of any prior request from any other party, to take such action as may be necessary (including any action specified in the preceding sentence), or (if the Investment Trust or the Trustees shall so request) as so requested, in order to maintain and protect all security interests provided for hereunder or under any other Transaction Document.

SECTION 12.12 Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 12.13 Limitations on Recourse. (a) The Certificate Purchasers, the Trustees and the Investment Trust agree that their rights in respect of the obligations of Deepwater to pay Charter Hire, and any claim or liability under this Agreement or any other Transaction Document shall be limited to satisfaction out of, and enforcement against, the Collateral. The Certificate

Purchasers, the Trustees and the Investment Trust hereby acknowledge and agree that none of the Non-Recourse Parties shall have any liability to all or any of the Certificate Purchasers, the Trustees or the Investment Trust for the payment of any sums now or hereafter owing by Deepwater under this Agreement or any other Transaction Document or for the performance of any of the obligations of Deepwater contained herein or therein or shall otherwise be liable or responsible with respect thereto (such liability, including such as may arise by operation of law, being hereby expressly waived), except as provided in this Section 12.13. If any Event of Default shall occur and be continuing or if any claim of any Certificate Purchasers, the Investment Trust and the Trustees against or alleged liability to the Certificate Purchasers, the Trustees or the Investment Trust of, Deepwater shall be asserted under this Agreement or any other Transaction Document, the Certificate Purchasers, the Trustees and the Investment Trust agree that they shall not have the right to proceed directly or indirectly against the Non-Recourse Parties or against their respective properties and assets (other than the Collateral) for the satisfaction of any of the obligations of Deepwater to pay Charter Hire or of any such claim or liability or for any deficiency judgment (except to the extent enforceable out of the Collateral) in respect of such obligations or any such claim or liability. The foregoing notwithstanding, it is expressly understood and agreed that nothing contained in this Section 12.13 shall be deemed to (a) release any Non-Recourse Party from liability for its fraudulent actions or willful misconduct or (b) limit or affect the obligations of any Non-Recourse Party in accordance with the terms of this Agreement or any other Transaction Document creating such obligation to which such Non-Recourse Party is a party, including, without limitation, the obligations of Conoco under the Completion Guaranty, the obligations of Conoco Drilling under the Drilling Contract Guaranty and the obligations of Conoco and R&B with respect to the Residual Guarantee Amount. The foregoing acknowledgements, agreements and waivers shall be enforceable by any Non-Recourse Party.

(b) Deepwater, Conoco and R&B hereby acknowledge and agree that none of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Trustees and the Certificate Purchasers shall have any personal liability whatsoever to Deepwater, Conoco or R&B or their respective successors and assigns for any claim based on or in respect of this Agreement or arising from the transactions contemplated hereby. Subject to Section 6.1 of the Charter, the sole recourse of Deepwater, Conoco and R&B for any such claims arising hereunder will be to the Trust Estate. Deepwater, Conoco and R&B further acknowledge that each has no rights (as third-party beneficiaries or otherwise) or standing under any agreement between the Trustees and any or all of the Investment Trust, Administrative Agent, the Syndication Agent, the Documentation Agent, or the Certificate Purchasers which agreements are not by their terms intended for the benefit of other parties other than Sections 5.2,5.3, 5.4 and 5.5 of the Charter Trust Agreement and Sections 5.2, 5.3, 5.4 and 5.5 of the Investment Trust Agreement.

SECTION 12.14 Applicable Laws. Nothing in this Agreement or any other Transaction Document shall be construed to constitute or to require either the Trustees, Investment Trust or Deepwater to take or omit any action which would constitute a violation of, or subject the Trustees, Investment Trust or Deepwater to a penalty under, the laws of the United States of

America.

SECTION 12.15 Right to Inspect. Upon reasonable notice and at such times and places as shall not unduly interfere with the commercial utilization or operation of the Drillship (it being understood that Deepwater shall be under no obligation to interrupt or delay any operation of the Drillship or to otherwise incur any out-of-pocket expense or loss of revenue), but in no event more than once in any twelve-month period, Deepwater shall afford representatives of the Administrative Agent (together with representatives of the Certificate Purchasers and the Trustees) reasonable access to the Drillship, its logs and papers for the purpose of inspecting the same. Any such inspection shall be subject to any required Government Approvals and shall be at the sole risk and expense of the Administrative Agent, the Certificate Purchasers and the Trustees, as applicable, unless a Charter Event of Default has occurred and is continuing, in which case any such inspection shall be at the expense of Deepwater and may occur more than once per year upon reasonable notice after such Charter Event of Default. Upon written request by the Administrative Agent and the Trustees, Deepwater shall give the Administrative Agent and the Trustees prior written notice of the time and location of the Drillship's next scheduled dry-docking.

SECTION 12.16 Accounts, Distribution of Payments and Flow of Funds. Pursuant to the Deepwater Assignment, Deepwater has assigned its right to receive payment of all Deposited Amounts to the Charter Trustee and the Investment Trust. Each of the Trustees, the Investment Trust and Deepwater hereby agrees (severally and not jointly) to deposit, or to cause to be deposited, all Account Collateral of any kind received by it promptly (but not later than the six (6) Business Days after receipt) into the Accounts established pursuant to the Depository Agreement to be applied as set forth in the Depository Agreement.

SECTION 12.17 Attorneys-in-Fact. Subject to the terms of the Transaction Documents, without in any way limiting the obligations of Deepwater hereunder, Deepwater hereby appoints each of the Charter Trustee and the Investment Trust as its agent and attorney-in-fact, with full power and authority at any time during which Deepwater is obligated to deliver possession of the Drillship to the Charter Trustee in connection with the exercise of remedies after the occurrence of an Event of Default, to demand and take possession of the Drillship in the name and on behalf of Deepwater from whomsoever shall be at the time in possession thereof in accordance with the Transaction Documents.

SECTION 12.18 Successor Trustees; Jurisdiction of Trust. Notwithstanding the provisions of the Trust Agreement, so long as no Event of Default shall have occurred and be continuing, (i) no successor or replacement Charter Trustee or Investment Trustee shall be appointed without the prior written consent of Deepwater (which consent shall not be unreasonably withheld or delayed) and (ii) the jurisdiction in which the trusts under the Trust Agreements are created shall not be changed without the prior written consent of Deepwater.

SECTION 12.19 Third-Party Beneficiary. Each of the Certificate Purchasers agrees that Conoco Drilling shall be a third-party beneficiary of the covenant contained in Section 6.3(b)

and shall be entitled to rely on and enforce such covenant as though it were a party to this Agreement. Each of the parties hereto agrees that the Hedging Agreement Counterparties shall be third-party beneficiaries of the covenant contained in Sections 10 and 12.5 and shall be entitled to rely on and enforce such covenants as though the Hedging Agreement Counterparties were parties to this Agreement.

SECTION 12.20 Consent to Jurisdiction. Each of the parties hereto (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement, the other Transaction Documents, or the subject matter hereof or thereof or any of the transactions contemplated hereby or thereby brought by any of the parties hereto or their successors or assigns, (ii) hereby irrevocably agrees that all claims in respect of such suit, action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court and (iii) to the extent permitted by Applicable Law, hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement, the other Transaction Documents, or the subject matter hereof or thereof may not be enforced in or by such court. A final judgment obtained in respect of any action, suit or proceeding referred to in this Section 12.20 shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any manner as provided by and subject to Applicable Law. Each of the parties hereto hereby consents to service of process in connection with the subject matter specified in the first sentence of this Section 12.20 in connection with the above mentioned courts in New York by registered mail, Federal Express, DHL or similar courier at the address to which notices to it are to be given, it being agreed that service in such manner shall constitute valid service upon such party or its respective successors or assigns in connection with any such suit, action or proceeding only; provided, however, that nothing in this Section 12.20(i) shall affect the right of any of such party or its respective successors or assigns to serve legal process in any other manner permitted by law or affect the right of any of such parties or its respective successors or assigns to bring any suit, action or proceeding against any other one of such parties or its respective property in the courts of other jurisdictions.

SECTION 12.21 Deepwater Acknowledgement With Respect to Charter Trust Agreement. Deepwater hereby agrees and consents to the provisions of Section 8.1(a) of the Charter Trust Agreement in respect of Deepwater's obligations to reimburse the Charter Trustee's reasonable fees and expenses.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this PARTICIPATION AGREEMENT to be duly executed by their respective officers and thereunto duly authorized as of the day and year first above written.

DEEPWATER DRILLING L.L.C.

By: /s/ TIM W. NAGLE

Name: Tim W. Nagle
Title: Member Representative

DEEPWATER INVESTMENT TRUST 1998-A

By: WILMINGTON TRUST FSB, not in its individual capacity, but solely as Investment Trustee

By: /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

WILMINGTON TRUST FSB, not in its individual capacity, except as specified herein, but solely as Investment Trustee

By: /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

WILMINGTON TRUST COMPANY, not in its individual capacity, except as specified herein, but solely as Charter Trustee

By: /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

RBF DEEPWATER EXPLORATION INC., with respect to Sections 5.2 and 6.4 only

By: /s/ TIM W. NAGLE

Name: Tim W. Nagle
Title: Vice President and Treasurer

CONOCO DEVELOPMENT COMPANY, with respect to Sections 5.2 and 6.4 only

By: /s/ R. N. HEINRICH

Name: R. N. Heinrich
Title: Attorney-in-Fact

BA LEASING & CAPITAL CORPORATION,
as Documentation Agent

By: /s/ MARK A. ERICKSON

Name: Mark A. Erickson
Title: Vice President

By:

Name:
Title:

ABN AMRO BANK N.V.,
as Administrative Agent

By: /s/ STUART MURRAY

Name: Stuart Murray
Title: Vice President

By: /s/ STEPHANIE BALETTE

Name: Stephanie Balette
Title: Assistant Vice President

THE BANK OF NOVA SCOTIA,
as Syndication Agent

By: /s/ F. C. H. ASHBY

Name: F. C. H. Ashby
Title: Senior Manager Loan Operations

By:

Name:
Title:

Certificate Purchasers:

BA LEASING & CAPITAL CORPORATION

By: /s/ MARK A. ERICKSON

Name: Mark A. Erickson
Title: Vice President

By:

Name:
Title:

ABN AMRO BANK N.V.

By: /s/ STUART MURRAY

Name: Stuart Murray
Title: Vice President

By: /s/ STEPHANIE BALETTE

Name: Stephanie Balette
Title: Assistant Vice President

BANK AUSTRIA AKTIENGESELLSCHAFT
NEW YORK BRANCH

By: /s/ R. TENHAVE

Name: R. Tenhave
Title: SVP

By: /s/ KAREN L. JILL

Name: Karen L. Jill
Title: Assistant Vice President
Bank Austria

THE BANK OF NOVA SCOTIA

By: /s/ F. C. H. ASHBY

Name: F. C. H. Ashby
Title: Senior Manager Loan Operations

By:

Name:
Title:

BAYERISCHE VEREINSBANK AG
NEW YORK BRANCH

By: /s/ RALF ENKE

Name: Ralf Enke
Title: Assistant Treasurer

By: /s/ ALAN BABCOCK

Name: Alan Babcock
Title: Executive Vice President

COMMERZBANK AKTIENGESELLSCHAFT,
ATLANTA AGENCY

By:

Name:
Title:

By: /s/ W. DAVID SUTTLES

Name: W. David Suttles
Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ CONRAD MEYER

Name: Conrad Meyer
Title: Vice President

By:

Name:
Title:

GREAT-WEST LIFE AND ANNUITY
INSURANCE COMPANY

By: /s/ JAMES G. LOWERY

Name: James G. Lowery
Title: Assistant Vice President Investments

By: /s/ WAYNE T. HOFFMANN

Name: Wayne T. Hoffmann
Title: Vice President Investments

MEES PIERSON CAPITAL CORPORATION

By: /s/ D. THOMAS ABBOTT

Name: D. Thomas Abbott
Title: Chairman

By: /s/ SVEIN ENGH

Name: Svein Engh
Title: Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: /s/ FELICIA LA FORGIA

Name: Felicia La Forgia
Title: Vice President

By: /s/ KENNETH R. CREPSO

Name: Kenneth R. Crespo
Title: Vice President

EXHIBIT A

Form of Funding Indemnity Letter

[Participation Agreement]

EXHIBIT B

Opinion of White & Case LLP, special counsel to Deepwater
Exhibit C

Opinion of Hunton & Williams, counsel to Conoco
Exhibit D

Opinion of Wayne K. Anderson, in-house counsel to Conoco
Exhibit E

Opinion of Wayne K. Hillin, counsel to R&B
Exhibit F

Officer's and Manager's Certificate
Exhibit G

Officer's Certificate
Exhibit H-1

Amended and Restated Drilling Contract
Exhibit H-2

Amended and Restated Drilling Contract Guaranty
Exhibit I

Conoco Drilling Consent
Exhibit J

Securities Act Representation from PricewaterhouseCoopers LLP
Exhibit K

Form of Conoco Assumption Agreement and Opinion
Exhibit L

Builder's Certificate
Exhibit M

Bill of Sale
Exhibit N

Form of Advance Request
Exhibit O

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1. Each Certificate Purchaser shall have received its respective Certificate in accordance with Section 2.4.

2. All parties thereto shall have executed and delivered this Agreement, the Trust Agreements, the Completion Guaranty, the Conoco Guaranty and the R&B Guaranty.

3. The Agents and each Certificate Purchaser shall have received the Appraisal in form and substance satisfactory to the Documentation Agent and Deepwater shall have received a copy thereof.

4. No action shall have been instituted, nor shall any action or proceeding be threatened, before any Government Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Government Authority (i) to set aside, restrain, enjoin or prevent the performance of this Participation Agreement, any other Transaction Document or any transaction contemplated hereby or thereby or (ii) which would have a Material Adverse Effect.

5. The transactions contemplated by the Transaction Documents do not and will not (i) violate any Applicable Law, (ii) contravene any charter, by-laws or other organizational document of Deepwater, the Members, Conoco, R&B, the Investment Trust, the Trustees, the Agents or any Certificate Purchaser, (iii) contravene any contract, agreement or other arrangement to which Deepwater, the Investment Trust, the Trustees, the Agents or any Certificate Purchaser is a party or by which any of their respective properties or assets are bound, or (iv) subject Deepwater, any Member, the Investment Trust, the Trustees, any Agent or any Certificate Purchaser to any regulations to which such party had not been subject prior to entering into such Transaction Documents and which would be materially adverse to such party.

EXECUTION COPY

AMENDED AND RESTATED PARTICIPATION AGREEMENT

dated as of December 18, 2001

among

DEEPWATER DRILLING II L.L.C.,

DEEPWATER INVESTMENT TRUST 1999-A,
as Investment Trust,

WILMINGTON TRUST FSB,
not in its individual capacity
except as expressly stated herein, but solely as Investment Trustee,

WILMINGTON TRUST COMPANY,
not in its individual capacity except as expressly
provided herein, but solely as Charter Trustee,

VARIOUS FINANCIAL INSTITUTIONS,
as Certificate Purchasers,

HATTERAS FUNDING CORPORATION,
as the Conduit (Hatteras),

PARADIGM FUNDING LLC,
as the Conduit (Paradigm),

LIBERTY STREET FUNDING CORP.,
as the Conduit (Liberty),

VARIOUS FINANCIAL INSTITUTIONS,
as Liquidity Purchasers,

BANK OF AMERICA, N.A.,
as Administrative Agent

THE ROYAL BANK OF SCOTLAND, NEW YORK BRANCH,
as Co-Syndication Agent

FORTIS CAPITAL CORP.,
as Co-Syndication Agent

THE BANK OF NOVA SCOTIA,
as Co-Documentation Agent

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH,
as Co-Documentation Agent

THE PERSON NAMED ON SCHEDULE II TO THE INVESTMENT TRUST AGREEMENT,
as Investment Trust Beneficiary

VARIOUS FINANCIAL INSTITUTIONS AS ADMINISTRATORS
AND AS LIQUIDITY AGENTS

solely with respect to Sections 2.15, 9.4, 12.13(b), and 12.13(d)

TRANSOCEAN SEDCO FOREX INC. and
CONOCO INC.,

and

solely with respect to Sections 5.2 and 6.4,

RBF DEEPWATER EXPLORATION II INC. and
CONOCO DEVELOPMENT II INC.

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THIS AMENDED AND RESTATED PARTICIPATION AGREEMENT, dated as of December 18, 2001 (this "Agreement" or "Participation Agreement"), is entered into by and among DEEPWATER DRILLING II L.L.C., a Delaware limited liability company ("Deepwater"), WILMINGTON TRUST FSB, a Federal savings bank, not in its individual capacity except as expressly provided herein, but solely as trustee under the Investment Trust Agreement (the "Investment Trustee"), DEEPWATER INVESTMENT TRUST 1999-A, a Delaware business trust (the "Investment Trust"), WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as expressly provided herein, but solely as trustee under the Charter Trust Agreement (the "Charter Trustee"), VARIOUS FINANCIAL INSTITUTIONS, as Certificate Purchasers (as defined herein), HATTERAS FUNDING CORPORATION, as the Conduit (Hatteras), LIBERTY STREET FUNDING CORP., as the Conduit (Liberty), PARADIGM FUNDING LLC, as the Conduit (Paradigm), VARIOUS FINANCIAL INSTITUTIONS, as Liquidity Purchasers (as defined herein), BANK OF AMERICA, N.A., as Administrative Agent, the Person named on Schedule II to the Investment Trust Agreement, as Investment Trust Beneficiary, various ADMINISTRATORS (as defined herein) and LIQUIDITY AGENTS (as defined herein), solely with respect to Sections 2.15, 9.4 and 12.13(b), and 12.13(d), TRANSOCEAN SEDCO FOREX INC. and CONOCO INC., and solely with respect to Sections 5.2 and 6.4, RBF DEEPWATER EXPLORATION II INC., a Nevada corporation, and CONOCO DEVELOPMENT II INC., a Delaware corporation (each, a "Member").

W I T N E S S E T H

WHEREAS, Deepwater supervised the construction of the Vessel pursuant to the Construction Contract and the acquisition and installation of the OFE;

WHEREAS, on the Closing Date, the Original Certificate Purchasers made advances to the Charter Trustee and the Investment Trust (and the Investment Trust advanced such amounts advanced to it from the Original Certificate Purchasers to the Charter Trustee) pursuant to the Participation Agreement dated as of the Closing Date, among Deepwater, the Investment Trust, the Trustees, the Documentation Agent (as defined therein), various financial institutions, as Certificate Purchasers, the Drilling Parties, R&B Falcon Corporation and Conoco Inc., RBF Deepwater Exploration II Inc. and Conoco Development II, Inc. (the "Original Participation Agreement"), to fund the acquisition of the Drillship and certain other costs;

WHEREAS, on the Closing Date, (i) in exchange for the advances made by the Original Certificate Purchasers to the Charter Trustee and the Investment Trust, as applicable, the Charter Trustee issued Original Series A Charter Trust Certificates to the Original Certificate Purchasers and the Investment Trust issued Original Investment Trust Certificates to the Original Certificate Purchasers and (ii) in exchange for the advances made by the Investment Trust to the Charter Trustee, the Charter Trustee issued a Series B Charter Trust Certificate to the Investment Trust;

WHEREAS, the Charter Trustee advanced to Deepwater all funds received directly and indirectly from the Original Certificate Purchasers primarily to reimburse or to pay for costs it incurred in connection with the construction (and financing thereof) and acquisition of the Drillship;

WHEREAS, on the Closing Date, the Charter Trustee acquired title to the Drillship from Deepwater and the Charter Trustee chartered the Drillship to Deepwater;

WHEREAS, each of the parties hereto desires to refinance the Original Series A Trust Certificates and the Original Investment Trust Certificates and otherwise amend and restate the Original Participation Agreement in its entirety as set forth herein; and

WHEREAS, as of the date hereof, each of the Original Certificate Purchasers entered into a Consent and Amendment to the Participation Agreement and Certain Transaction Documents with Deepwater and the Trustees, to, among other things, consent to the amendments contained herein and the other Transaction Documents;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1

DEFINITIONS; INTERPRETATION

Unless the context otherwise requires, capitalized terms used and not otherwise defined in this Agreement have the meanings given to them in Appendix 1 of this Agreement and, for all purposes of this Agreement, the rules of interpretation set forth in such Appendix 1 apply.

SECTION 2

COMMITMENTS OF THE PARTIES

Subject to the terms and conditions of this Agreement and the other Transaction Documents and in reliance on the representations and warranties set forth herein or made pursuant hereto, each of the parties hereto agrees to participate in the transactions contemplated by this Agreement and the other Transaction Documents and, among other things, to take each of the actions to be taken by it on the Documentation Date and the Refinancing Date, as more fully described in this Section 2.

SECTION 2.1 Certain Documentation Date Events. On the Documentation Date each party thereto shall execute each Transaction Document set forth on Schedule 5.

SECTION 2.2 Certain Refinancing Date Events. On the Refinancing Date, the following shall occur:

(a) (i) the Certificate Purchasers shall make Contributions to the Charter Trustee pursuant to Section 2.3(a) in an aggregate amount equal to the Series A Portion of the Refinancing Amount and (ii) in exchange for such Contributions the Charter Trustee shall issue Series A Charter Trust Certificates to the Certificate Purchasers;

(b) the Charter Trustee shall apply the Contributions made in clause (a) above to pay, cancel and redeem the Original Series A Trust Certificates;

(c) (i) The Conduits or Liquidity Purchasers shall make Advances to the Investment Trust pursuant to Section 2.3(b) and the Loan Agreement in an aggregate amount equal to the Lender Portion of the Refinancing Amount and (ii) in exchange for such Advances, the Investment Trust shall issue Notes to the applicable Conduits and/or Liquidity Purchasers;

(d) the Investment Trust shall apply the Advances to pay, cancel and redeem the Original Investment Trust Certificates provided, that no funds Advanced by the Conduit (Hatteras) shall be used to purchase any interest of Bank of America in any of the Original Certificates;

(e) the Series B Charter Trust Certificate issued by the Charter Trustee to the Investment Trust on the Closing Date shall be amended and restated to conform to the transactions contemplated by this Agreement, but shall remain outstanding;

(f) all Fees and Transaction Expenses then due and payable shall be paid in full by, or on behalf of, Deepwater to the Persons entitled to receive such payments; and

(g) when the Effective Date has occurred the Investment Trust shall return the letter of credit maintained pursuant to Section 6.9 of the Original Participation Agreement to Transocean.

SECTION 2.3 Contributions by Certificate Purchasers; Advance by the Conduit.

(a) Subject to the terms and conditions of this Agreement, the Depository Agreement and the Trust Agreements and in reliance on the representations and warranties set forth herein or made hereto, after receipt of a Refinancing Request each Certificate Purchaser shall contribute its Certificate Purchaser Commitment to the Charter Trustee on the Refinancing Date in immediately available funds (each a "Contribution").

(b) Subject to the terms and conditions of this Agreement, the Loan Agreement, the Depository Agreement and the Trust Agreements and in reliance on the representations and warranties set forth herein or made hereto, after receipt of a Refinancing Request each Liquidity Purchaser shall extend Liquidity Purchaser Commitments pursuant to each LAPA to make Liquidity Purchases from time to time in an amount outstanding at any time not to exceed its Liquidity Purchaser Commitment Amount, and either (x) each Conduit may, in its sole discretion elect to (A) issue Commercial Paper Notes or (B) sell Percentage Interests under each LAPA to which it is a party, each in sufficient amount in the aggregate to generate its Conduit Loan Amount and, from the proceeds thereof, advance its Conduit Loan Amount to the Investment Trustee on the Refinancing Date in immediately available funds or (y) each Applicable Liquidity Purchaser shall make Facility Loans on the Refinancing Date in immediately available funds pursuant to the Loan Agreement, in sufficient amount in the aggregate to generate its Conduit's Conduit Loan Amount (each, an "Advance") each of which such Advance in the aggregate shall equal the Lender Portion of the Refinancing Amount.

SECTION 2.4 Certificates and Payments.

(a) Certificate Purchasers. In exchange for each Contribution made by each Certificate Purchaser pursuant to Section 2.3(a), the Charter Trustee will issue and deliver to each such Certificate Purchaser: (i) one Conoco Series A Charter Trust Certificate representing 40% of such Certificate Purchaser's Contribution (which together with all other Conoco Series A Charter Trust Certificates shall have, in the aggregate, a principal amount equal to 40% of the Series A Portion of the Refinancing Amount) and (ii) one Transocean Series A Charter Trust Certificate representing 60% of such Certificate Purchaser's Contribution (which together with all other Transocean Series A Charter Trust Certificates shall have, in the aggregate, a principal amount equal to 60% of the Series A Portion of the Refinancing Amount). Each Certificate Purchaser shall be entitled to receive on the last day of any Return Period in which the Charter Balance is greater than zero (as measured before giving effect to any amounts paid in reduction of the Charter Balance on the last day of such Return Period), a return on its Certificate Purchaser Amount at the Certificate Return Rate to but excluding the date of payment. Any payment required to be made to the Certificate Purchasers by the Charter Trustee pursuant to any Transaction Document shall be made in accordance with the Depository Agreement and Article IV of the Charter Trust Agreement, as applicable.

(b) Investment Trust. On the Closing Date, the Investment Trust advanced certain funds to the Charter Trustee in exchange for a Series B Trust Charter Certificate issued by the Charter Trustee. The Investment Trust shall be entitled to receive on the last day of any Return Period (after January 1, 2002) in which the Lender Balance is greater than zero (as measured before giving effect to any amounts paid in reduction of the Lender Balance on the last day of such Return Period), a return on the Lender Balance at the Loan Return Rate to but excluding the date of payment. Any payment required to be made to the Investment Trust by the Charter Trustee pursuant to any Transaction Document shall be made in accordance with the Depository Agreement and Article IV of the Charter Trust Agreement, as applicable.

(c) Counterpart Certificates. Series A Charter Trust Certificates shall only be issued by the Charter Trustee in pairs consisting of one Transocean Series A Charter Trust Certificate and one Conoco Series A Charter Trust Certificate (each, in relation to the other, a "Counterpart Series A Charter Trust Certificate"). Each Series A Charter Trust Certificate shall bear an indication of the number assigned to its Counterpart Series A Charter Trust Certificate.

SECTION 2.5 Limitations on Contributions and Advances.

(a) Limitation on Disbursements and Capitalizations. The aggregate amount of Contributions made by the Certificate Purchasers hereunder shall not exceed the Series A Portion of the Refinancing Amount, and the aggregate amount of each Contribution made by any Certificate Purchaser hereunder shall not exceed such Certificate Purchaser's Commitment. The amount of the Advances made by the Lenders, hereunder and under the Loan Agreement, shall not exceed the Lender Portion of the Refinancing Amount and the amount of Advances made by each Lender on the Refinancing Date, hereunder and under the Loan Agreement, shall not exceed (i) with respect to each Conduit, its Conduit Loan Amount or (ii) with respect to each Liquidity Purchaser, its Facility Lender Commitment Amount.

(b) Contributions and Advances. The Charter Trustee shall be entitled to one and only one Contribution from each Certificate Purchaser which shall occur on the Refinancing

Date or as otherwise permitted pursuant to Section 2.8. The Investment Trust shall be entitled to no more than one and only one Advance from each Conduit or its Applicable Liquidity Purchaser or Applicable Liquidity Purchasers (if such Conduit fails to make such Advance), which shall occur on the Refinancing Date in accordance with the Loan Agreement or as otherwise permitted pursuant to Section 2.8.

(c) Obligations Several. The obligations of the Funding Participants, the Agents, the Depository and the Trustees under this Agreement and the other Transaction Documents shall be several and not joint obligations, and no Participant shall be liable or responsible for the acts or defaults of any other Participant under any Transaction Document.

SECTION 2.6 Application of Proceeds. On the Refinancing Date:

(a) upon receipt by the Charter Trustee of the Contributions by the Certificate Purchasers pursuant to Section 2.3(a) and the satisfaction or waiver in writing by the Administrative Agent on behalf of the Funding Participants of each of the applicable conditions set forth in Sections 2.8, 3.2 and 4.2, the Charter Trustee shall pay, cancel and redeem each Original Series A Trust Certificate; provided that no funds advanced by the Conduit (Hatteras) shall be used to purchase any interest of Bank of America in any of the Original Certificates; and

(b) upon receipt by the Investment Trust of the Advances pursuant to Section 2.3(b) and the Loan Agreement and the satisfaction or waiver in writing by the Administrative Agent on behalf of the Funding Participants of each of the applicable conditions set forth in Sections 2.8, 3.2 and 4.2, the Investment Trust shall pay, cancel and redeem each Original Investment Trust Certificate; provided that, no funds advanced by the Conduit (Hatteras) shall be used to purchase any interest of Bank of America in any of the Original Certificates;

SECTION 2.7 [Intentionally Omitted].

SECTION 2.8 Postponement.

(a) If any Certificate Purchasers have made Contributions on the Refinancing Date and the conditions precedent to such Contribution have not been satisfied or waived on such date (as such, a "Postponed Contribution"), Deepwater shall pay to the Charter Trustee, for the benefit of such Certificate Purchaser which has made a Postponed Contribution, yield (the "Postponement Yield") on such Postponed Contribution at a rate per annum equal to the Certificate Return Rate, from the time such Postponed Contribution is made to but excluding the first to occur of (i) such Postponed Contribution being repaid in full, (ii) the Effective Date (whereupon the Certificate Return Rate determined in accordance with Section 2.4(a) shall apply to any such Postponed Contribution) or (iii) the Postponed Contribution is returned to the applicable Funding Participant. If the Refinancing has not occurred before December 28, 2001, the Charter Trustee shall immediately return the amount of the Postponed Contribution to the applicable Certificate Purchaser upon its request.

(b) If any Lender has made an Advance on the Refinancing Date and the conditions precedent to such Advance have not been satisfied or waived on such date (as such, a "Postponed Advance"), Deepwater shall pay to the Charter Trustee, for the benefit of such Lender, interest

(the "Postponement Interest", and together with the Postponement Yield, the "Postponement Payment") on such Postponed Advance at a rate per annum equal to the Loan Return Rate, from the time such Conduit issues Commercial Paper Notes or sells Percentage Interests in order to make available such Postponed Advance or such other Lender makes its Advance to but excluding the first to occur of (i) such time as such Postponed Advance made or such Commercial Paper Notes are repaid in full, (ii) the Effective Date (whereupon the Loan Return Rate determined in accordance with Section 2.4(b) shall apply to any such Postponed Advance) or (iii) the Postponed Advance is returned to the applicable Funding Participant. If the Refinancing has not occurred before December 28, 2001, the Investment Trustee shall immediately return the amount of the Postponed Advance to the applicable Funding Participant upon its request.

Neither the Investment Trust nor the Charter Trustee shall be required to invest the Contributions or the Advances in interest-bearing accounts, but the Charter Trustee shall, upon the direction of Deepwater (or, if a Charter Event of Default exists, the Majority Funding Participants), invest such funds in Permitted Investments to the extent it is able to do so. Amounts held by the Charter Trustee and the Investment Trust may be pooled for this purpose and, if so pooled, then the Charter Trustee shall open a separate account for each of the Postponed Contributions (the "Postponed Contributions Account") and the Postponed Advance (the "Postponed Advance Account"), and place the Postponed Contributions in such Postponed Contributions Account and the Postponed Advance in such Postponed Advance Account. Any Postponement Payment shall be due and payable by Deepwater on the Effective Date and such payment shall be an additional condition precedent to such Effective Date. On the Effective Date, the Charter Trustee is hereby directed (i) to liquidate any Permitted Investments then held pursuant to this Section 2.8, (ii) to distribute the Postponed Contribution in accordance with Section 2.6(a), (iii) to distribute the Postponed Advance in accordance with Section 2.6(b) and (iv) to distribute any proceeds of Permitted Investments held pursuant to this Section 2.8: (x) with respect to the funds held in the Postponed Contribution Account in excess of the amount of the Postponed Contributions, to each Certificate Purchaser pro rata (based on the relation that such Certificate Purchaser's Postponed Contribution bears to the aggregate of all Postponed Contributions) and (y) with respect to the funds held in the Postponed Advance Account in excess of the amount of the Postponed Advance, to each applicable Conduit and the Liquidity Purchasers, pro rata (based on the relation that such Conduits or Liquidity Purchaser's Postponed Advance bears to the aggregate of all Postponed Advances), in each case for application to Deepwater's obligation to pay Postponement Yield and Postponement Interest, respectively.

If the Refinancing Date has not occurred by December 28, 2001, then (1) the Postponement Payment shall be due and payable on December 28, 2001 and (2) the Charter Trustee is hereby directed to liquidate any Permitted Investments then held pursuant to this Section 2.8 and to pay to (i) each Certificate Purchaser on December 28, 2001 (x) the Postponed Contribution funded by such Certificate Purchaser and (y) the proceeds of any Permitted Investments held pursuant to this Section 2.8 in the Contribution Account in excess of the amount of the Postponed Contribution refunded to such Certificate Purchaser pro rata (based on the relation that such Certificate Purchaser's Postponed Contribution bears to the aggregate of all Contributions) to be applied to Deepwater's obligation to pay Postponement Yield to such Certificate Purchaser and (ii) each Conduit or Liquidity Purchaser, as the case may be, on December 28, 2001 (x) the Postponed Advance funded by such Conduit or Liquidity Purchaser,

as the case may be, and (y) the proceeds of any Permitted Investments held pursuant to this Section 2.8 in the Postponed Advance Account in excess of the amount of the Postponed Advance refunded to each applicable Conduit and the Liquidity Purchasers, pro rata (based on the relation that such Conduits or Liquidity Purchaser's Postponed Advance bears to the aggregate of all Postponed Advances), to be applied to Deepwater's obligation to pay Postponement Interest to such Person.

SECTION 2.9 Records. Upon the making of its Contribution, each Certificate Purchaser shall make a notation in its records indicating the amount of such Contribution and the Certificate Purchaser Amount of such Certificate Purchaser as of the Refinancing Date. Each Certificate Purchaser is hereby authorized to record the date and amount of its Contribution, each continuation thereof, the date and amount of each payment or capitalization of Series A Return with respect thereto, the date and amount of each payment or repayment of Certificate Purchaser Amount of such Certificate Purchaser and the length of each Return Period with respect thereto, in its records, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded. The failure to make any recordation described in this Section 2.9 or any error in such recordation shall not affect the obligation of the Charter Trustee with respect of such Certificates, or the obligation of Deepwater to pay Charter Hire in accordance with the Transaction Documents.

SECTION 2.10 [Intentionally Omitted].

SECTION 2.11 Refinancing Request; Timing of Advances and Contributions. With respect to the Contributions and Advances, Deepwater shall give the Administrative Agent and Charter Trustee, either of which shall deliver a copy thereof to the Investment Trustee, the Funding Participants and each other Agent prior written notice not later than 10:00 a.m., New York time, not less than three (3) Business Days prior to the proposed Refinancing Date, pursuant to a Refinancing Request. Any Refinancing Request delivered by Deepwater to the Charter Trustee later than 4:00 p.m., New York time, on any day shall be deemed to have been delivered on the next Business Day. Subject to timely delivery of the Refinancing Request (together with a funding indemnity letter from each of Conoco and Transocean in the form attached hereto as Exhibit A) and the other terms and conditions of the Transaction Documents, each Funding Participant shall make its Contribution or Advance, as applicable, available to the Charter Trustee and the Investment Trust, respectively, in an account at the Charter Trustee's corporate trust department designated by the Charter Trustee by 12:00 noon, New York time, on the Refinancing Date, and the Charter Trustee and the Investment Trust shall apply any such amounts so received not later than 3:00 p.m., New York time, on such Refinancing Date in accordance with, and subject to, Section 2.6 or 2.8, as applicable.

SECTION 2.12 Computations.

(a) Determination of Return Rates and Fees. All computations of accrued amounts pursuant to the Transaction Documents shall be made on the basis of the actual number of days elapsed in a 360-day year; provided, that any amount calculated using the Alternate Rate shall be calculated on the basis of the actual number of days elapsed in a 365-day or 366-day year, as applicable. The Charter Trustee shall, as soon as practicable, but in no event later than 11:00 a.m., New York time, on the date two (2) Business Days before the effectiveness of each

Return Rate, cause to be determined each such Return Rate and notify each Funding Participant and Deepwater thereof by delivery of a notice of Return Rate in substantially the form of Exhibit B hereto; provided, however, that the Administrative Agent shall have the right to determine the Return Rates and to deliver notice of such Return Rates instead of Charter Trustee in connection with the Return Period beginning on the Refinancing Date.

(b) Disbursement Information. The Charter Trustee shall deliver the Disbursement Information to Deepwater and the Depository in accordance with Section 4.3 of the Depository Agreement.

(c) Conclusive Determinations. All information provided by the Charter Trustee or Administrative Agent, as the case may be, pursuant to this Section 2.12 for the purposes of any Transaction Document shall be conclusive and binding on the Charter Trustee, the Investment Trust, Deepwater and each Funding Participant in the absence of manifest error.

SECTION 2.13 Charter Hire Payments. Charter Hire shall be paid by or on behalf of Deepwater in immediately available funds in accordance with the Depository Agreement and the Charter. All such payments shall be paid by the Depository to the Trustees, the Investment Trust or each Funding Participant, as applicable, not later than 2:00 p.m., New York time, on the date due. Funds received after such time shall for all purposes of the Transaction Documents be deemed to have been received on the next succeeding Business Day.

SECTION 2.14 Fees.

(a) Facility Fee. Deepwater shall pay to each Liquidity Purchaser a nonrefundable fee on each Charter Hire Payment Date, commencing with the January 2002 Charter Hire Payment Date, (the "Facility Fee") equal to such Liquidity Purchaser Commitment Amount for the immediately preceding Return Period multiplied by .25%.

(b) Program Fee. Deepwater shall pay to each Conduit a nonrefundable Program Fee on each Charter Hire Payment Date, commencing with the January 2002 Charter Hire Payment Date, for the immediately preceding Return Period pursuant to the terms of the Conduit Fee Letter.

(c) Upfront Fee. Deepwater shall pay each Certificate Purchaser and Liquidity Purchaser a non-refundable upfront fee pursuant to the terms of the Upfront Fee Letters.

SECTION 2.15 Payments Under the Ship Mortgage; Limitation on Foreclosure. Notwithstanding anything to the contrary in any Transaction Document, all proceeds from any foreclosure under the Ship Mortgage shall not reduce the maximum amount owed under the Conoco Guaranty and the Transocean Guaranty unless such maximum amount payable thereunder is greater than the Charter Balance (excluding any Purchasing Party Amounts) at the time such proceeds are distributed to the Funding Participants, in which case such a reduction shall be permitted only to the extent of such excess; provided, however, that in no event shall the Charter Trustee, the Investment Trust or the Funding Participants seek to foreclose upon the Drillship pursuant to the terms of the Ship Mortgage or the Master Charter unless the Charter Trustee shall first make a demand against Deepwater (and under the Transocean Guaranty and

Conoco Guaranty to the extent the obligations owed by Deepwater are guaranteed thereunder) for any amounts then due and owing under the Transaction Documents; and provided, further, that in no event shall the Charter Trustee, the Investment Trust or the Funding Participants seek to foreclose upon the Drillship pursuant to the terms of the Ship Mortgage following the receipt in full by such Persons of the Purchase Option Price (whether paid pursuant to the exercise of the Special Purchase Right under Section 16.4 of the Master Charter or otherwise).

SECTION 2.16 Payment to each Conduit on Charter Hire Payment Date. With respect to the payment made on the Charter Hire Payment Date occurring on the Maturity Date, such payment with respect to any outstanding Lender Amount of a Conduit shall include, in addition to any principal payable on such Charter Hire Payment Date, fees and interest which are payable by Deepwater under the Transaction Documents to such Conduit and which will accrue through such Charter Hire Payment Date and have not been previously paid. On the day which is five (5) Business Days prior to such Charter Hire Payment Date, each Administrator shall deliver an invoice to Deepwater setting forth (i) such fees, (ii) interest accrued through the date of delivery of such invoice and due to such Conduit and (iii) estimated interest due to such Conduit for the five (5) Business Days between such date and such Charter Hire Payment Date (the "Estimated Interest Period"). Each Conduit and Applicable Liquidity Purchasers hereby agree that if the actual interest payable for the Estimated Interest Period is less than the estimated interest amount, such Conduit or Applicable Liquidity Purchasers, as applicable will promptly refund the difference to Deepwater with a reasonably detailed computation of the calculation of such difference. If, however, the actual interest payable for the Estimated Interest Period is greater than the estimated interest amount, Deepwater shall promptly pay the difference to the applicable Conduit or Applicable Liquidity Purchasers after delivery to Deepwater of a reasonably detailed computation of such difference.

SECTION 3

Documentation DATE; Documentation DATE CONDITIONS PRECEDENT

SECTION 3.1 Documentation Date.

(a) The Documentation Date (the "Documentation Date") shall be December 18, 2001.

(b) All documents and instruments required to be delivered on the Documentation Date shall be delivered at the offices of Mayer, Brown & Platt, 1675 Broadway, New York, New York 10019, or at such other location as may be determined by the Administrative Agent and Deepwater.

SECTION 3.2 Conditions Precedent to Documentation Date. The obligations of each of the parties hereto to perform its respective obligations as contemplated in Section 2.1 on the Documentation Date shall be subject to satisfaction or waiver of the following conditions precedent (provided, that the obligations of any party shall not be subject to any conditions contained in this Section 3.2 which are required to be performed or caused to be performed by such party or any of its respective Affiliates):

(a) Each party thereto shall have executed and delivered each of the Transaction Documents.

(b) All Taxes, fees and other charges due in connection with the execution, delivery, performance, recording, filing and registration of the Transaction Documents on the Documentation Date shall have been paid.

(c) [Intentionally Omitted]

(d) All actions required to have been taken by any Government Authority on or prior to the Documentation Date in connection with the transactions contemplated by this Agreement and the other Transaction Documents shall have been taken and all Government Actions required to be in effect on or prior to the Documentation Date in connection with the transactions contemplated by this Agreement and the other Transaction Documents shall have been issued or made, and all such Government Actions shall be in full force and effect on the Documentation Date. All necessary consents, approvals and authorizations of all non-Government Authorities required to be obtained, given or made on or prior to the Documentation Date in connection with the execution and delivery of the Transaction Documents and transactions contemplated hereby and thereby shall have been obtained, given or made and shall be in full force and effect.

(e) No action shall have been instituted, nor shall any action or proceeding be threatened, before any Government Authority, nor shall any order, judgment or decree have been issued or, to the Actual Knowledge of Deepwater, proposed to be issued by any Government Authority (i) to set aside, restrain, enjoin or prevent the performance of this Agreement, any other Transaction Document or any transaction contemplated hereby or thereby or (ii) which would have a Material Adverse Effect.

(f) The transactions contemplated by the Transaction Documents do not and will not (i) violate any Applicable Law, (ii) contravene any charter, by-laws or other organizational document of Deepwater, the Members, Conoco, Transocean, the Investment Trust, the Trustees, any Agent or any Funding Participant, (iii) contravene any contract, agreement or other arrangement to which Deepwater, the Investment Trust, the Trustees, any Agent or any Funding Participant is a party or by which any of their respective properties or assets are bound, or (iv) subject Deepwater, any Member, the Investment Trust, the Trustees, any Agent or any Funding Participant to any regulations to which such party had not been subject prior to entering into such Transaction Documents and which would be materially adverse to such party.

(g) Deepwater, each Member, Conoco and Transocean shall have each delivered, or shall have caused to be delivered, to the Administrative Agent, and the Trustees the following, in each case in form and substance satisfactory to the Administrative Agent (with copies for each Funding Participant):

(i) Organizational Documents. (a) Copies of its articles or certificate of incorporation, certificate of formation, memorandum of association or other organizational documents, certified to be true and complete as of a recent date by the appropriate Government Authority of the state, province or country of its incorporation or formation and confirmed by an officer of such entity, (b) copies of its limited liability

company operating agreement, articles of association or bylaws, as the case may be, certified by an appropriate officer or representative as of the Documentation Date to be true and correct and in full force and effect as of such date and (c) incumbency certificates regarding the officers of such Person authorized to execute and deliver the Transaction Documents to which such Person is a party and the other documents and agreements delivered in connection therewith.

(ii) Resolutions. Copies of resolutions of its members or board of directors, as applicable, that, specifically or generally (as part of a general enabling resolution), approve and adopt the Transaction Documents and the transactions contemplated therein, and that, specifically or generally (as part of a general enabling resolution), authorize execution and delivery thereof, certified by an appropriate officer or representative as of the Documentation Date to be true and correct and in full force and effect as of such date.

(iii) Good Standing. Copies of certificates of good standing, existence or its equivalent, certified as of a recent date by the appropriate government authorities of the state, province or country of its incorporation or formation.

(iv) Officer's or Manager's Certificate. An officer's certificate or manager's certificate, dated the Documentation Date, substantially in the form of Exhibit H.

(h) Each of the Trustees shall have delivered, or shall have caused to be delivered, to Deepwater, the Members, and each Funding Participant the following:

(i) Organizational Documents. Copies of its articles of association or other organizational documents and a copy of the Charter Trustee's and Investment Trust's certificate of trust (or, if certificates of trust are not issued in the Charter Trustee's or Investment Trust's jurisdiction of organization, other similar organizational documents), together with all amendments in each case certified to be true and complete as of a recent date by the appropriate Government Authority and (b) incumbency certificates regarding the officers of such Person authorized to execute and deliver the Transaction Documents to which such Person is a party and the other documents and agreements delivered in connection therewith.

(ii) Resolutions. Copies of resolutions of its board of directors, approving and adopting the Transaction Documents and the transactions contemplated therein, and authorizing execution and delivery thereof, certified by an appropriate officer as of the Documentation Date to be true and correct and in full force and effect as of such date.

(iii) Good Standing. Copies of certificates of good standing (or, if certificates of good standing are not issued in the Trustees' or Investment Trust's jurisdiction of organization, some other similar certificate) or its equivalent with respect to the Trustees and the Investment Trust, in each case certified as of a recent date by the appropriate Government Authorities.

(iv) Officer's Certificate. An officer's certificate, dated the Documentation Date, substantially in the form of Exhibit I.

(i) All Transaction Expenses then due and owing for which Deepwater has received an invoice at least two (2) Business Days prior to the Documentation Date and which will not be paid from the proceeds of the Contribution and Advance shall have been paid by Deepwater.

(j) [Intentionally Omitted].

(k) The representations and warranties of each party set forth in Section 5 and in any other Transaction Document entered into on or prior to the Documentation Date shall be true and correct in all material respects as of the Documentation Date.

(l) [Intentionally Omitted].

(m) [Intentionally Omitted].

(n) Bank of America shall have delivered to the Charter Trustee (with copies for each Funding Participant), the Investment Trust, Deepwater and the Members a certificate, in form substantially similar to the form attached hereto as Exhibit P.

(o) No change in Applicable Laws will have occurred that would make it illegal for any of the parties to the Transaction Documents to participate in the transaction.

SECTION 4

EFFECTIVE DATE; REFINANCING DATE CONDITIONS PRECEDENT

SECTION 4.1 Effective Date. The amendments and restatements reflected in this Agreement and each of the other Transaction Documents shall be effective on the date on which each of the conditions precedent detailed in Sections 2.8, 3.2 and 4.2 are satisfied or waived (the "Effective Date"); provided, however, that if the Effective Date does not occur on or prior to December 28, 2001, then such amendments and restatements reflected in this Agreement and each of the other Transaction Documents shall automatically terminate (except as provided in Section 12.1), ("Termination of Refinancing"), and Lessee shall pay in full all Transaction Expenses (for which invoices have been received) not theretofore paid by it; provided, further, that such Termination of Refinancing shall have no effect on the effectiveness of the Original Transaction Documents, the documents related thereto or the transactions contemplated therein.

SECTION 4.2 Conditions Precedent to Refinancing Date. The obligations of the parties hereto to enter into the transactions to be entered into and take the actions to be taken by each such party which are contemplated by Section 2.2 to occur on the Refinancing Date shall be subject to satisfaction or waiver on the Refinancing Date of the conditions precedent set forth in Section 3.2 and the following conditions precedent; provided, that the obligations of any party shall not be subject to any condition contained in this Section 4.2 which is required to be performed or caused to be performed by such party or any of its respective Affiliates:

(a) Each Certificate Purchaser shall have funded the Contribution to be made by it in accordance with Section 2.3(a).

(b) Each Certificate Purchaser shall have received its respective Series A Charter Trust Certificate in accordance with Section 2.4(a).

(c) The Charter Trustee shall have paid, canceled and redeemed each Original Series A Charter Trust Certificate in accordance with Section 2.1(c) of the Charter Trust Agreement.

(d) Each applicable Lender shall have funded its Advance in accordance with Section 2.3(b) and the Loan Agreement.

(e) Each Lender shall have received its Note in accordance with Section 2.3 of the Loan Agreement.

(f) The Investment Trust shall have paid, canceled and redeemed each Original Investment Trust Certificate in accordance with Section 2.1(c) of the Investment Trust Agreement.

(g) Each Transaction Document listed on Schedule 5 shall have been executed and delivered by each of the parties thereto and no Charter Default, Charter Event of Default, Loan Event of Default or Event of Loss shall exist under any such Transaction Document (as if such Transaction Document was in full force and effect at such time of execution) or under any Original Transaction Document.

(h) Deepwater shall have delivered the Refinancing Request in accordance with Section 2.11 and each Certificate Purchaser, each Lender and each Liquidity Agent (with a copy to the Administrator) shall have received a funding indemnity letter from Transocean and Conoco in the form of Exhibit A not less than three (3) Business Days prior to the Refinancing Date.

(i) Each of the Services Agreements, the Drilling Contracts, the Drilling Contract Guaranties and the Drilling Consent shall be in full force and effect and no default or material breach shall exist thereunder.

(j) All Fees and Transaction Expenses (including registration and recordation fees under Panamanian Law) then due and owing shall have been paid in full on or prior to the Refinancing Date.

(k) The Charter Trustee, the Investment Trust and the Administrative Agent (on behalf of each Funding Participant) shall have received (i) a report from a nationally recognized insurance broker confirming that the insurance then in effect satisfies the insurance requirements set forth in Article XIV of the Master Charter, such report being satisfactory in form and substance to the Administrative Agent and (ii) certificates of insurance from Deepwater's insurance broker(s) evidencing that all insurance required under Article XIV of the Master Charter is in effect and that all premiums have been paid; provided, however, that nothing in the Transaction Documents shall be deemed to prohibit the acceptance by the Charter Trustee and Administrative Agent of a single report satisfying both the conditions set forth in this paragraph (k).

(l) Each of the Charter Trustee, the Investment Trust and the Funding Participants shall have received an Officer's Certificate of Deepwater stating that the representations and warranties of Deepwater listed in Section 5.1 or in any other Transaction Document are true and correct in all material respects as of the Refinancing Date (except to the extent that such representations and warranties relate solely to an earlier or to a later date, in which event such representations and warranties shall be true on and as of such earlier or later date); provided, however, that if the Refinancing Date occurs within seven (7) days of the Documentation Date, the delivery by Deepwater of the certificate listed in Section 3.2(g)(iv) shall be deemed to have satisfied its requirement under this paragraph (l).

(m) All necessary approvals, orders, permits, authorizations, and consents which are required as of the Refinancing Date on the part of Deepwater, the Funding Participants, the Administrative Agent, the Investment Trust, the Trustees or other third parties (except to the extent that such approvals, orders, permits, authorizations and consents are required as a result of such Person's status as a trust company or a regulated depository or banking institution) in connection with any of the transactions contemplated by this Agreement or in connection with the ownership, use or operation of the Drillship as of the Refinancing Date shall have been duly obtained, and Deepwater shall have provided evidence thereof reasonably satisfactory to the Administrative Agent.

(n) All actions, if any, required to have been taken by any Government Authority as of the Refinancing Date in connection with the transactions contemplated by this Agreement shall have been taken and all Government Actions required to be in effect as of the Refinancing Date in connection with the transactions contemplated by this Agreement shall have been issued and all such Government Actions shall be in full force and effect.

(o) As of the Refinancing Date, there shall not have occurred any material adverse change in the consolidated assets, liabilities, operations, business or financial condition of: (i) Deepwater from that set forth in its financial statements for the fiscal quarter ended September 30, 2001, (ii) Transocean from that set forth in its financial statements for the fiscal quarter ended September 30, 2001 or (iii) Conoco from that set forth in its financial statements for the fiscal quarter ended September 30, 2001; provided that the entry by Conoco into a merger agreement with Phillips Petroleum Company shall not be considered a material adverse change.

(p) All UCC and other applicable filings listed on Schedule 1 shall have been duly made at the locations set forth beside the filing on such schedule. All other filings or recordings of any document in any jurisdiction which are required to establish the perfected security interests of the Charter Trustee and the Investment Trust in the Accounts shall have been made.

(q) The Ship Mortgage and the Master Charter shall each have been filed with the appropriate public register in Panama.

(r) (i) Baker Botts L.L.P., special counsel to Deepwater, shall have issued its opinion to the effect and in the form set forth in Exhibit C; (ii) Wayne K. Anderson, in-house counsel to Conoco, shall have delivered his opinion to the effect and in the form set forth in Exhibit D; (iii) William E. Turcotte, in-house counsel to Transocean, shall have delivered his opinion to the effect and in the form set forth in Exhibit E; (iv) Arias, Fabrega & Fabrega, Panamanian counsel,

shall have delivered its opinion to the effect and in the form set forth in Exhibit F; (v) Richards, Layton & Finger, counsel to the Charter Trustee and Investment Trust, shall have delivered their opinions to the effect and in the form set forth in Exhibit G and (vi) Walkers, Cayman Island counsel to Transocean, shall have delivered their opinions to the effect and in the form set forth in Exhibit O. Each opinion listed in this clause (r) shall be in form and substance reasonably acceptable to the Admininstrators.

(s) Each Administrator shall have received a copy of a rating letter from its Conduit's Rating Agency or Rating Agencies stating that the applicable Commercial Paper Notes shall be rated P-1 by Moody's and A-1 by S&P and/or an equivalent rating from another Rating Agency.

SECTION 4.3 Head Lease Transaction. Deepwater shall, with the consent of each Funding Participant, be permitted to enter into, and to require the Charter Trustee to enter into, the following transactions (collectively, the "Head Lease Transaction") on or after the Documentation Date: (i) title to the Drillship shall be transferred to the Head Lessor; (ii) the Head Lessor shall charter (directly or through a sub-charter) the Drillship to the Charter Trustee; (iii) the Head Lessor shall finance its acquisition of title to the Drillship, in part, through a loan (the "Head Lease Loan"); (iv) the Head Lessor and the Charter Trustee shall enter into arrangements whereby the Charter Trustee's payment obligations under the Head Lease are defeased (the "Head Lease Defeasance Arrangements"); (v) the economic benefit of entering into the Head Lease Transaction shall be paid over to, or otherwise accrue to the benefit of, Deepwater; and (vi) if the Head Lease Transaction is entered into on or after the Documentation Date or any Funding Participant reasonably deems it necessary for the protection of its rights in the Drillship, the Head Lessor shall enter into the Ship Mortgage. If Deepwater shall have requested the Funding Participants to consent to the Head Lease Transaction not less than 45 days prior to the proposed closing date of the Head Lease Transaction (which request shall be accompanied by drafts of the documents relating thereto), each Funding Participant agrees to consider such request in good faith. Thereafter, Deepwater shall promptly provide each Funding Participant with the drafts of the Head Lease Documents to the extent such drafts are distributed to the other parties to the Head Lease Transaction. If each Funding Participant in its sole discretion approves the Head Lease Transaction, the Charter Trustee shall enter into the Head Lease Transaction on the date proposed by Deepwater. Notwithstanding the provisions of this Section 4.3, neither the consummation nor the failure to consummate the Head Lease Transaction on or before the Documentation Date shall be a condition to the obligation of any party hereto to enter into the other transactions contemplated by this Agreement to occur on the Documentation Date or to execute and deliver the Transaction Documents to be executed and delivered on the Documentation Date (other than those transactions or documents reflecting only the Head Lease Transaction).

SECTION 4.4 Replacement Conditions. Deepwater may, in its sole discretion, elect to replace any Funding Participant that does not consent to the Head Lease Transaction, that does not consent to an amendment proposed under Section 4.5, that does not consent to a Qualified Transfer proposed under Section 9.5 or that does not submit an offer to extend (if such offer is requested by Deepwater) or rejects Deepwater's offer to extend the Charter Term, by having another financial institution that meets the conditions set forth in this Section 4.4 (each financial institution that replaces a Funding Participant, a "Replacement Funding Participant") purchase such non-consenting Funding Participant's interest in accordance with this Section 4.4.

Replacement of a Funding Participant by a Replacement Funding Participant shall be subject to the following conditions precedent (collectively, the "Funding Participant Replacement Conditions"):

(i) such replacement does not conflict with any Applicable Law;

(ii) the Replacement Funding Participant that replaces a Certificate Purchaser shall pay to such Certificate Purchaser the amount of its outstanding Certificate Purchaser Amount and accrued and unpaid Series A Return with respect thereto plus, any funding losses incurred by the Certificate Purchaser pursuant to Section 7.3 as a result of the transfer, plus any other accrued and unpaid amounts owed by Deepwater to such Certificate Purchaser under the Transaction Documents, including any reasonable expenses relating to its replacement; if such Replacement Funding Participant does not provide sufficient funds to allow the Certificate Purchaser being replaced to receive such amounts, Deepwater may provide funds sufficient to cover the shortfall;

(iii) the Replacement Funding Participant that replaces a Lender shall pay to such Lender the amount of its outstanding Lender Amount and its accrued and unpaid Series B Return with respect thereto plus, any funding losses incurred by such Lender pursuant to Section 7.3 as a result of the transfer, plus any other accrued and unpaid amounts owed by Deepwater to such Lender under the Transaction Documents, including any reasonable expenses relating to its replacement; if such Replacement Funding Participant does not provide sufficient funds to allow the Lender being replaced to receive such amounts, Deepwater may provide funds sufficient to cover the shortfall; provided that if any Conduit is the Lender being replaced, Deepwater shall pay to the Conduit any breakage costs (which are direct loss, costs or expense not consequential loss, costs or expense) incurred pursuant to such replacement.

(iv) the Replacement Funding Participant shall have agreed to execute the Assignment and Assumption Agreement in substantially the form of Exhibit K hereto; and

(v) the requirements set forth in Section 9.1 shall have been satisfied; and

(vi) with respect to the replacement of a Liquidity Purchaser, such Person meets the requirements of the applicable LAPA;

provided that, (i) any replacement of the Conduit (Liberty) shall not be effective unless The Bank of Nova Scotia is also replaced as a Liquidity Purchaser, (ii) any replacement of The Bank of Nova Scotia shall not be effective unless the Conduit (Liberty) is also replaced, (iii) any replacement of the Conduit (Paradigm) shall not be effective unless Westdeutsche Landesbank Girozentrale, New York branch is also replaced as a Liquidity Purchaser and (iv) any replacement of Westdeutsche Landesbank Girozentrale, New York Branch as a Liquidity Purchaser shall not be effective unless the Conduit (Paradigm) is also replaced.

SECTION 4.5 Accounting Changes. In the event that Deepwater, or its accountants, shall determine that any change in the applicable rules and interpretations of the Financial

Accounting Standards Board and/or the Securities Exchange Commission (the "Lease Accounting Rules") will preclude Deepwater (or raise a substantial question as to whether Deepwater is precluded) from continuing to account for the Charter as an operating lease with substantially the same financial accounting benefits as before the change in the Lease Accounting Rules, then Deepwater and each Funding Participant agree to review in good faith any proposal submitted by Deepwater, or its accountants, and to negotiate in good faith the structure of the transactions contemplated by the Transaction Documents.

If each Funding Participant in its sole discretion approves the proposed amendment or amendments to the Transaction Documents submitted by Deepwater, or its accountants, the Charter Trustee shall enter into such amendments to the Transaction Documents on the date proposed by Deepwater. Deepwater may, in its sole discretion, elect to replace any Funding Participant that does not consent to the proposed amendment with a Replacement Funding Participant in accordance with Section 4.4.

SECTION 5

REPRESENTATIONS AND WARRANTIES

SECTION 5.1 Representations and Warranties of Deepwater. Deepwater represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. Deepwater is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and has the power and authority and has all requisite government licenses, permits and other approvals that are required as of the date hereof to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party. Deepwater is duly qualified to transact business and is in good standing as a foreign limited liability company in every jurisdiction where the nature of its business requires such qualification.

(b) Authorization; No Conflict. The execution, delivery and performance by Deepwater of each Transaction Document to which it is or will be a party (i) is within its company powers under Delaware law and its organizational documents; (ii) has been duly authorized by all necessary company action on the part of Deepwater and its Members; (iii) requires no Government Action by, or filing with, any Government Authority which is required to be obtained, given or made by Deepwater or its Members as of the date hereof (other than such Government Action as has been duly obtained, given or made); (iv) does not and will not contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon or affecting Deepwater or the Drillship; and (v) does not and will not result in the creation, imposition or violation of any Lien on any asset of Deepwater other than as contemplated or permitted by the terms hereof or of the other Transaction Documents. Deepwater has obtained all Government Actions necessary to carry on its business as now conducted, except for those

Government Actions that are normally obtained at a later time and with respect to which Deepwater does not anticipate any problems in obtaining.

(c) Enforceability, etc. Each of the Services Agreements, the Drilling Contracts, the Rig Sharing Agreement and the Transaction Documents, to which Deepwater is or will be a party has been, or as of the Documentation Date will be, duly executed and delivered by Deepwater and each such document to which Deepwater is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery thereof by the other parties thereto, a legal, valid and binding obligation enforceable against Deepwater in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Financial Information. The balance sheet of Deepwater for September 30, 2001 fairly presents, in conformity with GAAP consistently applied, the financial position of Deepwater as of such date. Since September 30, 2001, no event has occurred with respect to the assets, liabilities, operations, business or financial condition of Deepwater which would have a Material Adverse Effect.

(e) Litigation. There is no litigation, action, proceeding, or labor controversy to which Deepwater is a party which, if adversely determined, would adversely affect the financial condition, operations, assets, business, properties or prospects of Deepwater or which purports to affect the legality, validity or enforceability of any of the Transaction Documents, the Services Agreements, the Drilling Contracts or the Rig Sharing Agreement.

(f) Ownership of Properties. Deepwater has good title to all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, tradenames, service marks and copyrights) which it purports to own, free and clear of all Liens (including infringement claims with respect to patents, trademarks, copyrights and the like), except for Permitted Liens.

(g) Taxes. Deepwater has filed all tax returns and reports required by law to have been filed by it and has paid all Taxes thereby shown to be owing, except for any Taxes which are not yet due or are being contested pursuant to a Permitted Contest.

(h) Pension and Welfare Plans. As of the date hereof, Deepwater does not maintain any Plan for the benefit of its employees. Except as provided in Section 6.1(o), Deepwater will not maintain any Plan for the benefit of its employees.

(i) Investment Company Act and Public Utility Holding Company Act. Deepwater is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Act of 1935, as amended.

(j) Securities Act. Neither Deepwater nor any Person authorized by Deepwater to act on its behalf has offered or sold any interest in the Trust Estate, the Charter Trust, the Investment Trust, the Certificates, the Notes, or in any similar security (other than the Commercial Paper Notes) relating to the transactions contemplated by the Transaction Documents, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto and not more than 70 other Institutional Investors, and neither Deepwater nor any Person authorized by Deepwater to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Charter Trust, the Investment Trust, the Certificates, the Notes, or in any similar security relating to the Drillship to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended. The only Person which has been authorized to act on behalf of Deepwater for this purpose is Bank of America. The representation in this paragraph (j) is being given in reliance on the certificate delivered pursuant to Section 3.2(n).

(k) Chief Place of Business; Location of Establishment. Deepwater's chief place of business, chief executive office and office where the documents, accounts and records relating to the transactions contemplated by this Agreement and each other Transaction Document are kept is located at c/o Transocean Offshore Deepwater Drilling, Inc., 4 Greenway Plaza, Houston, Texas 77046. Deepwater is a Delaware limited liability company.

(l) Business of Deepwater. (i) Deepwater has engaged in no business activity other than as contemplated by, or in connection with, the Construction Contract, the Drilling Contracts, the Rig Sharing Agreement, the Services Agreements, the Drilling Contract Guaranties and the Transaction Documents; (ii) Deepwater has no subsidiaries; (iii) as of the Closing Date, all of the membership interests in Deepwater are owned by the Members; and (iv) Deepwater does not have any Indebtedness except for Permitted Indebtedness.

(m) Bankruptcy. Deepwater has not filed a voluntary petition in bankruptcy or been adjudicated as bankrupt or insolvent, or filed any petition or answer seeking any reorganization, liquidation, dissolution or similar relief under any federal or state bankruptcy, insolvency or other law relating to relief for debtors, or sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator or liquidator of all or any part of its properties or its interest in the Drillship. No court of competent jurisdiction has entered an order, judgment or decree approving a petition filed against Deepwater seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under federal bankruptcy or insolvency act or other law relating to relief for debtors, and no other liquidator has been appointed for Deepwater or of all or any part of its properties or its interest in the Drillship and no such action is pending. Deepwater has not given notice to any Government Authority of insolvency or pending insolvency, or suspension or pending suspension of operations.

(n) Certain Contracts. From and after the Closing Date, the Services Agreements, the Drilling Contracts, the Drilling Contract Guaranties and the Rig Sharing Agreement are in full force and effect and have not been amended except as permitted or contemplated by the Transaction Documents. Deepwater is not in default under, and, to the knowledge of Deepwater, no other Person is in default under, any of the Services Agreements, the Drilling Contracts, the

Drilling Contract Guaranties or the Rig Sharing Agreement. The execution, delivery and performance by Deepwater of its obligations under the Services Agreements, the Drilling Contracts, the Rig Sharing Agreement, this Agreement and the other Transaction Documents to which it is a party, will not violate in any material respect any provisions of any Applicable Law.

(o) Federal Reserve Regulations. Deepwater is not engaged in, and does not have as one of its activities, the business of extending credit for the purpose of purchasing or carrying any margin stock, and no proceeds of any advances made on the Closing Date have been used for a purpose which violates, or would be inconsistent with, the rules and regulations of the Federal Reserve Board. Terms for which meanings are provided in Federal Reserve Board Regulations U or X or any regulations substituted therefor, as from time to time in effect, are used in this clause (o) with such meanings.

(p) Absence of Events. No Charter Default or Charter Event of Default has occurred and is continuing and Deepwater is not in default in, nor has any non-permanent waiver been granted to Deepwater with respect to, the performance, observance or fulfillment of any of the obligations, conditions or covenants contained in the Construction Contract, the Drilling Contracts, the Rig Sharing Agreement or the Services Agreements.

(q) Subject to Government Regulation. None of the Investment Trust, the Trustees, any Agent or any Funding Participant, solely by reason of entering into the Transaction Documents or the consummation of the transactions contemplated thereby, will become subject to ongoing regulation of its operations by any Government Authority having jurisdiction over the ownership or operations of the Drillship solely by reason of any of Deepwater's business activities or the nature of the Drillship.

(r) Solvency. Deepwater does not have capital unreasonably small in relation to its business, will not be rendered insolvent by the execution, delivery and performance of its obligations under the Transaction Documents, and does not intend to hinder, delay or defraud its creditors by or through the execution, delivery and performance of the Transaction Documents to which it is a party, including the Charter. As of the Documentation Date, there were or are no outstanding subject to Permitted Liens unsatisfied judgments, liens for Taxes or bankruptcy proceedings against Deepwater.

(s) [Intentionally Omitted].

(t) Accuracy of Information. The cash flow projections contained in Section IV-6 of the Offering Memorandum, dated as of September, 2001, were prepared by Deepwater in good faith on the basis of reasonable investigation, information, assumptions and procedures which Deepwater believed were reasonable under the facts and circumstances then existing, and since the date of such projections there has been no change in any of the facts on which such projections were based that would result in a material adverse change in such projections.

(u) Title to the Drillship; Documentation; Condition. The Charter Trustee has valid title to the Drillship (including the OFE) and the Drillship is duly documented in the name of the Charter Trustee under the laws of the Republic of Panama free and clear of all liens, charges, encumbrances and security interests other than Permitted Liens.

(v) Recording of Ship Mortgage. (i) the Ship Mortgage has been duly recorded with the appropriate Panamanian authorities in Panama City, Republic of Panama (which office is the only place in which such recording is necessary), (ii) the Ship Mortgage constitutes a first naval mortgage on the Drillship in favor of the Investment Trust and the Hedging Agreement Counterparties, if any, and, if the Head Lessor is the mortgagor under the Ship Mortgage, the Charter Trustee, and (iii) no other recordings or periodic rerecording or filing or periodic filing of the Ship Mortgage are necessary under existing law to constitute the lien of the Ship Mortgage on the Drillship (including the OFE) and the Ship Mortgage is in effect.

(w) Other Recordings and Filings. All filings and recordings (including filing of the Master Charter in Panama City, Republic of Panama and all filings of financing statements under the Uniform Commercial Code) have been duly made in each jurisdiction in which such filings and recordings are required or reasonably requested by the Charter Trustee or the Investment Trust in order to perfect the security interests granted by the Deepwater Assignment, the Ship Mortgage and the other Security Documents and to make such security interests valid and enforceable.

SECTION 5.2 Representations and Warranties of Members. Each Member, severally and not jointly, represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. Such Member is a corporation duly organized, validly existing and in good standing under the laws of the respective jurisdiction of its organization and has the power and authority and has all requisite government licenses, permits and other approvals currently necessary to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party. Such Member is duly qualified to transact business in every jurisdiction where the nature of its business requires such qualification.

(b) Authorization; No Conflict. The execution, delivery and performance by such Member of each Transaction Document to which it is or will be a party (i) is within its corporate powers; (ii) has been duly authorized by all necessary corporate action; (iii) requires no Government Action by, or filing with, any Government Authority; (iv) does not contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon or affecting it; and (v) does not result in the creation, imposition or violation of any Lien on any of its assets. Such Member possesses all government licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(c) Enforceability, etc. Each Transaction Document to which the Member is or will be a party has been, or on or before the Documentation Date will be, duly executed and delivered by such Member and each such Transaction Document to which such Member is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery thereof by the other parties thereto, a legal, valid and binding obligation of such Member enforceable against such Member in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency,

reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Securities Act. Neither such Member nor any Person authorized by such Member to act on its behalf has offered or sold any interest in Deepwater, or in any security (other than the Commercial Paper Notes) relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto and not more than 70 other Institutional Investors, and neither such Member nor any Person authorized by such Member to act on its behalf will take any action which would subject the issuance or sale of any interest in Deepwater to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended. The representation in this paragraph (d) is being given in reliance on the certificate delivered pursuant to Section 3.2(n) hereof.

(e) Litigation. To such Member's Actual Knowledge, there is no action or proceeding pending or threatened to which such Member is or will be a party before any court or arbitrator or Government Authority that, if adversely determined, would reasonably be expected to have a material adverse effect on the property, operations or financial condition of Deepwater.

(f) Assignment. From and after the Closing Date, such Member has not assigned or transferred to any Person that is not a party hereto, any of its right, title or interest in or under Deepwater, the Charter, the Drillship, or the Collateral or any other Transaction Document, except as contemplated by the Transaction Documents.

(g) Absence of Events. To such Member's Actual Knowledge, no Charter Default or Charter Event of Default has occurred and is continuing, and Deepwater is not in default in, nor has any non-permanent waiver been granted to Deepwater with respect to, the performance, observance or fulfillment of any of the obligations, conditions or covenants contained in the Construction Contract, Drilling Contracts, the Rig Sharing Agreement or the Services Agreements.

(h) Compliance With Laws. To such Member's Actual Knowledge, Deepwater is currently in compliance, in all material respects, with all Applicable Laws with respect to the conduct of its business and the ownership of its properties.

SECTION 5.3 Representations and Warranties of the Investment Trust and the Investment Trust Beneficiary. Each of the Investment Trust and the Investment Trust Beneficiary (as to clauses (b) through (e) only) represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. It is a business trust duly formed and validly existing and in good standing under the laws of the jurisdiction of its organization and has the power and authority to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and

delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party.

(b) Authorization; No Conflict. The execution, delivery and performance by it of each Transaction Document to which it is or will be a party (i) is within its powers; (ii) has been duly authorized by all necessary action; (iii) requires no Government Action by, or filing with, any Government Authority; (iv) does not contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon it; and (v) does not result in the creation, imposition or violation of any Lien on any of its assets. It possesses all government licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(c) Enforceability, etc. Each Transaction Document to which it is or will be a party has been, or on or before the Documentation Date will be, duly executed and delivered by it and each such Transaction Document to which it is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, a legal, valid and binding obligation enforceable against it in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Assignment. It has not assigned or transferred any of its right, title or interest in or under the Charter, the Drillship, or the Collateral or any other Transaction Document, except as expressly contemplated by the Transaction Documents.

(e) Securities Act. Neither it nor any Person authorized by it to act on its behalf has offered or sold any interest in the Trust Estate, the Charter Trust, the Investment Trust, the Certificates, the Notes, the Commercial Paper Notes or in any similar security relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto, and neither it nor any Person authorized by it to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Charter Trust, the Investment Trust, the Certificates, the Notes, the Commercial Paper Notes or in any similar security related to the Drillship to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(f) Chief Place of Business; Location of Establishment. The Investment Trust represents and warrants that its chief place of business, chief executive office and office where the documents, accounts and records relating to the transactions contemplated by this Agreement and each other Transaction Document are and will be kept is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001. The Investment Trust is a Delaware business trust.

(g) No Other Activities. It does not hold any assets, conduct any business nor is it party to any document, agreement or instrument other than the Transaction Documents to which it is, or will be, a party.

SECTION 5.4 Representations and Warranties of the Liquidity Purchasers and Certificate Purchasers. Each Liquidity Purchaser or Certificate Purchaser, as applicable, individually and not jointly, represents and warrants to each of the other parties hereto as of the date hereof as follows:

(a) Due Organization, etc. Such Liquidity Purchaser or Certificate Purchaser, as applicable, is duly organized, validly existing and in good standing (to the extent relevant under Applicable Law) in the jurisdiction of its organization and has the power and authority to enter into and perform its obligations under the Transaction Documents to which it is or will be a party and each other agreement, instrument and document to be executed and delivered by it in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party.

(b) Authorization; No Conflict. The execution, delivery and performance by such Liquidity Purchaser or Certificate Purchaser, as applicable, of each Transaction Document to which it is or will be a party (i) is within its powers; (ii) has been duly authorized by all necessary action; (iii) requires no Government Action by, or filing with, any Government Authority (it being understood that such Liquidity Purchaser or Certificate Purchaser, as applicable, makes no representation or warranty relating to the Drillship or the Applicable Laws pertaining thereto); (iv) does not contravene, or constitute a default under, any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon such Liquidity Purchaser or Certificate Purchaser, as applicable, and (v) does not result in the creation, imposition or violation of any Lien on any asset of such Liquidity Purchaser or Certificate Purchaser, as applicable.

(c) Enforceability, etc. Each Transaction Document to which such Liquidity Purchaser or Certificate Purchaser, as applicable, is or will be a party has been, or on or before the Documentation Date will be, duly executed and delivered by such Liquidity Purchaser or Certificate Purchaser, as applicable, and each such Transaction Document to which such Liquidity Purchaser or Certificate Purchaser, as applicable, is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, a legal, valid and binding obligation enforceable against such Liquidity Purchaser or Certificate Purchaser, as applicable, in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws effecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) ERISA. Either (x) such Liquidity Purchaser or Certificate Purchaser, as applicable, is not and will not be making any Contribution or Advance, as the case may be, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or a "plan" (as defined in Section 4975(e)(1) of the Code) or (y) the source of funds for any Contribution or Advance, as the case may be, made by such Liquidity Purchaser or

Certificate Purchaser, as applicable, is an insurance company general account (as such term is defined in PTE 95-60 (issued July 12, 1995) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners) (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan, together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account, do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with the state of domicile of such Liquidity Purchaser or Certificate Purchaser, as the case may be.

(e) Securities Act. Neither such Liquidity Purchaser or Certificate Purchaser, as the case may be, nor any Person authorized by such Funding Participant to act on its behalf has offered or sold any interest in the Trust Estate, the Charter Trust, the Investment Trust, the Certificates, the Notes, or in any similar security relating to the Drillship (other than the Commercial Paper Notes), or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from, any Person other than the parties hereto, and neither such Liquidity Purchaser or Certificate Purchaser, as the case may be, nor any Person authorized by such Liquidity Purchaser or Certificate Purchaser, as the case may be, to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the Charter Trust, Investment Trust, the Certificates, the Conduit Notes or in any similar security relating to the Drillship to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(f) Litigation. To the Actual Knowledge of such Liquidity Purchaser or Certificate Purchaser, as the case may be, there is no action or proceeding pending or threatened to which the Liquidity Purchaser or Certificate Purchaser, as the case may be, is or will be a party before any court or arbitrator or Government Authority that, if adversely determined, would reasonably be expected to have a material adverse effect on the property, operations or financial condition of the Liquidity Purchaser or Certificate Purchaser, as the case may be.

(g) No Other Documents. Such Liquidity Purchaser or Certificate Purchaser, as the case may be, has not authorized, or voted to authorize, the Charter Trustee or the Investment Trust to execute any document, agreement or instrument other than the Transaction Documents and the Original Transaction Documents to which either the Charter Trustee or the Investment Trust is or will be a party.

SECTION 5.5 Representations and Warranties of the Trustees. Each of the Trustees in their respective individual capacities (and where indicated, as trustee) represents and warrants, severally and not jointly, to each of the other Participants as of the date hereof as follows:

(a) Due Organization, etc. It is a banking corporation or a Federal savings bank (as applicable), duly organized, validly existing and in good standing under the laws of the state of its incorporation or the United States (as applicable), has full corporate power and authority to enter into and perform its obligations under the Transaction Documents to which it (individually

or as trustee, as the case may be) is or will be a party and each other agreement, instrument and document to be executed and delivered by it (individually or as trustee, as the case may be) in connection with, or as contemplated by, each such Transaction Document to which it is or will be a party.

(b) Authorization; No Conflict. The execution, delivery and performance by it of each Transaction Document to which it (individually or as trustee, as the case may be) is or will be a party (i) is within its powers; (ii) has been duly authorized by all necessary action; (iii) requires no Government Action by, or filing with, any Government Authority; (iv) does not contravene or constitute a default under any Applicable Law or its organizational documents, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon it (individually or as trustee); and (v) does not result in the creation, imposition or violation of any Lien on any of its assets (individually or as trustee).

(c) Enforceability, etc. Each Transaction Document to which it is or will be a party (individually or as trustee, as the case may be) has been or on or before the Documentation Date will be, duly executed and delivered by it and each such Transaction Document to which it is a party constitutes, or upon execution and delivery will constitute, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto and thereto, a legal, valid and binding obligation enforceable against it in accordance with the terms thereof, except as such enforceability may be limited or denied by (i) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and the enforcement of debtors' obligations generally, and (ii) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law.

(d) Litigation. There is no action, suit or proceeding pending or, to its knowledge (individually or as trustee, as the case may be) threatened to which it (individually or as trustee), or, in the case of the Investment Trustee, the Investment Trust is or will be a party, before any court or arbitrator or any Government Authority that, if adversely determined, would reasonably be expected to materially and adversely affect the ability of it (individually or as trustee, as the case may be), or, in the case of the Investment Trustee, the Investment Trust to perform their respective obligations under each of the Transaction Documents to which it (individually or as trustee, as the case may be), or, in the case of the Investment Trustee, the Investment Trust is or is to be a party.

(e) Assignment. It has not assigned or transferred any of its right, title or interest in or under the Charter, the Drillship or the Collateral, except as expressly contemplated by the Transaction Documents.

(f) Securities Act. Neither it (individually or as trustee) nor any Person authorized by it (individually or as trustee) to act on its behalf has offered or sold any interest in the Trust Estate, the Investment Trust, the Certificates or the Notes, or in any similar security relating to the Drillship, or in any security the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering thereof, or solicited any offer to acquire any of the same from any Person other than the parties hereto, and neither it (individually or as trustee) nor any Person authorized by it (individually or as trustee) to act on its behalf will take any action which would subject the issuance or sale of any interest in the Trust Estate, the

Investment Trust, the Certificates or the Notes to the provisions of Section 5 of the Securities Act or require the qualification of any Transaction Document under the Trust Indenture Act of 1939, as amended.

(g) Chief Place of Business; Location of Establishment. The Charter Trustee's chief place of business and the office where the documents, accounts and records relating to the Drillship and the transactions contemplated by this Agreement and the other Transaction Documents are and will be kept is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001; the Charter Trustee is a Delaware banking corporation. The Investment Trustee's chief place of business, chief executive office and the office where the documents, accounts and records relating to the Drillship and the transactions contemplated by this Agreement and the other Transaction Documents are and will be kept is located at 3773 Howard Hughes Parkway, Suite 300 North, Las Vegas, Nevada 89109. The Investment Trustee is a Federal Savings Bank.

(h) No Other Documents. The Charter Trustee has not executed, and the Investment Trustee has not authorized, or voted to authorize, the Investment Trust to execute, any document, agreement or instrument other than the Transaction Documents to which either the Charter Trustee or the Investment Trust is or will be a party.

SECTION 6

CERTAIN COVENANTS AND AGREEMENTS

SECTION 6.1 Covenants of Deepwater.

(a) No Other Business. From the date hereof to the expiration or termination of the Charter Term, Deepwater shall not (i) engage in any business other than as expressly contemplated by the Transaction Documents, the Head Lease Documents (if any), the Drilling Contracts, the Rig Sharing Agreement or the Services Agreements; (ii) become a party to any agreement other than this Agreement, the other Transaction Documents, the Drilling Contracts, the Rig Sharing Agreement, the Drilling Contract Guaranties, the Services Agreements, the Construction Contract, the Construction Documents, the Head Lease Documents (if any), and any other agreements incidental to the performance of its obligations hereunder or thereunder; (iii) amend, modify or supplement the Drilling Contracts, the Rig Sharing Agreement, the Drilling Contract Guaranties, or the Services Agreements in any manner that would have an adverse effect on the rights or interests of the Charter Trustee, the Investment Trust or the Funding Participants without the prior written consent of the Majority Funding Participants; (iv) make any distributions to its Members so long as an Event of Loss has occurred or a Material Default or Charter Event of Default has occurred and is continuing; or (v) incur any Indebtedness other than Permitted Indebtedness. Deepwater shall provide the Charter Trustee with substantially final drafts of any amendments, modifications or supplements to the Drilling Contracts, the Rig Sharing Agreement, the Drilling Contract Guaranties or the Services Agreements at least ten (10) Business Days prior to the effectiveness of such amendments, modifications or supplements.

(b) No Profit-Sharing. From the date hereof to the expiration or termination of the Charter Term, Deepwater shall not enter into any partnership, profit-sharing or royalty arrangement or other similar arrangement whereby Deepwater's income or profits are, or might be, shared with any other Person, or enter into any management contract or similar arrangement whereby its business or operations are managed by any other Person, in each case other than as provided in the Transaction Documents, the Head Lease Documents, the LLC Agreement, the Drilling Contracts, the Rig Sharing Agreement, the Services Agreements or any other agreement incidental to the performance of its obligations under the Transaction Documents; provided that, notwithstanding the foregoing, this Section 6.1(b) shall not prohibit profit-sharing arrangements made pursuant to a Plan maintained by Deepwater in accordance with Section 6.1(o).

(c) No Merger. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, merge with any other entity or sell all or substantially all of its assets.

(d) No Subsidiaries. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, form, or cause to be formed, or own any interest in, any Subsidiaries.

(e) No Abandonment. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, abandon or agree to abandon the Drillship other than a tender of an abandonment to an insurer in connection with obtaining payment from such insurer for an Event of Loss.

(f) Corporate Existence, Etc. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, do or cause to be done, in all material respects, all things necessary to preserve and keep in full force and effect its rights and powers and franchises as a limited liability company and its power and authority to perform its obligations under the Transaction Documents, the Drilling Contracts and the Rig Sharing Agreement, including any necessary qualification or licensing in any foreign jurisdiction.

(g) Compliance With Laws. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, comply in all material respects with all Applicable Laws with respect to the conduct of its business and the ownership of its properties except in connection with a Permitted Contest.

(h) Change of Name or Location. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, furnish to the Charter Trustee and each Funding Participant notice before any relocation of its chief executive office, principal place of business or the office where it keeps its records concerning its accounts or change of its name, identity or limited liability structure.

(i) No Disposition of the Drillship. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, not sell, contract to sell, assign, transfer, convey or otherwise dispose of or permit to be sold, assigned, leased, transferred, conveyed or otherwise disposed of, the Drillship or any part thereof except as otherwise contemplated by the Transaction Documents.

(j) Brokers Fees. Deepwater shall hold the Charter Trustee, the Investment Trust and each Funding Participant harmless from and against any claim, demand or liability for any brokers, finders, or placement fees or commissions incurred as a result of any action by Deepwater in connection with the transactions contemplated by the Transaction Documents, except for any such fee or commission included in Construction Costs; provided, that the covenant contained in this Section 6.1(j) shall not apply to any claim, demand or liability for any brokers, finders or placement fees or commissions: (i) due and payable to Bank of America in connection with the transactions contemplated by the Transaction Documents; (ii) due and payable to any broker engaged by the Trustees, Investment Trust, Funding Participants or Affiliate thereof; or (iii) due and payable to any broker retained after Deepwater's election of the Return Option pursuant to Section 20.3 of the Master Charter.

(k) Notice of Material Default, Charter Event of Default or Environmental Claim; Other Certificates. If a Responsible Officer of Deepwater has Actual Knowledge of a Material Default, Charter Event of Default or Environmental Claim with respect to the Drillship (to the extent that Deepwater reasonably expects the cost to remediate or liability to be incurred with respect to all such Environmental Claims then outstanding to exceed $5,000,000 individually or in the aggregate), Deepwater shall promptly give notice thereof to each other party to this Agreement.

Deepwater shall, upon the request of the Charter Trustee, (i) advise the Charter Trustee in writing in reasonable detail of its response to any Environmental Claim with respect to the Drillship and (ii) provide to the Charter Trustee prompt notice of the date and location of the next scheduled dry-docking, if any, of the Drillship prior to such date.

If a default occurs and is continuing with respect to Deepwater's obligations under any Permitted Indebtedness of the type specified in clause (iii) of the definition of Permitted Indebtedness, Deepwater shall notify the Trustees of such default promptly after Deepwater obtains Actual Knowledge of such default and, upon receiving such notice, either of the Trustees may cure such default at Deepwater's expense.

Deepwater shall furnish to the Charter Trustee and the Investment Trust (with copies for each Funding Participant) within ninety (90) days after each anniversary of the Closing Date, the annual confirmation of classification of the Drillship issued by the Classification Society, and at any other time upon the request of the Charter Trustee, copies of all certificates issued by the U.S. Coast Guard or the Classification Society with respect to the Drillship.

(l) Documentation of Drillship and Ship Mortgage. In the event that a successor trustee to the Charter Trustee shall have been appointed pursuant to Section 5.10 of the Charter Trust Agreement and Section 12.18, or the Charter Trustee shall merge or consolidate with any Person in accordance with Section 5.12 of the Charter Trust Agreement and Section 12.18, Deepwater, at its sole expense, shall cause the Drillship to be provisionally documented (if the Head Lease Transaction has not been entered into) and the Ship Mortgage and the Charter to be provisionally recorded under the laws of Panama in the name of any successor trustee within fifteen (15) Business Days of the receipt of written notice of any such appointment, merger or consolidation; provided that Deepwater shall not be deemed to be in violation of the covenant contained in this sentence to the extent that any delay in procuring such provisional

documentation or recordation results from the failure of any of the Participants to execute any necessary documents or instruments promptly upon receipt from Deepwater or to take any other action necessary to effectuate such documentation or recording promptly upon request by Deepwater. Deepwater, at its sole expense, shall thereafter cause the Drillship to be duly permanently documented (if the Head Lease Transaction has not been entered into) and the Ship Mortgage and the Charter to be duly permanently recorded at least 10 Business Days prior to the end of the six (6) months following the issuance of the provisional documentation.

(m) Financial Statements. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, provide to the Charter Trustee and each Certificate Purchaser financial statements as follows:

(i) for each fiscal year ended on and after December 30, 1999, within 120 days after the end of such fiscal year, annual financial statements including a statement of earnings, a statement of cash flows and a balance sheet of Deepwater for the fiscal year then ended prepared in conformity with GAAP, consistently applied, and audited by its independent outside auditors;

(ii) for each fiscal quarter of Deepwater, within 60 days after the end of such fiscal quarter, unaudited financial statements, including a statement of earnings, a statement of cash flows and a balance sheet of Deepwater for the fiscal quarter then ended prepared in conformity with GAAP, consistently applied; and

(iii) together with the financial statements required to be delivered under clauses (i) and (ii) above, a certificate from a member's representative of Deepwater certifying that no Material Default or Charter Event of Default has occurred and is then continuing.

(n) Subordinated Operating Expenses. Deepwater shall, from the date hereof to the expiration or termination of the Charter Term, maintain the Services Agreements in effect and shall ensure that to the extent that Operation and Maintenance Expenses incurred during each Return Period of the Charter Term (or portion thereof) exceed the total Unsubordinated Operating Expense Amount for such period, such expenses shall be payable by Deepwater under the Services Agreements as Subordinated Operating Expenses. In the event that on any Charter Hire Payment Date there are insufficient funds in the Operating Account to pay all Subordinated Operating Expenses then due and payable in accordance with Section 3.4(b) of the Depository Agreement, Deepwater shall be entitled to issue Subordinated Debt to the Person to whom such Subordinated Operating Expenses are due in the amount of such shortfall.

(o) Plans. Deepwater shall not, from the date hereof to the expiration or termination of the Charter Term, maintain any Plan for the benefit of its employees; provided, however, that, notwithstanding the foregoing, Deepwater may adopt one or more Plans for the benefit of its employees which are, in the aggregate, comparable to the Plans maintained by other employers engaged in the same or similar industry. With respect to any such Plan adopted by Deepwater:

(i) such Plan shall be operated and administered by Deepwater in compliance with its terms and with the requirements of any and all Applicable Laws, in all material respects;

(ii) no material liability pursuant to Titles I or IV of ERISA or the penalty or excise tax provisions of the Code shall be incurred; and

(iii) no lien pursuant to Titles I or IV of ERISA or Section 412 of the Code shall be imposed on any of the rights, properties or assets of Deepwater.

(p) Deepwater shall not create or suffer to exist (and shall discharge promptly) any Lien except any Lien created by, or contemplated in, the Transaction Documents.

(q) Deepwater shall not incur any indebtedness except for Permitted Indebtedness.

SECTION 6.2 Certain Covenants of the Charter Trustee, the Investment Trustee, the Investment Trust and Investment Trust Beneficiary. Each of the Charter Trustee, the Investment Trustee, the Investment Trust and the Investment Trust Beneficiary (solely in his capacity as Investment Trust Beneficiary), severally and not jointly, covenants as follows:

(a) Maintenance of Existence. The Investment Trust shall maintain its existence as a Delaware business trust and its qualification to do business in each jurisdiction in which the failure to have such a qualification may have a material adverse effect on the performance of its obligations under the Transaction Documents. The Charter Trustee and the Investment Trustee shall each maintain its existence and its qualification to do business in each jurisdiction in which the failure to have such qualification may have a material adverse effect on the performance of its obligations under the Transaction Documents.

(b) Indebtedness; Other Business. None of the Investment Trust, the Investment Trust Beneficiary (solely in his capacity as Investment Trust Beneficiary) nor the Trustees shall contract for, create, incur or assume any Indebtedness, or enter into any business or other activity, other than pursuant to, or as contemplated by, the Transaction Documents and the Head Lease Documents.

(c) Change of Chief Place of Business. Each of the Trustees in their respective individual capacities shall give prompt notice to Deepwater if any of the Investment Trust's or Trustees' chief place of business or chief executive office or the office where the records concerning the accounts or contract rights relating to the Drillship are kept, shall cease to be located at the address set forth in Section 12.3.

(d) No Voluntary Bankruptcy by Investment Trust. None of the Investment Trust or the Investment Trust Beneficiary (solely in his capacity as Investment Trust Beneficiary) shall (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for them or for all or any substantial part of its assets or property or (iii) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 6.2.

(e) No Voluntary Bankruptcy by Charter Trustee. The Charter Trustee, in its individual capacity or as trustee, shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to it, its debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or property or (iii) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 6.2.

(f) No Voluntary Bankruptcy by Investment Trustee. The Investment Trustee, in its individual capacity or as trustee, shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to it, its debts, the Investment Trust or the Investment Trust's debts, (ii) seek appointment of a receiver, trustee, custodian or other similar official for all or any substantial part of its or the Investment Trust's assets or property or (iii) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 6.2.

(g) No Sale of Drillship. None of the Trustees, the Investment Trust nor the Investment Trust Beneficiary shall transfer all or any of its interest in the Drillship or the Transaction Documents except as expressly permitted in the Transaction Documents.

(h) Trust Agreements. Without prejudice to any right of either of the Trustees under the Trust Agreements to resign as trustee or the Investment Trust Beneficiary to resign as Investment Trust Beneficiary, or the right of the Funding Participants under the Trust Agreements to remove either of the Trustees as trustee, and in each case subject to the terms of the Transaction Documents, none of the Trustees, the Investment Trust nor the Investment Trust Beneficiary shall (i) terminate or revoke the trusts created by the Trust Agreements before the later of the expiration or termination of the Charter or the payment in full of the obligations under the Certificates or the Notes, (ii) amend, modify, supplement, terminate or revoke or otherwise modify any provision of any Transaction Document (other than the Ship Mortgage) or any Head Lease Document in any manner that would have an adverse effect on the rights or interests of Deepwater without the prior written consent of Deepwater, or (iii) amend, modify or supplement the Ship Mortgage without Deepwater's prior written consent.

(i) Liens. None of the Investment Trust Beneficiary, either Trustee (in its individual capacity or as beneficiary or trustee as the case may be) nor the Investment Trust shall create or suffer to exist (and shall discharge promptly) any Trust Lien; provided, however, that such Trustee or the Investment Trust shall not be required to remove a Trust Lien if it is being contested pursuant to a Permitted Contest and is bonded to the satisfaction of Deepwater.

(j) Change of Jurisdiction of the Trustees. Neither Trustee (in its individual capacity) shall (i) without sixty (60) days' prior written notice to Deepwater and the Participants, change its jurisdiction of incorporation or organization (individually or as trustee) or (ii) change the jurisdiction of the Investment Trust or the trust created by the Charter Trust Agreement, in any case, without the consent of Deepwater and the Administrative Agent.

(k) Quiet Enjoyment. So long as no Charter Event of Default shall have occurred and be continuing and Deepwater shall have received no notice thereof, none of the Investment Trust Beneficiary, either Trustee (in its individual, beneficiary or trustee capacities as the case may be) nor the Investment Trust shall take any action to interfere with or otherwise disturb Deepwater's, its agents' or its permitted subcharterers' full use and possession of the Drillship or do or cause to be done any act which would deprive Deepwater, its agents, or its permitted subcharterers of the full use and possession of the Drillship on the terms provided for in the Transaction Documents.

(l) Notices. The Charter Trustee shall deliver a copy of any notices, financial statements or any other documents, received by the Charter Trustee from Deepwater, any guarantor under the Transocean Guaranty or Conoco Guaranty or any Drilling Party, to each Funding Participant at its address set forth in Schedule 2.

(m) Compliance by Charter Trustee. Subject to the terms of Section 12.13, the Investment Trust agrees that it shall not instruct, or vote to instruct, the Investment Trust Beneficiary or the Charter Trustee to take any action inconsistent with, contrary to or in violation of the Transaction Documents or the Charter Trustee's obligations thereunder, and each of the Investment Trust and Investment Trust Beneficiary agrees that it shall instruct, or vote to instruct, the Charter Trustee to take any affirmative action necessary to satisfy the Charter Trustee's obligations under the Drilling Consent (including any obligation to enter into an assumption agreement, replacement drilling contract or similar arrangement and with respect to a Non-Defaulting Drilling Party, the Cross-Default cure provision and the assignment of rights and interests upon election and satisfaction of the Purchase Option, all in accordance with the terms of the Drilling Consent).

SECTION 6.3 Covenants of the Funding Participants.

Each Funding Participant, as applicable, individually and not jointly, covenants as follows:

(a) Trust Agreements. Without prejudice to any right of the Trustees under the Trust Agreements to resign as Trustees or the Investment Trust Beneficiary to resign as Investment Trust Beneficiary, or the right of the Funding Participants under the Trust Agreements to remove the Trustees, and in each case subject to the terms of the Transaction Documents, such Funding Participant hereby agrees with Deepwater (i) not to terminate or revoke the trusts created by the Trust Agreements before the later of the expiration or termination of the Charter Term or the payment in full of the obligations under the Certificates and the Notes, and (ii) not to amend, modify, supplement, terminate or revoke or otherwise modify any provision of any Transaction Document or any Head Lease Document in any manner that would have an adverse effect on the rights or interests of Deepwater, the Drilling Parties, Conoco or Transocean without the prior written consent of Deepwater, the Drilling Parties, Conoco or Transocean, respectively.

(b) Compliance by Charter Trustee and Investment Trust. Subject to the terms of Section 12.13, each Funding Participant agrees that it shall not instruct, or vote to instruct, the Charter Trustee, the Investment Trust or the Investment Trust Beneficiary to take any action inconsistent with, contrary to or in violation of the Transaction Documents or the Charter

Trustee's or the Investment Trust's or the Investment Trust Beneficiary's obligations thereunder, and each Funding Participant agrees that it shall instruct, or vote to instruct, the Investment Trust, the Charter Trustee or the Investment Trust Beneficiary to take any affirmative action necessary to satisfy the Investment Trust's and the Charter Trustee's and the Investment Trust's Beneficiary's obligations under the Drilling Consent (including any obligation to enter into an assumption agreement, replacement drilling contract or similar arrangement and with respect to a Non-Defaulting Drilling Party, the Cross-Default cure provision and the assignment of rights and interests upon election and satisfaction of the Purchase Option, all in accordance with the terms of the Drilling Consent).

(c) Liens. Each Funding Participant, as applicable, agrees that it shall not create or suffer to exist (and shall discharge promptly) any Funding Participant Lien attributable to it; provided, however, that no Funding Participant, as applicable, shall be required to remove a Funding Participant Lien attributable to it if it is being contested pursuant to a Permitted Contest and is bonded to the satisfaction of Deepwater.

(d) No Voluntary Bankruptcy. Each Funding Participant agrees that it shall not (i) commence any case, proceeding or other action under any existing or future law, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up, liquidation, dissolution, composition or other relief with respect to the Charter Trustee's, Investment Trust's or Investment Trust Beneficiary's debts, or (ii) seek appointment of a receiver, trustee, custodian or other similar official for the Charter Trustee or the Investment Trust or the Investment Trust Beneficiary or for all or any substantial part of either or both of their assets or property and each Funding Participant shall not take any action in furtherance of, or indicating its consent to, or approval of, any of the acts set forth in this Section 6.3(d).

(e) Quiet Enjoyment. Each Funding Participant agrees that so long as no Charter Event of Default shall have occurred and be continuing and Deepwater shall have received no notice thereof, such Funding Participant shall not take any action to interfere with or otherwise disturb Deepwater's, its agents' or its permitted subcharterers' full use and possession of the Drillship or do or cause to be done any act which would deprive Deepwater, its agents, or its permitted subcharterers of the full use and possession of the Drillship on the terms provided for in the Transaction Documents.

(f) Securities. It shall not, nor shall it permit anyone authorized to act on its behalf to, take any action which would subject the issuance or sale of any Certificates, Notes or Commercial Paper Notes, or any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be a part of the same offering as the offering of the aforementioned items, to the registration requirements of Section 5 of the Securities Act or any state securities laws.

SECTION 6.4 Covenants of the Members. As the sole obligation of the Members under this Agreement, each of the Members, severally and not jointly, covenants as follows:

(a) Bankruptcy. Such Member agrees that it shall not (i) commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, arrangement, winding-up,

liquidation, dissolution, composition or other relief with respect to Deepwater or its debts; (ii) seek appointment of a receiver, trustee, custodian or other similar official for Deepwater or for all or any substantial part of its property; or (iii) vote its interest as a member of Deepwater to, or to otherwise, cause Deepwater to file a voluntary petition in bankruptcy or an answer seeking reorganization in a proceeding under any bankruptcy, insolvency or similar laws or an answer admitting the material obligations of a petition filed against Deepwater in any such proceeding.

(b) No Amendment to LLC Agreement. Other than in connection with a transfer of an ownership interest permitted by Section 6.4(c) or a transaction permitted by Section 6.1(b), such Member agrees that it will not amend the LLC Agreement as in effect on the Documentation Date, in a manner that has an adverse effect on the rights or interests of the Trustees, the Investment Trust, the Funding Participants, or their respective rights under the Transaction Documents or the obligations of Deepwater thereunder, in each case, without the prior written consent of the Charter Trustee, such consent not to be unreasonably withheld.

(c) Maintenance of Membership Interests. Other than in connection with a Qualified Transfer, such Member agrees that it shall not sell, assign or transfer any of its interest in Deepwater if the result of such sale, assignment or transfer is to cause the aggregate membership interests in Deepwater of such Member and its Affiliates to be less than 40% of all of the Membership interests in Deepwater.

(d) Compliance by Deepwater. Subject to the terms of Section 12.13, such Member agrees that it shall not instruct Deepwater to take any action inconsistent with, contrary to or in violation of the Transaction Documents or Deepwater's obligations thereunder.

(e) Securities. It shall not, nor shall it permit anyone authorized to act on its behalf to, take any action which would subject the issuance or sale of any Certificates, Notes or any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be a part of the same offering as the offering of the aforementioned items, to the registration requirements of Section 5 of the Securities Act or any state securities laws.

SECTION 6.5 Hedging Agreements. At any time after the Closing Date, if Deepwater has arranged for one or more interest rate swaps in an aggregate notional principal amount of up to $195,000,000 in substantially the form of Exhibit L-1 hereto (the "Hedging Agreements") to be entered into by one or more Hedging Agreement Counterparties, then upon the written request from Deepwater the Charter Trustee shall enter into such Hedging Agreements and, concurrently therewith, Deepwater and the Charter Trustee shall enter into one or more matching interest rate swaps in substantially the form of Exhibit L-2 hereto (the "Deepwater Hedging Agreements"); provided that, at the time any Hedging Agreements are entered into after the Effective Date, each of the Hedging Agreement Counterparties shall be a Funding Participant or an Affiliate thereof and each of the Hedging Agreement Counterparties shall have executed acknowledgments to the Depository Agreement, the Charter Trustee Assignment and any other appropriate Transaction Document. The Charter Trustee is hereby instructed and agrees to deposit all amounts owed to Deepwater under the Deepwater Hedging Agreements (the "Deepwater Hedge Payments") and all amounts paid to the Charter Trustee under the Hedging Agreements with the Depository to be applied pursuant to the Depository Agreement, as applicable. All Deepwater Hedge Payments

deposited pursuant to the preceding sentence shall satisfy, to the extent so deposited, the obligations of the Charter Trustee under the Deepwater Hedging Agreements. All payments made to the Hedging Agreement Counterparties of amounts owed to the Hedging Agreement Counterparties under the Hedging Agreements pursuant to the Depository Agreement shall satisfy the corresponding obligations of Deepwater under the Deepwater Hedging Agreements. If a Responsible Officer of Deepwater has Actual Knowledge of a Charter Event of Default or Event of Loss, Deepwater shall promptly give notice thereof to each of the Hedging Agreement Counterparties. In addition, Deepwater shall provide to each of the Hedging Agreement Counterparties a copy of any notice of its election to exercise its Special Purchase Right under Section 16.4 of the Master Charter. The Charter Trustee shall provide to each of the Hedging Agreement Counterparties a copy of any notice given to Deepwater under Article XVI of the Master Charter.

SECTION 6.6 [Intentionally Omitted].

SECTION 6.7 Charter Extension Option. In the event that Deepwater elects
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the Charter Extension Option in accordance with Section 20.2 of the Master Charter, Deepwater may, in its sole discretion, elect to replace any Funding Participant that does not submit an offer to extend or whose offer to extend is rejected by Deepwater by having a Replacement Funding Participant purchase such non-consenting Funding Participant's interest in accordance with this Agreement. Replacement of a Funding Participant by a Replacement Funding Participant shall be accomplished in accordance with Section 4.4.

SECTION 6.8 Excessive Use Indemnity. In the event that (a) Deepwater
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elects the Return Option and (b) after paying to the Charter Trustee all amounts due under Section 20.3 of the Master Charter, including Net Sales Proceeds and the Residual Guaranty Amount, the Charter Trustee has not received sufficient funds to reduce the Charter Balance (excluding any Purchasing Party Amount) to zero, then Deepwater shall deliver a report from an independent appraiser acceptable to the Majority Funding Participants establishing whether or not the decline in the fair market value of the Drillship from the anticipated fair market value of the Drillship as of the Scheduled Charter Expiration Date in the Appraiser's report delivered pursuant to Section 3.2(f) of the Original Participation Agreement was due to wear and tear on the Drillship in excess of ordinary wear and tear. Deepwater shall pay to the Charter Trustee promptly after receipt of such report an amount equal to the amount, if any, of the decline in the fair market value of the Drillship that the appraiser has attributed to such excess wear and tear; provided, however, that the amount owed
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by Deepwater pursuant to this Section 6.8 shall in no event exceed the amount of
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funds necessary to reduce the Charter Balance (excluding any Purchasing Party Amount) to zero and to pay all accrued and unpaid Charter Return after Deepwater's payment of all amounts due under Section 20.3 of the Master Charter. The appraiser's determination shall be absolute and final and not contested by any of the parties hereto, absent manifest error.

SECTION 7

CERTAIN PROCEDURES

SECTION 7.1 Illegality. If after the Documentation Date the adoption of any Applicable Law, or any change in any Applicable Law, or in the interpretation or administration by any central bank or other Government Authority of any Applicable Law, has made it unlawful, or it is asserted by any central bank or other Government Authority that it is unlawful, for any Liquidity Purchaser or Certificate Purchaser or its Applicable Office to make or continue Base Rate Fundings (an "Illegality Event") then, on written notice thereof by such Funding Participant to Deepwater and the Charter Trustee, any obligation of such Funding Participant to make Base Rate Fundings shall be suspended to the extent necessary to comply with any such Applicable Law until such Funding Participant notifies the Charter Trustee and Deepwater that such Illegality Event no longer exists.

If an Illegality Event occurs, upon written notice of such Illegality Event from the affected Funding Participant to Deepwater (with a copy to the Charter Trustee), all Base Rate Fundings of such Funding Participant then outstanding shall automatically be converted to an Alternate Rate Funding, either on the last day of the Return Period thereof, if such Funding Participant may lawfully continue to maintain such Base Rate Fundings to such day, or immediately, if such Funding Participant may not lawfully continue to maintain such Base Rate Funding.

If the obligation of any Liquidity Purchaser or Certificate Purchaser to make or maintain Base Rate Fundings has been terminated or suspended in accordance with this Section 7.1, Deepwater may elect, by giving notice to such Funding Participant through the Charter Trustee or the Investment Trust that all Fundings which would otherwise be made by such Funding Participant as Base Rate Fundings shall be made instead as Alternate Rate Fundings.

Before giving any notice to Deepwater, the Charter Trustee or the Investment Trust under this Section 7.1, the affected Funding Participant shall designate a different Applicable Office with respect to its Base Rate Fundings if such designation will avoid or cure the Illegality Event and will not, in the judgment of the Funding Participant, be illegal or otherwise disadvantageous to the Funding Participant.

SECTION 7.2 Increased Costs and Reduction of Return. If due to either (i) the adoption of or any change in or in the interpretation by any Government Authority of any law or regulation or (ii) the compliance by any Affected Party with any guideline or request from any central bank or other Government Authority (whether or not having the force of law), any Affected Party becomes subject to any Tax, duty or other charge (other than Taxes for which indemnification is provided under Section 10.4) such that there shall be any increase in the cost to any Affected Party of agreeing to make or making, continuing, funding or maintaining any Fundings, or otherwise with respect to any commitment to, or funding of, any Conduit by an Affected Party (in such capacity) then, subject to Section 7.6, Deepwater shall be liable for, and shall from time to time, upon written demand from such Affected Party (with a copy of such demand to be sent to the Charter Trustee), pay to the Charter Trustee for the account of such Affected Party additional amounts equal to the amount of such increased costs.

(b) If (i) the adoption of any Applicable Law relating to the adequacy of any Affected Party's capital, (ii) any change in any such Applicable Law, (iii) any change in the interpretation or administration of any such Applicable Law by any central bank or other Government Authority charged with the interpretation or administration thereof, or (iv) compliance by any Affected Party (or its Applicable Office) or any corporation controlling any Affected Party with any such Applicable Law, affects or would affect the amount of capital required or expected to be maintained by any Affected Party or any corporation controlling any Affected Party such that the return on capital of such Affected Party is reduced as a consequence of such Affected Party's commitment or obligations under this Agreement, the Loan Agreement or the LAPA (or any other Conduit program document by an Affected Party (in such capacity)) to a level below that which such Affected Party could have achieved but for such adoption or change (taking into consideration such Affected Party's or such corporation's policies with respect to capital adequacy and such Affected Party's reasonably expected return on capital), then upon written notice from such Affected Party to Deepwater (with a copy to the Charter Trustee) Deepwater shall, subject to Section 7.6, pay to such Affected Party additional amounts
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sufficient to compensate such Affected Party for such reduction in return.

(c) Any Affected Party affected by a change as described in subparagraphs (a) or (b) shall, pursuant to Section 7.6, deliver to Deepwater
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and the Charter Trustee as promptly as practicable a certificate setting forth in reasonable detail the amount actually imposed or assessed and in the case of the occurrence of an event described in Section 7.2(a) or (b), setting forth in
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reasonable detail such increased amounts or the amount required to compensate such Affected Party for such reduced return and the basis for the determination of such amounts.

SECTION 7.3 Funding Losses. Deepwater shall reimburse each Affected Party
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and hold each Affected Party harmless from any direct loss or expense (as opposed to consequential loss or expense) which the Affected Party may sustain or incur as a consequence of: (a) the failure of Deepwater to make on a timely basis any payment which it is required to make under the Transaction Documents which is to be applied to the payment of principal of any Funding; (b) the failure of Deepwater to accept, continue or convert the proceeds of any Contribution or Advance paid to the Charter Trustee or Investment Trust, as the case may be after Deepwater has given (or is deemed to have given) a Refinancing Request; (c) the failure of Deepwater to make any payment which it is required to make under the Transaction Documents which is to be applied to the prepayment of any Funding in accordance with any notice delivered pursuant to this Agreement or any Transaction Document; (d) the prepayment or other payment (including after acceleration thereof) of a Funding on a day that is not the last day of the relevant Return Period; (e) the sale or transfer of a Series A Charter Trust Certificate or Note pursuant to Sections 4.4, 7.7 or 9.4, the
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automatic conversion of any Base Rate Funding to an Alternate Rate Funding or a conversion of a Funding bearing interest at the CP Rate to a Base Rate Funding or Alternate Rate Funding on a day that is not the last day of the relevant Return Period, including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Base Rate Fundings or from fees payable to terminate the deposits from which such funds were obtained; or (f) the prepayment or other payment (including after acceleration thereof) of a Conduit Loan on a day other than when due. For purposes of calculating amounts payable by Deepwater to the Affected Party other than the Conduit under this Section 7.3 except with respect to clause (f) above and under Sections 2.4
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and 2.8, each Base Rate Funding made by an Affected Party (and each related
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reserve, special deposit or similar requirements) shall be

conclusively deemed to have been funded at the LIBOR used in determining the applicable Return Rate for such Base Rate Funding by a matching deposit or other borrowing in the interbank Eurodollar market for a comparable amount and for a comparable period, whether or not such Base Rate Funding is in fact so funded.

SECTION 7.4 Inability to Determine Rates. If the Charter Trustee or the Majority Funding Participants determine that for any reason adequate and reasonable means do not exist for determining the Base Rate for any requested Return Period with respect to a proposed Base Rate Funding by reason of any changes arising after the Documentation Date affecting the interbank Eurodollar market, the Charter Trustee will promptly so notify Deepwater and each Funding Participant. Thereafter, the obligation of the Liquidity Purchasers or Certificate Purchasers to make or maintain Base Rate Fundings hereunder shall be suspended until the Charter Trustee, upon the instruction of the Majority Funding Participants, revokes such notice in writing. Upon receipt of such notice, Deepwater may revoke any Refinancing Requests then submitted by it. If Deepwater does not revoke any such Refinancing Request, each Liquidity Purchaser and Certificate Purchaser shall make, convert or continue its Funding, as the case may be, as proposed by Deepwater, in the amount specified in the applicable notice submitted by Deepwater, but such Fundings shall be made, converted or continued as Alternate Rate Fundings instead of Base Rate Fundings.

SECTION 7.5 Reserves on Base Rate Advances. If after the date hereof any Liquidity Purchasers or Certificate Purchasers shall be required under regulations of the Federal Reserve Board or any other applicable Government Authority to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency Liabilities"), Deepwater shall pay to such Funding Participant additional costs on the unpaid principal amount of each Base Rate Funding equal to the actual costs of such reserves maintained and allocated to such Base Rate Funding by such Funding Participant, payable on each date on which interest is payable on such Base Rate Funding, provided Deepwater shall have received at least 15 days' prior written notice (with a copy to the Charter Trustee) of such additional costs from the Funding Participant. If a Funding Participant fails to give notice 15 days prior to the relevant Charter Hire Payment Date, such additional costs shall be payable 15 days from receipt of such notice.

SECTION 7.6 Certificates of Funding Participants. Any Affected Party claiming reimbursement or compensation under this Section 7 shall deliver to Deepwater (with a copy to the Charter Trustee) a certificate setting forth in reasonable detail the amount payable to such Affected Party hereunder and the basis for the determination of such amount and such certificate shall be conclusive and binding on Deepwater in the absence of manifest error. Deepwater shall not be obligated to compensate any Affected Party for any costs incurred more than 120 days before the date on which such Affected Party first notifies Deepwater of its intent to make such a claim or it notifies Deepwater of an event that entitles it to compensation.

SECTION 7.7 Substitution of Funding Participants; Change in Applicable Office; Prepayments. Upon the receipt by Deepwater from any Funding Participant (an "Affected Funding Participant") of a claim for compensation under Section 7.2, Deepwater may: (i) request the Affected Funding Participant to use commercially reasonable efforts to obtain a replacement bank or financial institution satisfactory to Deepwater (a "Substitute Funding Participant") to

acquire and assume all or a ratable part of all of such Affected Funding Participant's Certificate Purchaser Amount or Lender Amount, as the case may be, and Liquidity Purchaser Commitment Amount and Facility Loan Commitment Amount, as the case may be, so long as the Affected Funding Participant is paid its Certificate Purchaser Amount or Lender Amount, as the case may be, accrued and unpaid Charter Return on such amount, any funding losses incurred by it pursuant to Section 7.3 as a result of the substitution and any other accrued and unpaid amount owed to it by Deepwater under the Transaction Documents; (ii) request one or more of the other Funding Participants, as applicable, to acquire and assume all or part of such Affected Funding Participant's Certificate Purchaser Amount or Lender Amount, as the case may be, and Liquidity Purchaser Commitment Amount and Facility Loan Commitment Amount, as the case may be, so long as the Affected Funding Participant is paid its Certificate Purchaser Amount or Lender Amount, as the case may be, accrued and unpaid Charter Return on such amount, any funding losses incurred by it pursuant to Section 7.3 as a result of the substitution and any other accrued and unpaid amount owed to it by Deepwater under the Transaction Documents; (iii) designate a Substitute Funding Participant and require the Affected Funding Participant to sell all of its interests in its Certificate Purchaser Amount or Lender Amount, as the case may be, and Liquidity Purchaser Commitment Amount and Facility Loan Commitment Amount, as the case may be, to such Substitute Funding Participant for an amount equal to its Certificate Purchaser Amount or Lender Amount, as the case may be, accrued and unpaid Charter Return, any funding losses incurred by it pursuant to Section 7.3 as a result of the substitution and all other accrued and unpaid amounts owed to it by Deepwater under the Transaction Documents; (iv) request the Affected Funding Participant to designate a different Applicable Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not be illegal or otherwise disadvantageous to the Affected Funding Participant; or (v) make payments to the Charter Trustee which are equal to the amounts necessary for the Charter Trustee to prepay all or a portion of the Certificate Purchaser Amount or Lender Amount, as the case may be, of the Affected Funding Participant Purchaser, together with accrued and unpaid Charter Return attributable to the amount being prepaid and any funding losses incurred by the Affected Funding Participant pursuant to Section 7.3 as a result of the prepayment; provided that in the case of clauses (i), (ii), (iii) or (iv) above, if such Substitute Funding Participant is a Liquidity Purchaser, such action shall be subject to approval by the Rating Agencies rating the Commercial Paper Notes and the applicable Administrator and subject to the provisions of each respective LAPA; provided further, that (i) any replacement of the Conduit (Liberty) shall not be effective unless The Bank of Nova Scotia is also replaced as a Liquidity Purchaser, (ii) any replacement of The Bank of Nova Scotia shall not be effective unless the Conduit (Liberty) is also replaced, (iii) any replacement of the conduit (Paradigm) shall not be effective unless Westdeutsche Landesbank Girozentrale, New York Branch is also replaced as a Liquidity Purchaser and (iv) any replacement of Westdeutsche Landesbank Girozentrale, New York Branch as a Liquidity Purchaser shall not be effective unless the Conduit (Paradigm) is also replaced; provided further, that in the event that Conduit (Liberty) is replaced pursuant to this Section 7.3, (i) Conduit (Hatteras) shall, subject to approval from the Rating Agencies, increase its Conduit Loan Amount under the Loan Agreement in an amount equal to the portion of Bank of America N.A.'s Facility Loan Commitment Amount with respect to Conduit (Liberty) and (ii) Bank of America N.A. shall, subject to approval from the Rating Agencies, increase its Liquidity Purchaser Commitment Amount with respect to Conduit (Hatteras) in an amount equal to its terminated Liquidity Purchaser Commitment Amount with respect to Conduit (Liberty). The

Affected Funding Participant shall take any commercially reasonable actions necessary to carry out a request or election made by Deepwater in accordance with this Section 7.7 at Deepwater's sole cost and expense. Any designation of a Substitute Funding Participant under this Section 7.7 shall be subject to the prior written consent of the Charter Trustee which consent shall not be unreasonably withheld, delayed or conditioned.

SECTION 7.8 Legal and Tax Representation. Deepwater acknowledges and agrees that none of the Trustees, the Investment Trust, any Agent or any Funding Participant has made any representation or warranty concerning the tax, accounting or legal characteristics of the Charter or any of the other Transaction Documents, and that Deepwater has obtained and relied on such tax, accounting and legal advice regarding the Charter and the other Transaction Documents as its deems appropriate. Each of the Charter Trustee, Investment Trust and each Funding Participant acknowledges and agrees that it has obtained and reviewed the Transaction Documents and the various items delivered in connection therewith, and on such tax, accounting and legal advice regarding the Charter and the other Transaction Documents as it deems appropriate.

SECTION 7.9 Failure of a Certificate Purchaser to Fund. If a Contribution is to be made in accordance with the terms and conditions hereof and if the Charter Trustee determines that any Certificate Purchaser (each such Certificate Purchaser a "Defaulting Certificate Purchaser") will not make available all or a portion of its Contribution (the "Defaulted Amount"), the Charter Trustee shall promptly so notify Deepwater and each other Certificate Purchaser (each, a "Non-Defaulting Certificate Purchaser") and shall specify the additional amounts required to be funded by each such Non-Defaulting Certificate Purchaser pursuant to this Section 7.9. Each such Non-Defaulting Certificate Purchaser as soon as practical after receipt of notice but not before the Refinancing Date, shall transfer to the Charter Trustee, in immediately available funds, its pro rata share of the Defaulted Amount, determined in the same proportion that such Non-Defaulting Certificate Purchaser's Certificate Purchaser Commitment bears to the aggregate Certificate Purchaser Commitments of all such Non-Defaulting Certificate Purchasers; provided, that such amount, together with all amounts previously funded by each such Non-Defaulting Certificate Purchaser, shall not exceed such Non-Defaulting Certificate Purchaser's Certificate Purchaser Commitment. If the Defaulted Amount cannot be fully funded by the Non-Defaulting Certificate Purchasers, the Charter Trustee shall so notify Deepwater and the Non-Defaulting Certificate Purchasers and give to all such Non-Defaulting Certificate Purchasers the opportunity to increase their respective Certificate Purchaser Commitments by notice in writing to the Charter Trustee; provided, that should the aggregate proposed increased Certificate Purchaser Commitments by one or more Non-Defaulting Certificate Purchasers exceed the Defaulted Amount, the Charter Trustee shall increase the Certificate Purchaser Commitments of the participating Non-Defaulting Certificate Purchasers on a pro-rata basis in accordance with the respective amounts by which such Non-Defaulting Certificate Purchasers have offered to participate, it being understood that in no event shall the aggregate amount funded by any Certificate Purchaser exceed the amount of such Certificate Purchaser's Certificate Purchaser Commitment after giving effect to any increase in such Certificate Purchaser Commitment pursuant to this sentence. If the Non-Defaulting Certificate Purchasers do not increase their commitments by an amount sufficient to fund the entire Defaulted Amount, then Deepwater shall have the right to elect to fund any such shortfall and shall thereafter be deemed to be a Certificate Purchaser for all purposes of the Transaction Documents and shall be entitled to receive yield on the amount so

funded in an amount equal to the applicable Charter Return; provided, however, that Deepwater shall not be deemed to be a Certificate Purchaser for purposes of the definition of "Majority Funding Participants".

In the event of any funding of all or a portion of the Defaulted Amount by the Non-Defaulting Certificate Purchasers, the following rules shall apply notwithstanding any other provision in any Transaction Document:

(i) The Certificate Purchaser Commitment of the Defaulting Certificate Purchaser shall be decreased in an amount equal to the total aggregate increase, if any, in the Certificate Purchaser Commitments of the Non-Defaulting Certificate Purchasers pursuant to this Section 7.9 and the Certificate Purchaser Commitment Percentages of the Certificate Purchasers shall be revised accordingly; provided, that nothing shall preclude any party from pursuing any rights or remedies it may have against the Defaulting Certificate Purchaser in connection with its failure to make a Contribution;

(ii) [Intentionally Omitted];

(iii) A Defaulting Certificate Purchaser shall not have the right to fund its Defaulted Amount without the written consent of Deepwater and then only to the extent such Defaulted Amount has not been funded by the Non-Defaulting Certificate Purchasers in a manner that resulted in a decrease in such Defaulting Certificate Purchaser's Certificate Purchaser Commitment Percentage;

(iv) If and to the extent that the Defaulted Amount is not funded in full by the Non-Defaulting Certificate Purchasers, the Charter Trustee, after providing written notice thereof to Deepwater, may delete funds from the Refinancing Request so that the total Contribution specified in the Refinancing Request equals the aggregate revised Contributions for the Refinancing Date and shall so notify all Certificate Purchasers thereof; and

(v) The Non-Defaulting Certificate Purchasers shall not be responsible for any damages suffered by Deepwater or any of Deepwater's Affiliates as a result of the Defaulting Certificate Purchaser's failure to so fund. The Defaulting Certificate Purchasers shall not be responsible for any consequential or special damages suffered by Deepwater or any of Deepwater's Affiliates as a result of its failure to fund.

SECTION 8

PAYMENT OF CERTAIN EXPENSES

SECTION 8.1 Transaction Expenses. In the event that the transactions contemplated hereby are consummated, Deepwater shall pay or cause to be paid all Transaction Expenses in accordance with Sections 3.2(i) and 4.2(j), all Fees in accordance with Sections 2.14 and 4.2(j) and all other fees, expenses and costs in accordance with the Transaction Documents. Deepwater may pay any such Transaction Expenses out of the proceeds of Contributions and Advances made available in accordance with Section 2.3. Any Transaction Expenses or Fees

submitted to Deepwater which were not paid on the Refinancing Date shall be paid by Deepwater promptly after receipt of an invoice therefor.

SECTION 8.2 Transaction Expenses if Closing does not Occur. In the event that the transactions contemplated hereby are not consummated for any reason Deepwater shall promptly pay all of the Transaction Expenses submitted to Deepwater as they become due.

SECTION 8.3 On-Going Expenses. Deepwater shall, promptly upon demand, pay or reimburse the Charter Trustee, the Investment Trust, each Affected Party, the Agents or the other Persons entitled thereto for all other out-of-pocket expenses (including counsel fees) reasonably incurred in connection with: (a) entering into, or the giving or withholding of, any future amendments, supplements, waivers or consents with respect to the Transaction Documents, to the extent required by the terms of the Transaction Documents, the Services Agreements, the Drilling Contracts, the Rig Sharing Agreement or the Drilling Contract Guaranties, or requested or consented to by Deepwater (whether or not consummated); (b) the negotiation and documentation of any restructuring or "workout" whether or not consummated, of any Transaction Document to the extent requested or consented to by Deepwater; (c) the enforcement, attempted enforcement or preservation of the rights or remedies under the Transaction Documents, the Services Agreements, the Drilling Contracts, the Rig Sharing Agreement or the Drilling Contract Guaranties; (d) further assurances requested by Deepwater pursuant to Section 12.11; (e) any transfer by the Charter Trustee, the Investment Trust or any Funding Participant of any interest in the Transaction Documents during the continuance of a Charter Event of Default; (f) the ongoing fees (if any) and expenses of any Agent, the Trustees and the Depository pursuant to separate agreements entered into by Deepwater with such Persons; (g) the costs and expenses associated with the Documentation Date and the Refinancing Date, including fees and expenses of U.S. and Panamanian counsel, recordation and recording fees and all other out-of-pocket expenses of the parties hereto in connection with the Documentation Date and the Refinancing Date and the transactions contemplated herein (h) any reasonable legal fees and expenses incurred by a single counsel to any Conduit and its Applicable Liquidity Purchasers and related Agents in connection with the extension of the LAPAs, and (i) any fees and expenses incurred by each Liquidity Agent in connection with establishing and maintaining a segregated trust account pursuant to the applicable sections of the LAPA it is party to (provided, that Deepwater shall only be responsible for fees and expenses of one U.S. counsel and one Panamanian counsel for all of the Funding Participants (other than the Conduits in the case of the U.S. counsel), the Agents, the Trustees and the Investment Trust).

SECTION 9

RESTRICTIONS ON TRANSFERS; CHANGE OF CONTROL; MEMBER TRANSFER

SECTION 9.1 Restrictions on the Funding Participants. A Funding Participant, including a Purchasing Party, may transfer all or a portion of its interest in its Series A Charter Trust Certificates, Notes or Commitments, as the case may be, in the following circumstances:

(a) in the case of a Funding Participant that is not a Purchasing Party, such Person obtains the prior written consent of Deepwater and transfers its interests in its Series A Charter

Trust Certificates, Notes, Loans or Commitments, as the case may be, to a transferee that has executed an Assignment and Assumption Agreement in substantially the form of Exhibit K by which such transferee assumes the duties and obligations of the transferring Funding Participant; provided that if any Conduit transfers its interests in its Notes, Loans or Commitments to an Affiliate or any Program Support Provider or if any Liquidity Purchaser transfers its interests in its Notes, Loans or Commitments to its Conduit, such Funding Participant will not be restricted by the provisions set forth in this Section 9.1;

(b) in the case of any Certificate Purchaser, including any Purchasing Party, such Person transfers all or a portion of its interest in its Series A Charter Trust Certificates and the following conditions are satisfied:

(i) such transfer is equal to such Certificate Purchaser's then outstanding Certificate Purchaser Amount;

(ii) if the transferee is an Affiliate of a Certificate Purchaser and does not otherwise qualify under clause (iii) below, such Certificate Purchaser unconditionally and irrevocably guarantees the payment and performance obligations of the transferee;

(iii) if the transferee is an Affiliate of a Certificate Purchaser, such transferee has a capital and surplus of at least $250 million or a tangible net worth of at least $100 million; or

(iv) if the transferee is not an Affiliate of a Certificate Purchaser, the transferee, or a party unconditionally and irrevocably guaranteeing the payment and performance obligations of the transferee pursuant to a guaranty in form and substance satisfactory to Deepwater, meets the following criteria:

(1) the transferee or guarantor of the payment and performance obligations of the transferee, if any, has a capital and surplus of at least $400 million or a net worth of at least $150 million;

(2) each of the transferee and the guarantor of the payment and performance obligations of the transferee, if any, is an institutional investor;

(3) Deepwater, Conoco and Transocean have not previously been involved in material litigation with the proposed transferee or guarantor of the payment and performance obligations of the transferee, if any, and are not currently involved in material litigation proceedings with the proposed transferee or guarantor of the payment and performance obligations of the transferee, if any;

(4) on the date of such transfer the transferee provides evidence satisfactory to Deepwater that it is not subject to or is exempt from United States withholding taxes;

(5) neither such transferee or guarantor nor any of its Affiliates is a Competitor; and

(6) on the date of such transfer, the transferee certifies, in writing, that no facts exist that would permit such transferee to make a claim against Deepwater for increased costs, indemnities or other additional amounts under Section 7.

(c) in the case of any Liquidity Purchaser, such person meets the requirements contained in Section 10 of the applicable LAPA.

Any transfer of an interest in a Series A Charter Trust Certificate, a Note, Loan or Commitment by a Funding Participant in violation of the foregoing restrictions shall be null and void, and the transferor and any guarantor thereof shall remain liable under the Transaction Documents. A Funding Participant that intends to transfer an interest in its Series A Charter Trust Certificates (including a sale of a participation in any such Certificate pursuant to Section 3.8(h) of the Trust Agreement or Section 3.8(h) of the Investment Trust Agreement, respectively, or a pledge thereof) and has an interest in Notes must transfer the same percentage interest in both its Series A Trust Certificates and Notes together to the same purchaser or transferee in a single transaction.

Notwithstanding any other provision in this Section 9.1, any Funding
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Participant may at any time create a security interest in, or pledge, all or any portion of its rights under its Series A Charter Trust Certificate or Notes, as the case may be, together with the rights evidenced by such certificates, in favor of (i) any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 C.F.R. Section 203.14, and (ii) with respect to any Conduit, any Program Support Provider, and such Person may enforce such pledge or security interest in any manner permitted under Applicable Law.

SECTION 9.2 Restrictions on Trustees and Investment Trust Beneficiary.

The Charter Trustee shall not resign as Charter Trustee, the Investment Trustee shall not resign as Investment Trustee and the Investment Trust Beneficiary shall not resign as Investment Trust Beneficiary, unless and until a successor has been appointed which is a Person who has agreed to act as Charter Trustee, Investment Trustee and Investment Trust Beneficiary as applicable, and is reasonably acceptable to Deepwater.

SECTION 9.3 Expenses. All reasonable and documented costs and expenses
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(including counsel fees and disbursements) of the parties thereto in connection with any transfer permitted by Section 9.1 or Section 9.2 (excluding reasonable
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out-of-pocket costs and expenses relating to any transfer by a Conduit, which such costs and expenses shall be the responsibility of Deepwater) shall be the responsibility of the transferor.

SECTION 9.4 Change of Control.

If a Prepayment Change of Control Trigger Event occurs, (i) the Person suffering such Prepayment Change of Control Trigger Event must notify in writing (the "Prepayment Change of Control Trigger Event Notice"), each Funding
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Participant and the Charter Trustee of the occurrence of such Prepayment Change of Control Trigger Event within ten (10) days of the occurrence of such event and (ii) each Funding Participant shall have the right, by written notice (the "Prepayment Notice") delivered to Deepwater, the relevant Purchasing Party, the
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Charter Trustee and the Investment Trust within 10 days of receipt of the Prepayment Change of Control

Trigger Event Notice, to require such Purchasing Party to purchase (x) (1) such Funding Participant's Conoco Series A Charter Trust Certificates, if any, and (2) 40% of such Funding Participant's Notes (where Conoco is the Purchasing Party), if any, or (y) (1) such Funding Participant's Transocean Series A Charter Trust Certificates, if any, and (2) 60% of such Funding Participant's Notes (where Transocean is the Purchasing Party), if any, on a date set forth in the Prepayment Notice which shall be no more than 7 Business Days from the delivery of the Prepayment Notice to the Purchasing Party. On the date set forth in the Prepayment Notice, the Purchasing Party shall make payments in immediately available funds to the Charter Trustee in its individual capacity, as agent for the Purchasing Party, which will remit such amounts to the selling Funding Participant(s) in an aggregate amount equal to (i) where Transocean is the Purchasing Party, (x) in exchange for the Transocean Series A Charter Trust Certificates of a selling Certificate Purchaser, the outstanding principal balance of the Transocean Series A Charter Trust Certificates of such Certificate Purchaser, together with the accrued and unpaid Charter Return thereon and any funding losses incurred by such Certificate Purchaser pursuant to Section 7.3 as a result of the prepayment of such Transocean Series A Charter Trust Certificates and (y) 60% of the then outstanding Lender Amount of the applicable Lender, together with the accrued and unpaid Charter Return thereon and any funding losses incurred by the Lenders pursuant to Section 7.3 as a result of the prepayment of the Notes and (ii) where Conoco is Purchasing Party, (x) in exchange for the Conoco Series A Charter Trust Certificates of such Certificate Purchaser, the outstanding principal balance of the Conoco Series A Charter Trust Certificates of such Certificate Purchaser, together with the accrued and unpaid Certificate Return thereon and any funding losses incurred by such Certificate Purchaser pursuant to Section 7.3 as a result of the prepayment of such Conoco Series A Charter Trust Certificates and (y) 40% of the then outstanding Lender Amount of the applicable Lender, together with the accrued and unpaid Charter Return thereon and any funding losses incurred by the Lenders pursuant to Section 7.3 as a result of the prepayment of the Notes (the amounts specified in clauses (i) and (ii), collectively being, the "Change of Control Prepayment Amount"). The Purchasing Party shall make payment to the Charter Trustee in its individual capacity, in immediately available funds, in the amount of the Change of Control Prepayment Amount. Upon receipt of such payment from the Purchasing Party, the Charter Trustee, as agent for the Purchasing Party, shall pay the Series A Portion of the Change of Control Prepayment Amount to the applicable Certificate Purchasers requiring prepayment pursuant to this Section 9.4 and shall pay the Lender Portion of the Change of Control Prepayment Amount to the Investment Trust, which, in turn, shall pay such amount to the applicable Lenders requiring prepayment pursuant to this Section 9.4.

The Commitments and any outstanding Certificate Purchaser Amounts or Lender Amount of any Purchasing Party receiving its interest in the Series A Charter Trust Certificates and/or Notes pursuant to this Section 9.4 shall not be counted in determining any actions which require the vote of the "Majority Funding Participants," nor shall a Purchasing Party, to the extent its interest is acquired pursuant to this Section 9.4, be considered a Funding Participant for purposes of any voting provisions of the Transaction Documents. In addition, a Purchasing Party, to the extent it receives its interest in the Series A Charter Trust Certificates and/or Notes pursuant to this Section 9.4, shall not be considered a "Funding Participant" for the purposes of receiving distributions under the Depository Agreement but shall instead receive payments thereunder in respect of the Purchased Interest only as a "Purchasing Party" thereunder. As a point of clarification only, except to the extent provided above, the outstanding Certificate

Purchaser Amount relating to the Series A Charter Trust Certificates purchased by the Purchasing Party shall continue to be deemed a "Certificate Purchaser Amount" and shall be included as a part of the Certificate Purchaser Balance and the outstanding Lender Amounts relating to the Notes purchased by the Purchasing Party shall continue to be deemed "Lender Amounts" and shall be included as part of the "Lender Balance" and, as such, each shall be included in the calculation of any Purchase Option Price, Termination Value, Residual Guaranty Amount, Charter Balance or other amount having the Certificate Purchaser Balance and/or Lender Balance, as the case may be, as a component thereof. The foregoing restrictions and limitations with respect to voting rights and the receipt of distributions under the Depository Agreement are applicable only in so far as the Purchasing Party (or any of its Affiliates) remains the holder of such Purchased Interest. Any transferee of a Purchasing Party (other than a transferee which is, or is an Affiliate of, Conoco, Transocean or Deepwater) of its Purchased Interest (i) shall become a "Funding Participant" for all purposes under the Transaction Documents, (ii) shall not be deemed to be a "Purchasing Party" and (iii) shall not be subject to any such restrictions or limitations not otherwise applicable to a Funding Participant. Transferees which are Affiliates of Conoco, Transocean or Deepwater following the transfer of all or any portion of a Purchased Interest shall be deemed to be Purchasing Parties to the extent of the interest transferred.

If either Conoco or Transocean is required to make purchases set forth above then the following events shall automatically be deemed to have occurred immediately after such purchases:

(i) the Rig Sharing Agreement and (a) if Transocean is the Purchasing Party, the Transocean Charter, the R&B Falcon Drilling Contract and the Transocean Drilling Contract Guaranty shall terminate or (b) if Conoco is the Purchasing Party, the Conoco Charter, the Conoco Drilling Contract and the Conoco Drilling Contract Guaranty shall terminate;

(ii) the non-purchasing party will be treated as having entered into a subcharter, substantially in the form attached hereto as Exhibit M, with the Purchasing Party imposing on the Purchasing Party the same obligations it had under the terminated Drilling Contract and Rig Sharing Agreement;

(iii) the non-purchasing party shall have the right to exclusive possession of the Drillship for the remainder of the Charter Term; and

(iv) The obligations of such Purchasing Party listed in Sections 2(a)(i)(x)(A), 2(a)(i)(y)(A), 2(a)(ii)(A)(1), 2(a)(ii)(B)(1), 2(a)(vi) and 2(a)(v) of (a) the Transocean Guaranty, if Transocean is the Purchasing Party or (b) the Conoco Guaranty, if Conoco is the Purchasing Party, shall be terminated.

The rights and obligations imposed under this Section 9.4 shall at all times be subject to the Special Purchase Right of Deepwater pursuant to Section 16.4 of the Master Charter.

SECTION 9.5 Member Transfer. Any Member or its affiliates (the "Acquiring Member") may acquire from any other Member or its affiliates (the "Selling Member") all or any

part of the membership interest in Deepwater (a "Qualified Transfer") so long as (a) at such time, no Charter Event of Default has occurred and is continuing; (b) such Acquiring Member has assumed all obligations of the Selling Member under its existing Drilling Contract, related Charter Supplement, Drilling Consent and Service Agreements and the Transaction Documents to which it is a party pursuant to an assignment and assumption agreement acceptable to the Funding Participants; (c) such Acquiring Member's Guarantor has assumed all obligations of the Guarantor related to the Selling Member under its Drilling Contract Guaranty and, as applicable, the Conoco Guaranty or Transocean Guaranty; and (d) such Acquiring Member has obtained the consent of each Participant for such Qualified Transfer; provided, that Deepwater will have the right to replace any Participant that does not consent to such Qualified Transfer pursuant to Section 4.4.

SECTION 10

INDEMNIFICATION

SECTION 10.1 General Indemnity. Deepwater hereby agrees to indemnify, on an After-Tax Basis, each of the Trustees (in their trust and individual capacities, respectively), the Investment Trust, each Affected Party, the Depository, each Agent (in its agent and individual capacities), the Hedging Agreement Counterparties (if any), Affiliates and the permitted successors and assigns of the foregoing and their respective officers, directors, employees, agents (each an "Indemnified Party" and, collectively, the "Indemnified Parties") from and against any and all claims, damages, losses, liabilities, demands, suits, judgments, causes of action, legal proceedings, whether civil or criminal, penalties, fines and other sanctions, and any reasonable and documented costs and expenses in connection with any of the foregoing ("Claims"), which may be asserted against such Indemnified Party arising out of:

(a) the condition, ownership, construction, purchase, delivery, nondelivery, subcharter, charter, acceptance, rejection, possession, return, abandonment, disposition, use or operation of the Drillship;

(b) any defect in the Drillship arising from the material or any articles used therein or from the design, testing, or use thereof or from any maintenance, service, repair, overhaul or testing of the Drillship;

(c) any failure by Deepwater or either Member to perform or observe any covenant, condition or agreement contained in any of the Transaction Documents, or the falsity of any of Deepwater's or either Member's representations and warranties;

(d) the transactions contemplated by the Transaction Documents;

(e) any Environmental Claims arising from or relating to the construction, use, operation, ownership, maintenance, chartering or return of the Drillship;

(f) the exercise by such Indemnified Party of remedies in the event of a default under the Transaction Documents and the enforcement of any security or other rights with respect thereto;

(g) any violation of Applicable Law by Deepwater or a Member with respect to the transactions contemplated by the Transaction Documents;

(h) any Liens which Deepwater or any Member is required to remove; or

(i) any obligation asserted to be owed by the Indemnified Party under any Assigned Contract as a result of the assignment of such Assigned Contract pursuant to the Deepwater Assignment.

SECTION 10.2 General Indemnity Exclusions. Notwithstanding the provisions of Section 10.1, Deepwater shall not be obligated to indemnify an Indemnified Party under Section 10.1 for any Claim that is attributable to any of the following:

(a) acts, events or circumstances occurring after the expiration or earlier termination of the Charter and the return of the Drillship, when required in accordance with the Charter;

(b) Taxes, loss of tax benefits and the cost and expense of tax controversies (whether or not indemnified by Deepwater under Section 10.4 and other provisions of the Transaction Documents) (except (A) Taxes, penalties, interest or charges of any nature whatsoever to the extent necessary to make any required payment on an After Tax Basis, (B) Taxes that are governmental charges incidental to any Government Action or proceeding that is in the nature of court costs, filing fees, recording fees, postage, stamps, duties, license fees and other similar charges);

(c) increased costs, losses or expenses for which compensation is provided under Sections 2.8, 2.14, 6.8, 7.1, 7.2, 7.3, 7.4, 7.5, 8.1, 8.2, 8.3, 9.3 and 9.4;

(d) the gross negligence, willful misconduct or breach of any covenant, representation or warranty under any Transaction Document by such Indemnified Party to the extent that such Claim arises out of or is caused by an act, misrepresentation, breach or omission of such Indemnified Party where such act, misrepresentation, breach or omission, (x) is in breach or violation of the express covenants, representations or warranties of such Indemnified Party under the Transaction Documents or, (y) constitutes gross negligence or willful misconduct of such Indemnified Party (other than gross negligence or willful misconduct imputed as a matter of law to such Indemnified Party solely by reason of entering into the Transaction Documents or consummation of the transactions contemplated thereby) or (z) is in violation of any Applicable Law and such violation causes such Claim;

(e) transfers (direct or indirect) by: (i) the Charter Trustee or the Investment Trust of either of their interests in the Drillship or any portion thereof (other than any such transfer pursuant to Sections 15.2, 16.4, 20.1 or 20.3 of the Master Charter, Sections 4.2 or 4.4 of either Charter Supplement No. 1 or Charter Supplement No. 2) or (ii) a Funding Participant of all or any portion of its interest in the Trust Estate, the Investment Trust or the Transaction Documents, other than (x) a transfer upon an exercise of remedies after a Charter Event of Default has occurred and is continuing and either Charter Supplement No. 1 or Charter Supplement No. 2 has been declared in default or (y) transfers of Commercial Paper Notes or by the Conduits to any Program Support Providers;

(f) any amount for which such Indemnified Party has agreed to make payment without a right of reimbursement from Deepwater;

(g) any Claim resulting from the imposition of any Lien which such Indemnified Party is responsible for or is required to lift and discharge;

(h) any Claim arising out of or related to an inspection of the Drillship by or on behalf of an Indemnified Party, unless at the time of such inspection a Charter Event of Default has occurred and is continuing or unless and to the extent such Claim arises from the gross negligence or willful misconduct of Deepwater or its agents; and

(i) any Claim for an amount of Basic Hire, Termination Value, Charter Return, Charter Balance, Residual Guaranty Amount, or Postponement Yield, or an amount due under the Deepwater Hedging Agreements or the Hedging Agreements.

SECTION 10.3 Proceedings in Respect of Claims. With respect to any amount that Deepwater is requested by an Indemnified Party to pay by reason of Section 10.1, such Indemnified Party shall, if so requested by Deepwater and prior to any payment, submit such additional information to Deepwater as Deepwater may reasonably request and which is in the possession of such Indemnified Party to substantiate properly the requested payment. In case any action, suit or proceeding shall be brought against any Indemnified Party in respect of any Claim, such Indemnified Party shall notify Deepwater of the commencement thereof, and Deepwater shall be entitled, at its expense, to participate in, and, to the extent that Deepwater desires to, assume and control the defense thereof; provided, however, that Deepwater shall have acknowledged in writing its obligation to indemnify such Indemnified Party in respect of such action, suit or proceeding under Section 10.1, such acknowledgment to be conditioned on the accuracy, timeliness and completeness of the information provided to Deepwater by such Indemnified Party with respect to the Claim; and, provided further, that Deepwater shall not be entitled to assume and control the defense of any such action, suit or proceeding if and to the extent that, (A) in the reasonable opinion of such Indemnified Party, (x) such action, suit or proceeding involves any possibility of imposition of criminal liability or any material risk of material civil liability on such Indemnified Party or (y) the control of such action, suit or proceeding would involve a conflict of interest (in which case each Indemnified Party may retain separate counsel at the expense of Deepwater), (B) such proceeding involves Claims not indemnified by Deepwater which Deepwater and the Indemnified Party have been unable to sever from the indemnified claim(s), or (C) a Charter Event of Default has occurred and is continuing. Deepwater shall keep such Indemnified Party fully apprised of the status of such action, suit or proceeding and shall provide such Indemnified Party with all information with respect to such action suit or proceeding as such Indemnified Party shall reasonably request. The Indemnified Party may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by Deepwater in accordance with the foregoing.

No Indemnified Party shall enter into any settlement or other compromise with respect to any Claim which is entitled to be indemnified under Section 10.1 without the prior written consent of Deepwater, which consent shall not be unreasonably withheld, unless such Indemnified Party waives its right to be indemnified under Section 10.1 with respect to such Claim.

Upon payment in full of any Claim by Deepwater pursuant to Section 10.1 to or on behalf of an Indemnified Party, Deepwater, without any further action, shall be subrogated to any and all claims that such Indemnified Party may have relating thereto to the extent of such payment, and such Indemnified Party shall execute such instruments of assignment and conveyance, evidence of claims and payment and such other documents, instruments and agreements as may be reasonably necessary to preserve any such claims and otherwise cooperate with Deepwater and give such further assurances as are reasonably necessary or advisable to enable Deepwater vigorously to pursue such claims.

Any amount payable to an Indemnified Party pursuant to Section 10.1 shall be paid to such Indemnified Party promptly upon receipt of a written demand therefor from such Indemnified Party accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable.

SECTION 10.4 General Tax Indemnity. (a) Without regard to any of the exclusions set forth in Section 10.4(b), if any amount payable by Deepwater as Charter Hire (or by the Charter Trustee to the Investment Trust or any Funding Participant) under the Transaction Documents or otherwise payable by Deepwater under the Head Lease Documents becomes subject to any Tax imposed by way of withholding at the source, Deepwater shall hold harmless the Indemnified Party against such Tax, and, if such withholding is required, shall, at the same time that any such payment is due and payable, either (i) pay such Tax directly to the appropriate taxing authority, (ii) indemnify such Person for such Tax, or (iii) pay an additional amount, such that the net amount actually received by each Indemnified Party entitled thereto, free and clear of, and without deduction for, any and all Taxes imposed by withholding will equal the amount then due absent such withholding and shall pay any additional Taxes payable in respect of such payment, indemnity or additional amount, as the case may be, by each Indemnified Party. In the event Deepwater is required to make any payment or indemnity pursuant to this paragraph in respect of withholding Taxes on any payment made to any Indemnified Party, Deepwater shall not be treated as responsible for such withholding Taxes (1) if such withholding Taxes would not have been imposed but for (x) the failure of the Indemnified Party or a Related Indemnified Party to be incorporated in the United States or any state in the United States (it being understood that, for this purpose, the Charter Trust shall not be treated as failing to be incorporated in the United States or any state in the United States merely as a result of the organization of the Charter Trust under the laws of Panama) or (y) the amount payable to such Indemnified Party being attributable to a permanent establishment of the Indemnified Party or a Related Indemnified Party in any jurisdiction other than the United States (unless such permanent establishment results solely from the location of all or any part of the Drillship in, such jurisdiction) (it being understood that, for this purpose, amounts payable to the Charter Trustee shall not be treated as attributable to a permanent establishment of the Charter Trust in Panama merely as a result of the organization of the Charter Trust under the laws of Panama and/or the making of payments and the performance of its obligations by the Charter Trustee in accordance with, and as contemplated by, the Transaction Documents ("Permitted Charter Trustee Acts")), (2) if such withholding Tax results from a breach of any covenant or undertaking in Section 10.4(i) of such Indemnified Party or any of its Related Indemnified Parties, (3) with respect to any such Tax imposed in respect of any transferee of such Indemnified Party to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified hereunder had such original Indemnified Party from which such Indemnified Party derives its interest not

sold, assigned, transferred or otherwise disposed of all or a portion of its interest in the Drillship or Transaction Documents (unless such transferee acquired its interest pursuant to the transferor's exercise of remedies), (4) if such withholding Tax results from (x) the gross negligence, willful misconduct or fraud of such Indemnified Party or any of its Related Indemnified Parties or (y) the inaccuracy or breach of a representation, warranty, covenant or any undertaking of such Indemnified Party or any of its Related Indemnified Parties, (5) if such withholding Taxes are imposed by a taxing authority of or in a country other than the United States or Panama and would not have been imposed but for activities, property or operations of the Indemnified Party or any of its Related Indemnified Parties that are unrelated to the transactions contemplated by the Transaction Documents, or (6) if such withholding Taxes are imposed by a taxing authority in Panama as a result of the Indemnified Party's (or a Related Indemnified Party's) direction that Deepwater make payments to an account located in Panama (except if such direction is made while a Charter Event of Default exists). If, for any reason, Deepwater is required to make any payment to an Indemnified Party or to a taxing authority on behalf of any Indemnified Party pursuant to this Section 10.4(a) with respect to, or as a
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result of, any withholding Tax imposed with respect to any payment of Charter Hire by Deepwater (or by the Charter Trustee to the Investment Trust or any Funding Participant) pursuant to the Transaction Documents or other payment by Deepwater under the Head Lease Documents, which withholding Tax is not the responsibility of Deepwater under this Section 10.4(a), then such Indemnified
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Party shall pay to Deepwater on written demand an amount which equals on an After-Tax Basis such additional amount paid by Deepwater with respect to, or as a result of, such withholding Tax plus interest at (i) the Certificate Return Rate or Loan Return Rate, as the case may be, during the period commencing on the date Deepwater shall have paid an amount pursuant to the first sentence of this paragraph and ending on the date Deepwater demands in writing payment of such amount pursuant to this sentence and (ii) the Overdue Rate from the period commencing five Business Days following the date Deepwater shall have demanded in writing such payment to the date Deepwater actually receives such payment.

(b) Except as provided in Section 10.4(a) and 10.4(c), Deepwater agrees
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to indemnify, defend and hold harmless on an After-Tax Basis each Indemnified Party against any and all Taxes, imposed against or payable by, or imposed on payments to or from, Deepwater or any Indemnified Party, or imposed against all or any part of, or interest in, the Drillship by any federal, state or local taxing authority of or within the United States and by any jurisdiction outside of the United States if the Drillship or Deepwater is located in such jurisdiction, upon or with respect to or in connection with, based upon or measured by, in whole or in part:

(i) the Drillship or any part thereof or interest therein;

(ii) the manufacture, purchase, financing, refinancing, ownership, delivery, redelivery, transport, location, leasing, subleasing, possession, registration, use, operation, condition, maintenance, repair, return, abandonment, preparation, storage, transfer of title, sale, acceptance, importation, exportation, rejection or other disposition of or action or event with respect to the Drillship or any part thereof or interest therein;

(iii) the hire, receipts, income or earnings arising from the purchase, financing, ownership, delivery, redelivery, leasing, subleasing, possession, use, operation, return,

storage, transfer of title, sale or other disposition of the Drillship or any part thereof or interest therein;

(iv) the Contributions, Certificates, their issuance, modification, refinancing or acquisition, or the payments of any amounts thereon or with respect thereto;

(v) the Advances, Notes, their issuance, modification, refinancing or acquisition, or the payments of any amounts thereon or with respect thereto;

(vi) the Transaction Documents or the Head Lease Documents or amendments or supplements thereto, their execution or the transactions contemplated thereby or any proceeds or payments under any thereof; or

(vii) otherwise with respect to or in connection with the transactions contemplated or effected by or resulting from the Transaction Documents or the Head Lease Documents or the exercise of rights and remedies thereunder or the enforcement thereof.

(c) Exclusions. Except as provided in Section 10.4(a), the indemnity provided for in Section 10.4(b) above shall not apply to any of the following:

(i) Taxes (other than Taxes that are sales, use or rental Taxes) imposed by the United States federal government on, based on, or measured by or with respect to the gross or net income, or gross or net receipts or that are in the nature of, or are imposed with respect to, capital, net worth, excess profits, accumulated earnings, capital gains, franchise or conduct of business of such Indemnified Party; provided, that this Section 10.4(c)(i) shall not be interpreted to exclude any amounts necessary to make any payment on an After-Tax Basis;

(ii) Taxes imposed by (x) any state or local taxing authority in the United States (other than Taxes that are sales, use, rental, stamp, property (tangible or intangible) or similar Taxes imposed as a result of a Deepwater Person's activities in (including being incorporated in, or making payments from), or the location of the Drillship or any portion thereof in, such state or local jurisdiction) or (y) any jurisdiction outside of the United States other than any Taxes imposed as a result of a Deepwater Person's activities in (including being incorporated in, having a permanent establishment or other residence in, or making payments from), or the location of the Drillship or any portion thereof in, such jurisdiction outside of the United States or Taxes imposed by Panama merely as a result of the organization of the Charter Trust under the laws of Panama and/or the performance by the Charter Trustee of Permitted Charter Trustee Acts; provided, that this Section 10.4(c)(ii) shall not be interpreted to exclude any amounts necessary to make any payment on an After-Tax Basis;

(iii) Taxes imposed on or against or payable by such Indemnified Party to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified hereunder had there not been a transfer by the original Indemnified Party (from which such Indemnified Party derives its interest) of any interest

in the Drillship, the Certificates, the Notes, the Trust Estate, the Investment Trust, any Indemnified Party or the Transaction Documents or the Head Lease Documents; except (x) if such transferee acquired its interest in connection with the exercise of remedies with respect to a Charter Event of Default or (y) to the extent necessary to make indemnity payments to the transferee on an After-Tax Basis;

(iv) Taxes imposed with respect to any period (except during the exercise of remedies pursuant to the Charter in connection with the occurrence and continuance of a Charter Event of Default) more than one year after the expiration or earlier termination of the Charter and, where required, the return of the Drillship pursuant to Section 20.3 of the Master Charter (but not to the extent attributable to events occurring on or prior to such date);

(v) Taxes resulting from (x) the gross negligence, willful misconduct or fraud of the Indemnified Party or any of its Related Indemnified Parties (except as solely attributed to such Party by virtue of its having executed the Transaction Documents), (y) the inaccuracy or breach of a representation, warranty or covenant under the Transaction Documents or the Head Lease Documents or any undertaking required by the Transaction Documents or the Head Lease Documents of such Indemnified Party or any of its Related Indemnified Parties (unless such inaccuracy or breach is caused by Deepwater's breach of any representation, warranty or covenant under the Transaction Documents or a breach by Deepwater or an Affiliate of Deepwater under the Head Lease Documents), or (z) in the case of any Indemnified Party, any Liens attributable to such Indemnified Party or a Related Indemnified Party;

(vi) Taxes that result from (x) a voluntary transfer or other voluntary disposition by the Indemnified Party or a Related Indemnified Party of all or any portion of its interest in the Drillship, the Trust Estate, the Investment Trust, any Indemnified Party, the Certificates, the Notes, the Transaction Documents or the Head Lease Documents (other than a transfer or disposition resulting from (A) any Charter, substitution, or maintenance of, or any modification to the Drillship or any portion thereof, (B) Deepwater's exercise of any purchase or termination option, (C) an Event of Loss or (D) the exercise of remedies under the Charter following a Charter Event of Default) or (y) an involuntary transfer or other involuntary disposition by the Indemnified Party or a Related Indemnified Party of all or any part of an interest in the Drillship, the Trust Estate, the Investment Trust, any Indemnified Party, the Certificates, the Notes, the Transaction Documents or the Head Lease Documents (other than any such transfer or disposition that occurs while a Charter Event of Default has occurred and is continuing) in connection with any bankruptcy or other proceeding for the relief of debtors in which an Indemnified Party is the debtor or any foreclosure by a creditor of an Indemnified Party that is in each case unrelated to the transactions contemplated by the Transaction Documents or the Head Lease Documents;

(vii) Taxes imposed on the Charter Trustee in its individual capacity with respect to any fees received by or payable to the Charter Trustee for services rendered;

(viii) Taxes that would not have been imposed but for an amendment to any Transaction Document or Head Lease Document not requested or consented to or acquiesced in by Deepwater in writing, other than any amendment (A) that may be necessary or appropriate to, and is in conformity with, any amendment to any Transaction Document or Head Lease Document initiated or requested by or consented to by any Deepwater Person in writing, (B) to any Transaction Document or Head Lease Document due to, or in connection with there having occurred, a Charter Event of Default or (C) that is required by Applicable Law or the terms of the Transaction Documents or the Head Lease Documents is executed in connection with any other amendment to the Transaction Documents or the Head Lease Documents that is required by Applicable Law;

(ix) Taxes to the extent actually utilized on a current basis by an Indemnified Party or an Affiliate of such Indemnified Party as a credit against Taxes not indemnifiable by Deepwater hereunder;

(x) Taxes to the extent resulting from or measured by income, assets, activities, or other matters of or relating to the Indemnified Party or a Related Indemnified Party that are unrelated to the transactions contemplated by the Transaction Documents (except to the extent necessary to make a payment on an After-Tax Basis (which shall be calculated assuming the Indemnified Party is taxable at the highest marginal rate in the applicable jurisdiction));

(xi) any Taxes, while such Taxes are being contested in accordance with the contest provisions of Section 10.4(f);

(xii) any interest, penalties or additions to Tax that result from the failure of an Indemnified Party to file any return properly and timely, unless such failure is caused by the failure of Deepwater to fulfill its obligations, if any, under this Agreement with respect to such return (including the provision of information sufficient to enable such Indemnified Party to file such return);

(xiii) Taxes that would not have been imposed but for the Indemnified Party or a Related Indemnified Party having its tax residence, place of business, situs of organization, place of management or controls, permanent establishment or other presence in the taxing jurisdiction (unless such tax residence, place of business, situs of organization, place of management or control, permanent establishment or other presence results from the presence or activities of Deepwater or any Deepwater Person (including the making of payments unless directed by the Charter Trustee or any Funding Participant to make payment to an account located in Panama (except if such direction is made while a Charter Event of Default exists)) in such jurisdiction it being understood that, for this purpose, the Charter Trustee shall not be treated as having any such presence in Panama merely as a result of the trust being formed pursuant to the Charter Trust Agreement under the laws of Panama and/or the performance by the Charter Trustee of Permitted Charter Trustee Acts).

(d) Calculation of Payments. Any payment that Deepwater shall be
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required to make to or for the account of any Indemnified Party with respect to any Tax that is subject to

indemnification under this Section 10.4 shall be paid on an After-Tax Basis. If an Indemnified Party or any Affiliate of such Indemnified Party who files any tax return on a combined, consolidated, unitary or similar basis with such Indemnified Party shall actually realize any saving of any Tax not indemnified by Deepwater pursuant to the Transaction Documents (by way of credit (including any foreign tax credit), deduction, exclusion from income or otherwise) by reason of any amount with respect to which Deepwater has indemnified such Indemnified Party pursuant to this Section 10.4, and such tax saving was not taken into account in determining the amount payable by Deepwater on account of such indemnification, such Indemnified Party shall pay to Deepwater, so long as no Charter Event of Default shall have occurred and be continuing (but shall be required to make such payment at such time as the Charter Event of Default shall have been cured or at the time Deepwater shall have fulfilled all of its obligations arising upon such Charter Event of Default), within 30 days after such Indemnified Party shall have actually realized such tax saving, the amount of such saving, together with the amount of any tax saving resulting from any payment pursuant to this sentence; provided, that Deepwater shall not be entitled to receive an amount in excess of all amounts previously paid by Deepwater pursuant to this Section 10.4, to such Indemnified Party or to the relevant taxing authority on behalf of such Indemnified Party (less the aggregate amount of all prior payments by such Indemnified Party to Deepwater under this Section 10.4(d)) (but any excess amount described in this proviso shall reduce pro tanto any amount that Deepwater is subsequently obligated to pay to such Indemnified Party pursuant to Section 10.4).

(e) Payment. Deepwater shall pay any Tax for which it is liable pursuant to this Section 10.4 directly to the appropriate taxing authority or upon demand of an Indemnified Party to such Indemnified Party in immediately available funds within 30 days of a written demand, but in no event more than two Business Days prior to the date such Tax is due (including all extensions), or, in the case of Taxes which are being contested, more than two Business Days prior to the time such contest is finally resolved. Any such demand shall specify in reasonable detail the calculation of the payment and the facts upon which the right to payment is based. Each Indemnified Party shall promptly forward to Deepwater any notice, bill or advice received by it from the relevant taxing authority concerning any Tax against which Deepwater may be required to indemnify hereunder. Deepwater upon the reasonable written request of an Indemnified Party shall furnish such Indemnified Party with the original or a certified copy of a receipt (if any is reasonably available to Deepwater) for Deepwater's payment of any Tax that is subject to indemnification pursuant to this Section 10, or such other evidence of payment of such Tax as is reasonably acceptable to such Indemnified Party (and reasonably available to Deepwater).

(f) Contest. If a written claim is made against an Indemnified Party or if any proceeding shall be commenced against any Indemnified Party (including a written notice of such proceeding), for any Taxes with respect to which Deepwater may be liable for payment or indemnity hereunder or if any Indemnified Party shall determine that any Tax as to which Deepwater may have an indemnity obligation hereunder shall be payable, such Indemnified Party shall promptly notify Deepwater in writing and shall not take any action with respect to such claim, proceeding or Tax without the consent of Deepwater for 30 days after the receipt of such notice by Deepwater; provided, however, that, in the case of any such claim or proceeding, if action shall be required by law or regulation to be taken prior to the end of such 30-day period, such Indemnified Party shall, in such notice to Deepwater, so inform Deepwater, and no action

shall be taken with respect to such claim or Tax without the consent of Deepwater before the end of such shorter period. If, within 30 days of receipt of such notice from the Indemnified Party (or such shorter period as the Indemnified Party has notified Deepwater is required by law or regulation for the Indemnified Party to commence such contest), Deepwater shall request in writing that such Indemnified Party contest the imposition of such Tax, the Indemnified Party shall, at the expense of Deepwater, in good faith contest (including, without limitation, by pursuit of appeals), and shall not settle without Deepwater's good faith consent (or (i) if such contest can be pursued in the name of Deepwater and independently from any other proceeding involving a tax liability, other than a net income or withholding Tax, of such Indemnified Party, the Indemnified Party shall, at Deepwater's sole discretion, allow Deepwater to contest, (ii) if such contest involves a Tax, other than a net income or withholding Tax, which must be pursued in the name of the Indemnified Party, but can be pursued independently from any other proceeding involving a tax liability of such Indemnified Party, the Indemnified Party shall allow Deepwater to contest in the name of the Indemnified Party unless, in the good faith judgment of the Indemnified Party, such contest by Deepwater could have a material adverse impact on the business or operations of the Indemnified Party, in which case the Indemnified Party may control such contest or (iii) in the case of any contest, the Indemnified Party may request Deepwater to contest) the validity, applicability or amount of such Taxes by, in the sole discretion of the Person conducting such contest, (i) resisting payment thereof, (ii) not paying the same except under protest, if protest is necessary and proper, (iii) if the payment be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; or (iv) taking such other action as is reasonably requested by Deepwater from time to time.

Notwithstanding the foregoing provisions of this Section 10.4(f), such
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Indemnified Party shall not be required to take any administrative or judicial or other action and Deepwater shall not be able to contest such claim in its own name or that of the Indemnified Party unless (A) Deepwater shall have agreed to pay, and shall pay, to such Indemnified Party on demand all reasonable out-of-pocket costs, losses and expenses that such Indemnified Party may incur in connection with contesting such Taxes, including all reasonable legal, accounting and investigatory fees and disbursements (including reasonable allocated time charges of internal counsel of such Indemnified Party), (B) the action to be taken will not result in any material imminent danger of sale, forfeiture or loss of the Drillship or any part thereof or interest therein or risk of criminal liability, (C) if such contest shall involve the payment of the Tax prior to the contest, Deepwater shall, at its option, either (x) pay or reimburse the Indemnified Party for such Taxes or (y) provide to the Indemnified Party an interest-free advance in an amount equal to the Tax which the Indemnified Party is required to pay (with no additional net after-tax cost to such Indemnified Party), (D) Deepwater shall have provided to such Indemnified Party an opinion of independent tax counsel selected by Deepwater, and reasonably satisfactory to the Indemnified Party that a Reasonable Basis exists to contest such claim, and (E) if such contest is controlled by Deepwater, Deepwater shall have acknowledged, in writing, its liability for such indemnity in the event such contest is unsuccessful. In no event shall an Indemnified Party be required to appeal an adverse judicial determination to the United States Supreme Court. The Indemnified Party shall consult in good faith with Deepwater regarding the conduct of any contest controlled by such Indemnified Party and shall allow Deepwater to participate in the conduct of any such contest unless the Indemnified Party shall in good faith determine that allowing Deepwater to participate in the conduct of such contest could have a material adverse impact on the business or operations of the Indemnified Party. The parties agree that an Indemnified Party may at any time

decline to take further action with respect to the contest of any claim for a Tax and may settle such claim, if such Indemnified Party shall waive its rights to any indemnity from Deepwater that otherwise would be payable in respect of such claim (or any logically related claim) and shall pay to Deepwater any amount previously paid or advanced by Deepwater pursuant to this Section 10.4(f) other than clause (A) of this paragraph (by way of indemnification or advance for the payment of a Tax) with respect to such Taxes.

If an Indemnified Party shall fail to perform its obligations under this Section 10.4(f), such failure shall not discharge, diminish or relieve Deepwater of any liability for indemnification that it may have to such Indemnified Party hereunder, unless the contest of a claim is precluded as a result of such failure; provided, that any payment by Deepwater to such Indemnified Party pursuant hereto shall not be deemed to constitute a waiver or release of any right or remedy (including any remedy of damages) that Deepwater may have against such Indemnified Party.

(g) Refund. If an Indemnified Party shall receive a refund of (or receive a credit against, or any other current reduction in, any Tax not indemnified by Deepwater under this Section 10.4, in respect of) all or part of any Taxes which Deepwater shall have paid on behalf of such Indemnified Party or for which Deepwater shall have reimbursed, advanced funds to or indemnified such Indemnified Party (or would have received such a refund, credit or reduction but for a counterclaim or other claim not indemnified by Deepwater hereunder (a "deemed refund")), within 30 days of such receipt (or, in the case of a deemed refund, within 30 days of the final determination of such deemed refund), such Indemnified Party shall pay or repay to Deepwater an amount equal to the amount of such refund or deemed refund, plus any net tax benefit (taking into account any Taxes incurred by such Indemnified Party by reason of the receipt of such refund, credit or reduction or deemed refund) realized by such Indemnified Party as a result of any payment by such Indemnified Party made pursuant to this sentence; provided, however, that such Indemnified Party shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments made by Deepwater to such Indemnified Party pursuant to this Section 10.4 less (y) the amount of all prior payments by such Indemnified Party to Deepwater pursuant to this Section 10.4(g); provided, further, however, that such Indemnified Party shall not be obligated to make any payment to Deepwater pursuant to this sentence while a Charter Event of Default is continuing, but shall be required to make such payment at such time as the Charter Event of Default is cured or at the time Deepwater shall have fulfilled all its obligations arising upon such Charter Event of Default. If, in addition to such refund, credit or reduction or deemed refund, as the case may be, such Indemnified Party shall receive (or would have received but for a counterclaim or other claim not indemnified by Deepwater hereunder) an amount representing interest on the amount of such refund, credit or reduction, or deemed refund, as the case may be, such Indemnified Party shall pay to Deepwater within 30 days of such receipt or, in the case of a deemed refund, within 30 days of the final determination of such deemed refund, that proportion of such interest that shall be fairly attributable to Taxes paid, reimbursed or advanced by Deepwater prior to the receipt of such refund or deemed refund.

(h) Reports. Deepwater will provide such information as may be available to it and reasonably requested in writing by an Indemnified Party that is required to enable an Indemnified Party to fulfill its tax filing requirements with respect to the transactions contemplated by the

Transaction Documents. If any return, statement or report is required to be made or filed with respect to any Tax imposed on or indemnified against by Deepwater under this Section 10.4, Deepwater shall promptly notify the appropriate Indemnified Party of such requirement and (i) to the extent permitted by law (unless otherwise requested by the Indemnified Party) or required by law, make and file in its own name such return, statement or report and furnish the relevant Indemnified Party with a copy of such return, statement or report, (ii) where such return, statement or report is required to be in the name of or filed by such Indemnified Party or the Indemnified Party otherwise requests that such return, statement or report be filed in its name, prepare and furnish such return, statement or report for filing by such Indemnified Party in such manner as shall be satisfactory to such Indemnified Party and send the same to the Indemnified Party for filing no later than 15 days prior to the due date or (iii) where such return, statement or report is required to reflect items in addition to Taxes imposed on or indemnified against under this Section 10.4 as determined by such Indemnified Party, provide such Indemnified Party with information within a reasonable time, sufficient to permit such return, statement or report to be properly made and timely filed with respect thereto. If an Indemnified Party fails to file a return after it has been properly prepared by Deepwater in accordance with this Section 10.4(h) and furnished to such Indemnified Party at least 15 days prior to the due date of such return, Deepwater shall not be liable for Taxes imposed as a result of the failure to file. Each Indemnified Party shall furnish Deepwater, at the request and expense of Deepwater, with such information, not within the control of Deepwater, as is in such Indemnified Party's control and is reasonably available to such Indemnified Party and necessary for Deepwater to comply with its obligations under this Section 10.4(h).

(i) Forms, etc. Each Indemnified Party agrees to furnish to Deepwater from time to time, at Deepwater's timely made written request and expense, such duly executed and properly completed forms as may be necessary or appropriate in order to claim any reduction of or exemption from any withholding or other Tax imposed by any taxing authority in respect of any payments otherwise required to be made by Deepwater pursuant to the Transaction Documents, which reduction or exemption may be available to such Indemnified Party. Each Indemnified Party agrees that it will use its reasonable best efforts to the extent permitted by Applicable Law (and to the extent such Indemnified Party is entitled to do so) to file returns or tax declarations that would minimize any indemnity payable by Deepwater; provided, that Deepwater shall indemnify the Indemnified Party for any cost resulting from such Indemnified Party's filing of such return or declaration. Notwithstanding the foregoing, no Indemnified Party shall be required to furnish any form or file any return or tax declaration if it has determined in its reasonable good faith judgment that furnishing the form or filing the return or tax declaration could have a material adverse impact on the business or operations of such Indemnified Party or any Related Indemnified Party, unless the Indemnified Party is indemnified in a manner reasonably satisfactory to such Indemnified Party by Deepwater for such material adverse impact.

(j) Records. In addition to its obligations under the first sentence of Section 10.4(h), Deepwater shall make available for inspection and copying by an Indemnified Party such records that are regularly maintained by Deepwater in the ordinary course of its business as may be reasonably necessary to enable such Indemnified Party to fulfill its tax return filing obligations, subject to reasonable confidentiality requirements of Deepwater.

(k) Non-Parties. If an Indemnified Party is not a party to this Agreement, Deepwater may require the Indemnified Party to agree in writing, in a form reasonably acceptable to Deepwater, to the terms of this Section 10.4 prior to making any payment to such Indemnified Party under this Section 10.4.

(l) Verification. The results of all computations required under this Section 10.4, together with a statement describing in reasonable detail the manner in which such computations were made, shall be delivered to Deepwater in writing. If Deepwater so requests within 30 days after receipt of such computations, any determination shall be reviewed by a nationally recognized independent public accounting firm mutually acceptable to the relevant Indemnified Party and Deepwater who shall be asked to verify, after consulting with Deepwater and the relevant Indemnified Party whether the relevant Indemnified Party's computations are correct, and to report its conclusions to both Deepwater and the relevant Indemnified Party. Subject to satisfactory confidentiality agreements, the relevant Indemnified Party and Deepwater hereby agree to provide such accountants with all information and materials as shall be reasonably necessary or desirable in connection herewith. The fees of the accountants in verifying an adjustment pursuant to this Section 10.4 shall be paid by Deepwater, unless such verification discloses an error adverse to Deepwater in an amount greater than 4.0% of the amount of the indemnity payment as determined by the accounting firm, in which case such fees shall be paid by the relevant Indemnified Party. Any information provided to such accountants by any Person shall be and remain the exclusive property of such Person and shall be deemed by the parties to be (and the accountants will confirm in writing that they will treat such information as) the private, proprietary and confidential property of such Person, and no Person other than such Person and the accountants shall be entitled thereto, and all such materials shall be returned to such Person. Such accounting firm shall be requested to make its determination within 30 days of Deepwater's request to such accounting firm for review. In the event such independent public accounting firm shall determine that such computations are incorrect, then such firm shall determine what it believes to be the correct computations. The computations of the independent public accounting firm shall be final, binding and conclusive upon Deepwater and the relevant Indemnified Party, and Deepwater shall not have any right to inspect the books, records, tax returns or other documents of or relating to the relevant Indemnified Party to verify such computations or for any other purpose. The parties hereby agree that the independent public accounting firm's sole responsibility shall be to verify the computation of any amounts payable under this Section 10.4 and that matters of interpretation of this Agreement and the other Transaction Documents are not within the scope of such independent public accounting firm's responsibilities.

(m) Restructuring For Withholding Taxes. Each party covered by this Section 10.4 agrees to use reasonable efforts to investigate alternatives for reducing any withholding Taxes that are indemnified against hereunder or imposed on Charter Hire (or payments by the Charter Trustee to the Investment Trust or any Funding Participant) (whether or not indemnifiable hereunder) and to use reasonable efforts to reduce any withholding Taxes that are indemnified against hereunder, including, without limitation, negotiating in good faith to relocate or restructure any Advance or Contribution (which relocation or restructuring shall be at Deepwater's expense) or the domicile of the Investment Trust or the Charter Trustee, but no Party shall be obligated to take any such action as such Party determines will be adverse to its business or financial or commercial interest.

SECTION 11

AGENTS

SECTION 11.1 Appointment of Administrative Agent and Investment Trust Beneficiary; No Duties.

(a) Each Funding Participant hereby designates and appoints Bank of America as administrative agent of such Funding Participant under the Transaction Documents, and each Funding Participant irrevocably authorizes Bank of America to act as the administrative agent for such Funding Participant, to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to such administrative agent by the terms of this Agreement and the other Transaction Documents, together with such other powers as are reasonably incidental thereto (together with any successors and assigns, in such capacity, the "Administrative Agent").

(b) Each Funding Participant hereby designates and appoints Donald Puglisi as investment trust beneficiary of such Funding Participant under the Transaction Documents and Donald Puglisi hereby accepts such designation and appointment and hereby agrees to act as the investment trust beneficiary for such Funding Participants, and each such Funding Participant irrevocably authorizes Donald Puglisi to act as the investment trust beneficiary for such Funding Participant, to take such action on its behalf under the provisions of the Transaction Documents and to exercise such powers and perform such duties as are expressly delegated to such investment trust beneficiary by the terms of this Agreement and the other Transaction Documents, together with such other powers as are reasonably incidental thereto (together with any successors and assigns, in such capacity, the "Investment Trust Beneficiary"); provided, that (1) any action to be taken or consent to be given under the Transaction Documents shall only be taken or given, as the case may be, upon direction of the Majority Funding Participants, (2) any notice received by the Investment Trust Beneficiary under the Investment Trust Agreement shall be promptly delivered to each Funding Participant by the Investment Trust Beneficiary and (3) upon the written instructions at any time and from time to time of the Majority Funding Participants, the Investment Trust Beneficiary shall take such of the following actions as may be specified in such instructions: (x) give such notice or direction or exercise such right or power under the Investment Trust Agreement, the Participation Agreement and any other Transaction Document, as shall be specified in such instructions; (y) approve as satisfactory to it all matters required by the terms of any Transaction Document to be satisfactory to the Investment Trust Beneficiary; and (z) any other action as specified by the Investment Trust Beneficiary acting at the request of the Majority Funding Participants.

Notwithstanding any provision to the contrary herein or elsewhere in the Transaction Documents, neither the Administrative Agent nor the Investment Trust Beneficiary shall not have any duties or responsibilities except those expressly set forth herein or therein, or any fiduciary relationship with any Funding Participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into the Transaction Documents or otherwise exist against either the Administrative Agent or the Investment Trust Beneficiary, as the case may be.

SECTION 11.2 Delegation of Duties. Each of the Administrative Agent and the Investment Trust Beneficiary may execute any of its duties under this Agreement and the other Transaction Documents by or through agents or attorneys-in-fact, and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Administrative Agent nor the Investment Trust Beneficiary shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 11.3 Exculpatory Provisions. Neither the Administrative Agent, the Investment Trust Beneficiary nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action taken or omitted to be taken by it or such Person under or in connection with the Transaction Documents (except for its or such Person's own gross negligence or willful misconduct), or (ii) except as expressly set forth in the Transaction Documents, responsible in any manner to any Funding Participant for any recitals, statements, representations or warranties made by Deepwater or any officer thereof contained in the Transaction Documents or in any certificate, report, statement or other document referred to or provided for in, or received by such Administrative Agent, Investment Trust Beneficiary or any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates, under or in connection with, the Transaction Documents, or for the validity, effectiveness, genuineness, enforceability or sufficiency of the Transaction Documents, including the Series A Charter Trust Certificates and the Notes, or for any failure of Deepwater to perform its obligations hereunder or thereunder. Neither the Administrative Agent, the Investment Trust Beneficiary nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be under any obligation to any Funding Participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the Transaction Documents, or to inspect the properties, books or records of Deepwater.

SECTION 11.4 Reliance by Administrative Agent and the Investment Trust Beneficiary. Each of the Administrative Agent and the Investment Trust Beneficiary shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex, facsimile or teletype message, statement, order or other document or conversation reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Deepwater), independent accountants and other experts selected by such Administrative Agent or Investment Trust Beneficiary, as the case may be. Each of the Administrative Agent and the Investment Trust Beneficiary may deem and treat the registered owner of any Certificate or Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with such Administrative Agent or Investment Trust Beneficiary. Each of the Administrative Agent and the Investment Trust Beneficiary shall be fully justified in failing or refusing to take any action under the Transaction Documents unless it shall first receive such advice or concurrence of the Majority Funding Participants, as they deem appropriate and, if they so request, they shall first be indemnified to their satisfaction against any and all liability and expense which may be incurred by them by reason of taking or continuing to take any such action. Each of the Administrative Agent and the Investment Trust Beneficiary shall in all cases be fully protected in acting, or in refraining from acting, under the Transaction Documents, the Series A Charter Trust Certificates and the Notes in accordance with a request of the Majority Funding Participants, and such request and any action taken or failure to act

pursuant thereto shall be binding upon all the Funding Participants and all future holders of the Series A Charter Trust Certificates and the Notes, as the case may be.

SECTION 11.5 [Intentionally Omitted].

SECTION 11.6 Non-Reliance on Administrative Agent or Investment Trust Beneficiary and Other Funding Participants. Each Funding Participant expressly acknowledges that neither the Administrative Agent, the Investment Trust Beneficiary nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates have made any representation or warranty to it, and that no act by the Administrative Agent, the Investment Trust Beneficiary, or any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates, as the case may be, hereinafter taken, including any review of the affairs of Deepwater and its Affiliates, shall be deemed to constitute any representation or warranty by the Administrative Agent or the Investment Trust Beneficiary, as the case may be, to any Funding Participant. Each Funding Participant represents to the Administrative Agent and the Investment Trust Beneficiary that it has, independently and without reliance upon the Administrative Agent, the Investment Trust Beneficiary, or any other Funding Participant, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of Deepwater and its Affiliates, the value of and title to any collateral, and all applicable bank regulatory laws relating to the transactions contemplated hereby and by the other Transaction Documents and has made its own decision to make its Certificate Purchaser Amount and/or Lender Amount, as the case may be, available hereunder and enter into this Agreement and the other Transaction Documents to which it is a party as a Funding Participant. Each Funding Participant also represents that it will, independently and without reliance upon the Administrative Agent, the Investment Trust Beneficiary, or any other Funding Participant, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Transaction Documents to which it is a party as a Funding Participant, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of Deepwater and its Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Funding Participants by the Administrative Agent or the Investment Trust Beneficiary hereunder, neither the Administrative Agent nor the Investment Trust Beneficiary shall have any duty or responsibility to provide any Funding Participant with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of Deepwater or its Affiliates, which may come into the possession of the Administrative Agent, the Investment Trust Beneficiary or any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates.

SECTION 11.7 Indemnification. The Funding Participants (excluding any Purchasing Party and each Conduit) severally agree to indemnify each of the Administrative Agent, in its capacity as such, and the Investment Trust Beneficiary, in its capacity as such (to the extent each of the Administrative Agent and the Investment Trust Beneficiary are not reimbursed by Deepwater within a reasonable period after demand has been made to Deepwater for those amounts owing by Deepwater, and without limiting the obligation of Deepwater to do so), ratably according to their respective Certificate Purchaser Amounts or Lender Amounts, as the case may be, from and against any and all liabilities, obligations, losses, damages, penalties,

actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Series A Charter Trust Certificates or the Conduit Notes) be imposed on, incurred by or asserted against the Administrative Agent or the Investment Trust Beneficiary in any way relating to or arising out of the Transaction Documents, or any documents contemplated by or referred to herein or therein or any action taken or omitted by the Administrative Agent or the Investment Trust Beneficiary under or in connection with any of the foregoing; provided that no Funding Participant shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from either the Administrative Agent's or the Investment Trust Beneficiary's, as the case may be, gross negligence or willful misconduct; and provided, further, that neither the Administrative Agent nor the Investment Trust Beneficiary shall make any claim under this Section 11.7 for any claim or expense indemnified against by Deepwater or its Affiliates without first making demand on such Person for payment of such claim or expense (unless such demand shall then be prohibited by Applicable Law). Whenever, at any time after the Administrative Agent or the Investment Trust Beneficiary, as the case may be, has received from any Funding Participant such Funding Participant's ratable share of amounts owing to the Administrative Agent or the Investment Trust Beneficiary, as the case may be, pursuant to this Section 11.7, the Administrative Agent or the Investment Trust Beneficiary, as the case may be, shall receive any reimbursement from Deepwater on account of such amounts, the Administrative Agent or the Investment Trust Beneficiary, as the case may be, shall distribute to such Funding Participant its ratable share thereof in like funds as received; provided, however, that in

the event that the receipt by the Administrative Agent or the Investment Trust Beneficiary, as the case may be, of such reimbursement is required by law or court or administrative order to be returned, such Funding Participant shall return to the Administrative Agent or the Investment Trust Beneficiary, as the case may be, any portion thereof previously distributed by the Administrative Agent or the Investment Trust Beneficiary, as the case may be, to it in like funds as such reimbursement is required to be returned by the Administrative Agent or the Investment Trust Beneficiary, as the case may be.

SECTION 11.8 Administrative Agent and Investment Trust Beneficiary. The
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Administrative Agent, the Investment Trust Beneficiary and their Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of business with Deepwater, Conoco, Transocean and their Affiliates as though the Administrative Agent and the Investment Trust Beneficiary were not the Administrative Agent or Investment Trust Beneficiary hereunder and without notice to or the consent of the Funding Participants. It is understood and acknowledged by each Funding Participant that an Affiliate of the Administrative Agent or Investment Trust Beneficiary, as the case may be, may also separately be a Funding Participant. It is further understood and acknowledged by each Funding Participant that, pursuant to the activities referenced in this Section 11.8, the Administrative
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Agent, the Investment Trust Beneficiary and their Affiliates may receive information regarding Deepwater, Conoco, Transocean and their Affiliates (including information that may be subject to confidentiality obligations in favor of Deepwater, Conoco, Transocean and their Affiliates) and acknowledge that the Administrative Agent or the Investment Trust Beneficiary, as the case may be, shall be under no obligation to provide such information to them. With respect to its Certificate Purchaser Amount, if any, or Lender Amount, if any, the Administrative Agent and the Investment Trust Beneficiary shall have the

same rights and powers under this Agreement as any other Funding Participant and may exercise the same as though it were not the Administrative Agent or Investment Trust Beneficiary, as the case may be.

SECTION 11.9 Successor Administrative Agent and Investment Trust Beneficiary.

(a) At any time during the term of this Agreement, the Administrative Agent may resign upon thirty (30) days' notice to the Funding Participants and Deepwater. If the Administrative Agent resigns herewith, the Majority Funding Participants shall appoint from among the Funding Participants a successor administrative agent which successor administrative agent shall be approved by Deepwater (which approval shall not be unreasonably withheld or delayed). If no successor is appointed prior to the effective date of the resignation of the corresponding Administrative Agent, such Administrative Agent may appoint, after consulting with the Funding Participants and Deepwater, a successor administrative agent from among the Funding Participants (with such Funding Participant's consent). Upon the successor administrative agent's acceptance of its appointment as successor administrative agent hereunder (i) such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and (ii) such retiring Administrative Agent's appointment, powers and duties as a administrative agent shall be terminated. After the retiring Administrative Agent's resignation herewith, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Administrative Agent hereunder and under the other Transaction Documents. If no successor agent has accepted appointment by the date which is forty-five (45) days following the notice of resignation, the resignation shall thereupon become effective and the Funding Participants shall perform all of the duties of such Administrative Agent hereunder and under the other Transaction Documents until such time, if any, as the Majority Funding Participants appoint a successor administrative agent as provided for above.

(b) At any time during the term of this Agreement, the Investment Trust Beneficiary may resign upon thirty (30) days' notice to the Funding Participants and Deepwater. So long as no Charter Default or Charter Event of Default has occurred and is continuing, Deepwater may, for any reason, replace the Investment Trust Beneficiary. If the Investment Trust Beneficiary resigns or is removed herewith, the Majority Funding Participants shall appoint from among the Funding Participants a successor investment trust beneficiary which successor investment trust beneficiary shall be approved by Deepwater (which approval shall not be unreasonably withheld or delayed). If no successor investment trust beneficiary is appointed prior to the effective date of the resignation of the corresponding Investment Trust Beneficiary, such Investment Trust Beneficiary may appoint, after consulting with the Funding Participants and Deepwater, a successor collateral agent from among the Funding Participants. Upon the successor investment trust beneficiary's acceptance of its appointment as successor investment trust beneficiary hereunder (i) such successor investment trust beneficiary shall succeed to all the rights, powers and duties of the retiring Investment Trust Beneficiary and the term "Investment Trust Beneficiary" shall mean such successor investment trust beneficiary and such successor Investment Trust Beneficiary Acknowledges that it takes its interest in the Investment Trust subject to the pledge set forth in Section 8.12 of the Investment Trust Agreement and (ii) such retiring Investment Trust Beneficiary's appointment, powers and duties as a investment trust beneficiary shall be terminated. After the retiring Investment Trust Beneficiary's resignation

herewith, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Investment Trust Beneficiary hereunder and under the other Transaction Documents. If no successor investment trust beneficiary has accepted appointment by the date which is forty-five (45) days following the notice of resignation, the resignation shall thereupon become effective and the Funding Participants shall perform all of the duties of such Investment Trust Beneficiary hereunder and under the other Transaction Documents until such time, if any, as the Majority Funding Participants appoint a successor investment trust beneficiary as provided for above.

SECTION 12

MISCELLANEOUS

SECTION 12.1 Survival of Agreements. The representations, warranties, covenants, indemnities and agreements of the parties provided for in the Transaction Documents, and the parties' obligations under any and all thereof, shall survive the execution and delivery of this Agreement, the transfer of the Drillship to the Head Lessor (if applicable), the lease of the Drillship by the Head Lessor (if any) to the Charter Trustee and the charter of the Drillship by the Charter Trustee to Deepwater, the construction of the Drillship, any disposition of any interest of the Charter Trustee or the Investment Trust in the Drillship, the payment of the Advances and/or Contributions and shall be and continue in effect notwithstanding any investigation made by any party and the fact that any party may waive compliance with any of the other terms, provisions or conditions of any of the Transaction Documents. Except as expressly provided herein, it is expressly understood and agreed that the indemnification obligations of Deepwater under Section 10 shall survive the expiration or termination of the Charter or either Charter Supplement and the other Transaction Documents and the payment by Deepwater Conoco, or Transocean of all amounts due thereunder for a period of three (3) years (but shall continue in full force and effect following such date with respect to any Claim asserted prior to such date) and shall be separate and independent from any remedy under the Charter or any other Transaction Document.

SECTION 12.2 No Broker; etc. Each of the parties hereto represents to the others that it has not retained or employed any broker, finder or financial advisor, other than Bank of America, to act on its behalf in connection with this Agreement or the transactions contemplated herein, nor has it authorized any broker, finder or financial adviser retained or employed by any other Person so to act. Any party who is in breach of this representation shall indemnify and hold the other parties harmless from and against any cost or liability arising out of such breach of this representation.

SECTION 12.3 Notices. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof to be given to any Person shall be given in writing by United States mail, by nationally recognized courier service, by hand or by facsimile communication and any such notice shall become effective one (1) Business Day after delivery to a nationally recognized courier service specifying overnight delivery or, if delivered by hand, when received, or, if sent by facsimile communication, when confirmed by electronic or other means during

business hours on a Business Day (or, if confirmed after business hours or on a non-Business Day, on the next Business Day) and shall be directed to the address of such Person as indicated:

If to Deepwater, to it at:

Attn: Treasury Dept.
c/o Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Telephone: (713) 232-7500
Telecopier: (713) 232-7766

with copies to:

Attn: Wayne K. Anderson, Esq.
Corporate Counsel
Conoco Inc.
Charter Number 523126
600 North Dairy Ashford
Houston, Texas 77079
Telephone: (281) 293-3890
Telecopier: (281) 293-3700

Attn: General Counsel
c/o Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Telephone: (713) 232-7500
Telecopier: (713) 232-7600

If to the Investment Trust, to it at:

Attn: Corporate Trust Administration
Wilmington Trust FSB
3773 Howard Hughes Parkway, Suite 300 North
Las Vegas, Nevada 89109
Telephone: (702) 866-2200
Telecopier: (702) 866-2244

If to the Charter Trustee, to it at:

Attn: Corporate Trust Administration
Wilmington Trust Company
1100 North Market Street
Wilmington, DE, 19890
Telephone: (302) 651-1000
Telecopier: (302) 651-8882

If to the Investment Trustee, to it at:

Attn: Corporate Trust Administration
Wilmington Trust FSB
3773 Howard Hughes Parkway, Suite 300 North
Las Vegas, Nevada 89109
Telephone: (702) 866-2200
Telecopier: (702) 866-2244

If to any Member, to it at:

Conoco Development II Inc.
600 North Dairy Ashford
Houston, Texas 77079
Telephone: (281) 293-3890
Telecopier: (281) 293-3700
Attn: Assistant Secretary

or

RBF Deepwater Exploration II Inc.
c/o Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: Treasury Department
Telephone: (713) 232-7500
Telecopier: (713) 232-7766

If to the Investment Trust Beneficiary at:

850 Library Avenue, Suite 204
P.O. Box 885
Newark, Delaware 19715
Telephone: (302) 738-6680
Telecopier: (302) 738-7210

If to a Funding Participant, to it at the address set forth in Schedule 2.

SECTION 12.4 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same agreement.

SECTION 12.5 Amendments, Waivers and Consents. Except as otherwise expressly provided herein or in any other Transaction Document, no amendment, waiver or termination of any provision of this Agreement or any other Transaction Document (other than a LAPA), and no consent with respect to any departure by any Person therefrom, shall be effective unless the same shall be in writing and signed by the Majority Funding Participants, and the applicable Person and acknowledged by the Trustees, and then any such waiver or consent shall be effective

only in the specific instance and for the specific purpose for which given; provided, however, that if any amendment, waiver, consent, termination or other modification of any Transaction Document materially affects any Conduit, such Conduit must consent thereto and each applicable Rating Agency must provide prior written confirmation that the rating of the Commercial Paper Notes of such Conduit will not be downgraded, suspended or withdrawn as a result thereof, and no such waiver, amendment or consent shall, unless in writing and signed by all Funding Participants and acknowledged by the Trustees, do any of the following:

(a) change the Commitment of any Funding Participant (except with the written consent of such Funding Participant) except as provided in Section 7.9;

(b) postpone or delay any date fixed by any Transaction Document for any payment of Charter Return, or any fees or other amounts due to any Funding Participant under any Transaction Document (except, with respect to amounts owed only to a particular Funding Participant, with the written consent of such Funding Participant);

(c) reduce (i) the amount of any outstanding Contributions or Advances or the rate of the Charter Return, or (ii) any fees or other amounts payable to any Funding Participant under any Transaction Document (except, with respect to amounts owed only to a particular Funding Participant, with the written consent of such Funding Participant);

(d) postpone or reduce the payment obligations of Deepwater pursuant to any Transaction Document (except, with respect to amounts owed only to a particular Funding Participant, with the written consent of such Funding Participant);

(e) change the aggregate percentage which is required for the Funding Participants (or any of them) to take any action hereunder or under the Transaction Documents;

(f) amend this Section or any provision in this Agreement or in any other Transaction Document providing for consent or other action by all Funding Participants;

(g) discharge the Conoco Guaranty (other than pursuant to Section 9.4(iv)), the Transocean Guaranty (other than pursuant to Section 9.4(iv)) or either Drilling Contract Guaranty (other than pursuant to Section 9.4(i)), or release the Lien of the Ship Mortgage or any material portion of any other Collateral or subordinate or take any action, including the issuance of additional instruments or documents, which results in the subordination of the interest of any Funding Participant in any Collateral (including taking any action which has the effect of altering the subordination of payments under the Transaction Documents made to a Purchasing Party in any way that may be detrimental to the interests of any Funding Participant);

(h) amend the definition of "Certificate Return Rate", "Loan Return Rate", "Drawn Rate", "Return Rate", "CP Rate", "Certificate Margin", "Base Rate", "Alternate Rate", "Federal Funds Rate", "Charter Residual Risk Amount", "Coverage Ratio", "Residual Guaranty Amount", "Majority Funding Participants", "Charter Return", "Series A Return", "Series B Return", "Charter Margin", "Loan Margin" or "Return Period"; or

(i) amend Section 14.1 of the Master Charter or Article 3 of the Depository Agreement;

provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Trustees in addition to the appropriate number of Funding Participants or the Hedging Agreement Counterparties, as applicable, affect the rights or duties of the Trustees under this Agreement or any other Transaction Document or the Hedging Agreement Counterparties, respectively.

SECTION 12.6 Confidentiality. Each party hereto agrees to exercise commercially reasonable efforts to keep any non-public information delivered or made available by Deepwater to it which is indicated or stated in writing to be confidential information, confidential from anyone other than persons employed or retained by such Participant who are or are expected to become engaged in evaluating, approving, structuring or administering any of the Transaction Documents (such Persons to likewise be under similar obligations of confidentiality with respect to such information); provided, however, that nothing herein shall prevent any party hereto from disclosing such information (i) to any other party hereto, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over such Participant, (iv) which has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which any party or its Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Transaction Document, (vii) to such party's legal counsel, independent auditors and to such party's Affiliates, (viii) to any actual or proposed assignee or other transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section 12.6 and (ix) except as otherwise required by Applicable Law; provided, however, that, should disclosure of any such confidential information be required by virtue of clause (ii) or (v) of the immediately preceding proviso, such party shall notify Deepwater (if such notification is not prohibited by Applicable Law) of the same so as to allow Deepwater to seek a protective order or to take any other appropriate action; provided, further, that no such party shall be required to delay compliance with any directive to disclose beyond the last date such delay is legally permissible any such information so as to allow Deepwater to effect any such action and provided, further, that if Deepwater exercises the Return Option, no Participant thereafter shall be bound by the terms of this Section 12.6 with respect to any information regarding the Drillship (excluding, however, any information regarding the Drilling Contracts). Notwithstanding the foregoing any Conduit or Administrator may disclose:

(A) to such Conduit's commercial paper dealers or placement agents and to investors and prospective investors in such Commercial Paper Notes, information concerning the transaction, as required by such Conduits agreements with such dealers or placement agents;

(B) to Moody's and S&P (or any successor or other rating agency that maintains a rating of such Conduit's Commercial Paper Notes), any information, in connection with such rating agency's review and maintenance of its rating of such Commercial Paper Notes; and

(C) to any Program Support Provider or other entity that issues a financial guaranty insurance policy or other credit enhancement facility for the account of such Conduit or any provider of corporate management services to such Conduit, and such Conduit's certified public accountants, any information, in connection with the provision and administration of credit facilities or corporate management services or accounting services, as applicable, to or on

behalf of such Conduit; provided, that each such Person described in clauses (A) -(C) agrees to be bound by the provisions of this Section 12.6.

SECTION 12.7 Headings; etc. The Table of Contents and headings of the various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

SECTION 12.8 Parties in Interest. Except as expressly provided herein, none of the provisions of this Agreement are intended for the benefit of any Person except the parties hereto.

SECTION 12.9 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW BUT EXCLUDING, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES). THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK.

SECTION 12.10 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 12.11 Further Assurances. The parties hereto shall promptly cause to be taken, executed, acknowledged or delivered, at the expense of Deepwater, all such further acts, conveyances, documents and assurances as any of the parties may from time to time reasonably request in order to carry out and effectuate the intent and purposes of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby (including the preparation, execution and filing of any and all Uniform Commercial Code financing statements and other filings or registrations which the parties hereto may from time to time request to be filed or effected). Deepwater will, at its own expense and without need of any prior request from any other party, take such action as may be necessary (including any action specified in the preceding sentence), or (if the Investment Trust or the Trustees shall so request) as so requested, in order to (i) maintain and protect all security interests provided for hereunder or under any other Transaction Document and (ii) allow the Charter Trustee to accurately and correctly execute any Disbursement Certificates allowed to be executed by it in accordance with the terms of the Depository Agreement.

SECTION 12.12 Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 12.13 Limitations on Recourse. The Funding Participants, the Trustees and the Investment Trust agree that their rights in respect of the obligations of Deepwater to pay

Charter Hire, and any claim or liability under this Agreement or any other Transaction Document shall be limited to satisfaction out of, and enforcement against, the Collateral. The Funding Participants, the Trustees and the Investment Trust hereby acknowledge and agree that none of the Non-Recourse Parties shall have any liability to all or any of the Funding Participants, the Trustees or the Investment Trust for the payment of any sums now or hereafter owing by Deepwater under this Agreement or any other Transaction Document or for the performance of any of the obligations of Deepwater contained herein or therein or shall otherwise be liable or responsible with respect thereto (such liability, including such as may arise by operation of law, being hereby expressly waived), except as provided in this Section 12.13. If (i) any Charter
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Event of Default shall occur and be continuing or (ii) any claim of any Funding Participant, the Investment Trust and the Trustees against or alleged liability to such Persons of Deepwater shall be asserted under this Agreement or any other Transaction Document, the Funding Participants, the Trustees and the Investment Trust agree that they shall not have the right to proceed directly or indirectly against the Non-Recourse Parties or against their respective properties and assets (other than the Collateral) for the satisfaction of any of the obligations of Deepwater to pay Charter Hire or of any such claim or liability or for any deficiency judgment (except to the extent enforceable out of the Collateral) in respect of such obligations or any such claim or liability. The foregoing notwithstanding, it is expressly understood and agreed that nothing contained in this Section 12.13 shall be deemed to (a) release any Non-Recourse
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Party from liability for its fraudulent actions or willful misconduct or (b) limit or affect the obligations of any Non-Recourse Party in accordance with the terms of this Agreement or any other Transaction Document creating such obligation to which such Non-Recourse Party is a party, including, without limitation, the obligations of Conoco or Transocean under the Drilling Contract Guaranties or with respect to payment of the Residual Guaranty Amount, or the obligations of the Drilling Parties under the Drilling Contracts. The foregoing acknowledgments, agreements and waivers shall be enforceable by any Non-Recourse Party.

(b) Deepwater, Conoco and Transocean hereby acknowledge and agree that none of the Agents, the Trustees and the Funding Participant shall have any personal liability whatsoever to Deepwater, Conoco, Transocean or their respective successors or assigns for any claim based on or in respect of this Agreement or arising from the transactions contemplated hereby. Subject to Section 6.1 of the Master Charter, the sole recourse of Deepwater, Conoco or Transocean or any Person claiming through or on behalf thereof for any such claims arising hereunder will be to the Trust Estate. Each of Deepwater, Conoco and Transocean further acknowledges and agrees that it has no rights (as third-party beneficiary or otherwise) or standing under any agreement between the Trustees and any or all of the Investment Trust, the Agents, or the Funding Participants, which agreements are not by their terms intended for the benefit of other parties other than Sections 5.2, 5.3, 5.4 and 5.5 of the Charter Trust Agreement and Sections 5.2, 5.3, 5.4 and 5.5 of the Investment Trust Agreement.

(c) It is expressly understood and agreed by the parties hereto that (a) this Agreement and the other Transactions Documents executed by either Trustee, are not being executed in such Trustee's respective personal capacities, except as expressly stated herein or therein, but solely (i) in the case of Wilmington Trust Company, (x) as charter trustee under the Charter Trust Agreement and, (y) solely with respect to the Depository Agreement, as Depository and Securities Intermediary thereunder, and (ii) in the case of Wilmington Trust FSB, as investment trustee under the Investment Trust Agreement and (b) under no circumstances shall either Trustee be personally liable for the

payment of any indebtedness or expenses of the Charter Trust or the Investment Trust, as applicable, or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Charter Trustee or Investment Trust, as applicable, under this Agreement, any other Transaction Document or any related agreement, except to the extent of the Charter Trust Estate and the Investment Trust Estate, respectively.

(d) Notwithstanding any provision of this Agreement or any other Transaction Document to the contrary, each party hereto agrees that each Conduit shall only be required to pay (a) any fees or liabilities that it may incur hereunder only to the extent such Conduit has Excess Funds and (b) any expenses, indemnities or other liabilities under any other Transaction Document only to the extent such Conduit has Excess Funds; provided, however, that if such
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Conduit has insufficient funds to make any payments required by this Agreement or any Transaction Document to any party hereto, such Persons shall not be excused from the performance of their respective obligations hereunder. In addition, no amount owing by any Conduit hereunder in excess of the liabilities that such Conduit is required to pay in accordance with the preceding sentence shall constitute a claim (as defined in Section 101 to Title 11 of the United States Code) against such Conduit. No recourse shall be had for the payment of any amount owing hereunder or for the payment of any fee hereunder or any other obligation of or claim against, any Conduit arising out of or based upon this Agreement or any Transaction Document, against any stockholder, employee, officer, director, manager or incorporator of any Conduit or Affiliate thereof; provided, however, that the foregoing shall not relieve any such person or
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entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. Any and all claims against any Conduit by any other Person shall be subordinate to the claims of the holders of the Commercial Paper Notes of such Conduit. The obligations under this Section
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12.13(d) shall survive the termination of this Agreement.
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SECTION 12.14 Applicable Laws. Nothing in this Agreement or any other
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Transaction Document shall be construed to constitute or to require either the Trustees, Investment Trust or Deepwater to take or omit any action which would constitute a violation of, or subject the Trustees, Investment Trust or Deepwater to a penalty under, the laws of the United States of America.

SECTION 12.15 Right to Inspect. Upon reasonable notice and at such times
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and places as shall not unduly interfere with the commercial utilization or operation of the Drillship (it being understood that Deepwater shall be under no obligation to interrupt or delay any operation of the Drillship or to otherwise incur any out-of-pocket expense or loss of revenue), but in no event more than once in any twelve-month period, Deepwater shall afford representatives of the Charter Trustee (together with representatives of the Funding Participants and the Investment Trustees) reasonable access to the Drillship, its logs and papers for the purpose of inspecting the same. Any such inspection shall be subject to any required Government Approvals and shall be at the sole risk and expense of the Charter Trustee, the Funding Participants and the Investment Trustees, as applicable, unless a Charter Event of Default has occurred and is continuing, in which case any such inspection shall be at the expense of Deepwater and may occur more than once per year upon reasonable notice after such Charter Event of Default. Upon written request by the Trustees, Deepwater shall give the Trustees prior written notice of the time and location of the Drillship's next scheduled dry-docking.

SECTION 12.16 Accounts, Distribution of Payments and Flow of Funds. Pursuant to the Deepwater Assignment, Deepwater has assigned its right to receive payment of all Deposited Amounts to the Charter Trustee and the Investment Trust. Each of the Trustees, the Investment Trust and Deepwater hereby agrees (severally and not jointly) to deposit, or to cause to be deposited, all Account Collateral of any kind received by it promptly (but not later than six (6) Business Days after receipt) into the Accounts established pursuant to the Depository Agreement to be applied as set forth in the Depository Agreement.

SECTION 12.17 Attorneys-in-Fact. Subject to the terms of the Transaction Documents, without in any way limiting the obligations of Deepwater hereunder, Deepwater hereby appoints each of the Charter Trustee and the Investment Trust as its agent and attorney-in-fact, with full power and authority at any time during which Deepwater is obligated to deliver possession of the Drillship to the Charter Trustee in connection with the exercise of remedies after the occurrence of a Charter Event of Default, to demand and take possession of the Drillship in the name and on behalf of Deepwater from whomsoever shall be at the time in possession thereof in accordance with the Transaction Documents.

SECTION 12.18 Successor Trustees; Jurisdiction of Trust. Notwithstanding the provisions of the Trust Agreement, so long as no Charter Event of Default shall have occurred and be continuing, (i) no successor or replacement Charter Trustee or Investment Trustee shall be appointed without the prior written consent of Deepwater (which consent shall not be unreasonably withheld or delayed) and (ii) the jurisdiction in which the trusts under the Trust Agreements are created shall not be changed without the prior written consent of Deepwater.

SECTION 12.19 Third-Party Beneficiaries. Each of the Funding Participants agrees that the Drilling Parties shall be third-party beneficiaries of the covenant contained in Section 6.3(b) and each shall be entitled to rely on and enforce such covenant as though such Drilling Party were a party to this Agreement. Each of the parties hereto agrees that the Hedging Agreement Counterparties shall be third-party beneficiaries of the covenant contained in Sections 10 and 12.5 and shall be entitled to rely on and enforce such covenants as though the Hedging Agreement Counterparties were parties to this Agreement.

SECTION 12.20 Consent to Jurisdiction. Each of the parties hereto (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement, the other Transaction Documents, or the subject matter hereof or thereof or any of the transactions contemplated hereby or thereby brought by any of the parties hereto or their successors or assigns, (ii) hereby irrevocably agrees that all claims in respect of such suit, action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court and (iii) to the extent permitted by Applicable Law, hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement, the other Transaction Documents, or the subject

matter hereof or thereof may not be enforced in or by such court. A final judgment obtained in respect of any action, suit or proceeding referred to in this Section 12.20 shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any manner as provided by and subject to Applicable Law. Each of the parties hereto hereby consents to service of process in connection with the subject matter specified in the first sentence of this Section 12.20 in connection with the above mentioned courts in New York by registered mail, Federal Express, DHL or similar courier at the address to which notices to it are to be given, it being agreed that service in such manner shall constitute valid service upon such party or its respective successors or assigns in connection with any such suit, action or proceeding only; provided, however, that nothing in this Section 12.20(i) shall affect the right of any of such party or its respective successors or assigns to serve legal process in any other manner permitted by law or affect the right of any of such parties or its respective successors or assigns to bring any suit, action or proceeding against any other one of such parties or its respective property in the courts of other jurisdictions.

SECTION 12.21 Deepwater Acknowledgment With Respect to Charter Trust Agreement. Deepwater hereby agrees and consents to the provisions of Section 8.1(a) of the Charter Trust Agreement in respect of Deepwater's obligations to reimburse the Charter Trustee's reasonable fees and expenses.

SECTION 12.22 Appointment of Wilmington Trust FSB as Attorney-in-Fact on behalf of the Beneficial Owners; Powers of Attorney. Each of the Beneficial Owners identified in the Charter Trust Agreement, by its respective signature below, hereby appoints Wilmington Trust FSB as attorney-in-fact solely for the purpose of, in its name, place and stead, executing and delivering the Charter Trust Agreement. Wilmington Trust FSB is further authorized and directed by each such Beneficial Owner to execute and deliver the power of attorney substantially in the form attached hereto as Exhibit N-1, in favor of the Persons listed therein, for the purpose of having the Charter Trust Agreement duly executed and delivered by each such Beneficial Owner. Such appointment shall not be construed to be a "statutory short form power of attorney" as defined in Section 5-1501 of the New York General Obligations Law. Further, Wilmington Trust Company shall execute and deliver the Power of Attorney attached hereto as Exhibit N-2, both in its individual capacity, as expressly provided in such Exhibit N-2, and as Charter Trustee.

SECTION 12.23 Non-Defaulting Drilling Party's Right to Pursue Contests. Where a Non-Defaulting Drilling Party has exercised its Assumption Cure Right, if the Charter Trustee, Investment Trust and the Funding Participants have opted not to pursue remedies against (i) where Frontier Deepwater Drilling is a Defaulting Drilling Party, Conoco for any failure to make payments due under the Conoco Guaranty or the Conoco Drilling Contract Guaranty following a demand for payment thereunder, or (ii) where R&B Falcon Drilling (International & Deepwater) Inc. is a Defaulting Drilling Party, Transocean for any failure to make payments due under the Transocean Guaranty or the Transocean Drilling Contract Guaranty following a demand for payment thereunder, such Non-Defaulting Drilling Party shall have the right to pursue any and all claims of the Charter Trustee, Investment Trust and the Funding Participants under any such Guaranty; provided, however that such Non-Defaulting Drilling Party shall not have the right in any way to settle or compromise any such claim pursued under this Section for less than the full amount owed under any such Guaranty unless each of the Funding Participants has consented to

such settlement or compromise. Notwithstanding anything to the contrary in this Section, all amounts received by the Non-Defaulting Drilling Party as a result of the pursuit of any claims hereunder shall be deposited into the appropriate Account under the Depository Agreement, as though such amounts had been paid by, where clause (i) above applies, Conoco and, where clause (ii) above applies, Transocean.

SECTION 12.24 Non-Petition. Each party hereto hereby agrees that it shall not institute against, or join or assist any other person in instituting against, any Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceedings under any federal or state bankruptcy or similar law, for one year and a day after the latest maturing commercial paper note issued by such Conduit is paid. This Section 12.24 shall survive the termination of this Agreement.

SECTION 12.25 Payments to Conduits. Notwithstanding anything in the Transaction Documents to the contrary, all payments to each of the Conduit (Paradigm) and the Conduit (Liberty) under the Transaction Documents shall be paid to the applicable Administrator pursuant to the Depository Agreement for the benefit of such Conduits.

SECTION 12.26 UCC-1 Authorization. Each of Deepwater and the Charter Trustee authorize the filing of UCC-1 Statements as required to perfect and continue the security interests created in the Transaction Documents.

IN WITNESS WHEREOF, the parties hereto have caused this PARTICIPATION AGREEMENT to be duly executed by their respective officers and thereunto duly authorized as of the day and year first above written.

DEEPWATER DRILLING II L.L.C.

By: /s/ TIM JURAN

Name: Tim Juran
Title: Manager

DEEPWATER INVESTMENT TRUST 1999-A

WILMINGTON TRUST FSB, not in its individual capacity, but solely as Investment Trustee

By: /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

WILMINGTON TRUST FSB, not in its individual
capacity, except as specified herein,
but solely as Investment Trustee

By: /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

INVESTMENT TRUST BENEFICIARY

By: /s/ DONALD J. PUGLISI

Name: Donald J. Puglisi
Title: Investment Trust Beneficiary

WILMINGTON TRUST COMPANY, not in its
individual capacity, except as specified
herein, but solely as Charter Trustee

By: /s/ JAMES A. HANLEY

Name: James A. Hanley
Title: Financial Services Officer

TRANSOCEAN SEDCO FOREX, INC., with respect to Sections 2.15, 9.4, 12.13(b) and 12.13(d) only

By: /s/ Eric B. Brown

Name: ERIC B. BROWN

Title: Senior Vice President, General Counsel and Corporate Secretary

CONOCO INC., with respect to Sections 2.15, 9.4, 12.13(b) and 12.13(d) only

By: /s/ R.W. GOLDMAN

Name: R.W. Goldman
Title:

RBF DEEPWATER EXPLORATION II INC., with respect to Sections 5.2 and 6.4 only

By: /s/ W. DENNIS HEAGNEY

Name: W. Dennis Heagney
Title: Vice President

CONOCO DEVELOPMENT II INC., with respect to
Sections 5.2 and 6.4 only

By: /s/ Robert

Name:
Title:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ ALBERT Z. NORONA

Name: Albert Z. Norona
Title: Vice President

HATTERAS FUNDING CORPORATION, as the Conduit (Hatteras)

By: /s/ CHRIS T. BURT

Name: Chris T. Burt
Title: Vice President

BANK OF AMERICA, N.A., as Administrator
(Hatteras)

By: /s/ M. RANDALL ROSS

Name: M. Randall Ross
Title: Principal

BANK OF AMERICA, N.A., as Liquidity Agent
(Hatteras)

By: /s/ M. RANDALL ROSS

Name: M. Randall Ross
Title: Principal

LIBERTY STREET FUNDING CORP., as the
Conduit (Liberty)

By: /s/ ANDREW L. STIDD

Name: Andrew L. Stidd
Title: President

THE BANK OF NOVA SCOTIA, as Administrator
(Liberty)

By: /s/ N. BELL

Name: N. Bell
Title: Assistant Agent

THE BANK OF NOVA SCOTIA, as Liquidity Agent
(Liberty)

By: /s/ N. BELL

Name: N. Bell
Title: Assistant Agent

PARADIGM FUNDING LLC, as the Conduit
(Paradigm)

By: /s/ EVELYN ECHEVARRIA

Name: Evelyn Echevarria
Title: Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE
NEW YORK BRANCH, as Administrator (Paradigm)

By: /s/ CHRISTIAN BRUNE

Name: Christian Brune
Title: Associate Director Securitization

By: /s/ VIOLET DIAMANT

Name: Violet Diamant
Title: Associate Director Securitization

WESTDEUTSCHE LANDESBANK GIROZENTRALE
NEW YORK BRANCH, as Liquidity Agent
(Paradigm)

By: /s/ CHRISTIAN BRUNE

Name: Christian Brune
Title: Associate Director Securitization

By: /s/ VIOLET DIAMANT

Name: Violet Diamant
Title: Associate Director Securitization

BANK OF AMERICA, N.A., as a Liquidity Purchaser

By: /s/ CLAIRE M. LIU

Name: Claire M. Liu
Title: Managing Director

THE BANK OF NOVA SCOTIA, as a Liquidity Purchaser

By: /s/ N. BELL

Name: N. Bell
Title: Assistant Agent

DEN NORSKE BANK ASA, as a Liquidity Purchaser

By: /s/ BARBARA GRONQUIST

Name: Barbara Gronquist
Title: Senior Vice President

By: /s/ HANS JORGEN ORMAR

Name: Hans Jorgen Ormar
Title: Vice President

FORTIS CAPITAL CORP., as a Liquidity Purchaser

By: /s/ JOHN C. PRENATA

Name: John C. Prenata
Title: Executive Vice President

FORTIS CAPITAL CORP., as a Certificate Purchaser

By: /s/ JOHN C. PRENATA

Name: John C. Prenata
Title: Executive Vice President

By: /s/ C. TURTON

Name: C. Turton
Title: Managing Director

NATEXIS BANQUES POPULAIRES, as a Liquidity Purchaser

By: /s/ TIMOTHY L. POLVADO

Name: Timothy L. Polvado
Title: Vice President and Group Manager

By: /s/ LOUIS P. LAVILLE, III

Name: Louis P. Laville, III
Title: Vice President and Group Manager

THE ROYAL BANK OF SCOTLAND PLC, as a
Liquidity Purchaser

By: /s/ SCOTT BARTON

Name: Scott Barton
Title: Sr. Vice President

THE ROYAL BANK OF SCOTLAND PLC, as a
Liquidity Purchaser

By: /s/ SCOTT BARTON

Name: Scott Barton
Title: Sr. Vice President

SUNTRUST BANK, as a Liquidity Purchaser

By: /s/ JOSEPH M. MCGREEVY

Name: Joseph M. McGreevy
Title: Assistant Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE
NEW YORK BRANCH, as a Liquidity Purchaser

By: /s/ CHRISTIAN BRUNE

Name: Christian Brune
Title: Associate Director Securitization

SCHEDULE 1

List of UCC and Other Necessary Security Filings

UCC-1 financing statements covering the assignment of Account Collateral under the Depository Agreement, naming Deepwater as the debtor and the Depository, for the benefit of the Charter Trustee, as the secured party filed with the Delaware Secretary of State.

UCC-1 financing statements covering the assignment of the Assigned Contracts referenced in the Deepwater Assignment, naming Deepwater as the debtor and the Charter Trustee as the secured party filed with the Delaware Secretary of State.

A UCC-1 financing statement, covering the Drillship and naming Deepwater as the debtor and the Charter Trustee as the secured party, filed with the Delaware Secretary of State.

UCC-1 financing statements covering the assignment of Account Collateral under the Depository Agreement, naming Charter Trustee as the debtor and the Depository, for the benefit of the Investment Trust and Hedging Agreement Counterparties, if any, as the secured party filed with the Delaware Secretary of State.

UCC-1 financing statements covering the assignment of the Assigned Contracts and Contract Payments referenced in the Charter Trustee Assignment, naming Charter Trustee as the debtor and the Investment Trust, for itself and on behalf of the Hedging Agreement Counterparties, if any, as the secured party filed with the Delaware Secretary of State.

A UCC-1 financing statement, covering the Drillship and naming Charter Trustee as the debtor and the Investment Trust and Hedging Agreement Counterparties, if any, as the secured parties, filed with the Delaware Secretary of State.

Master Charter. Filing in Panama.

Charter Supplement No. 1. Filing in Panama.

Charter Supplement No. 2. Filing in Panama.

First Addendum to Ship Mortgage. Filing in Panama.

SCHEDULE 2
FUNDING PARTICIPANT NOTICE ADDRESSES,
PAYMENT INSTRUCTIONS AND RESPONSIBLE OFFICERS

BANK OF AMERICA, N.A.

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:		EURODOLLAR LENDING OFFICE:
Name:	Bank of America, N.A.	Name:
	333 Clay Street, Suite 4550	Address:
Address:	Houston, TX 77002	

ADDRESS FOR NOTICES:

NAME: Ramon Garcia

ADDRESS: Bank of America Plaza
901 Main Street
Dallas, TX 75202-3714

TEL #: 214-209-2119

FAX #: 214-290-9462

ADMINISTRATIVE CONTACT PERSON:

NAME: Ramon Garcia

ADDRESS: Bank of America Plaza
901 Main Street
Dallas, TX 75202-3714

TEL #: 214-209-2119

FAX #: 214-290-9462

TAXPAYER ID #:

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

Bank of America
ABA #: 111000012
Account #: 1292000883
Account Name: Transocean
Attention: Corporate Loan Funds

Bank of America, National Association as Liquidity Agent (Hatteras)
Independence Center, NC1-001-15-04
101 N. Tryon Street
Charlotte, NC 28255
Attention: Angela Berry/Kelly Weaver
Tel: 704-388-6483
Fax: 704-409-0014
Re: Deepwater Drilling

Bank of America, National Association as Administrator (Hatteras)
Interstate Tower, NC1-005-15-01
121 West Trade Street
Charlotte, NC 28255
Attention: M. Randall Ross
Telephone: 704-386-8234
Facsimile: 704-386-0892
Re: Deepwater Drilling

Hatteras Funding Corporation
c/o Global Securitization Services, LLC
114 West 47th Street, Suite 1715
New York, NY 10036
Attention: Christopher T. Burt
Tel: 212-302-5151
Fax: 212-302-8767
Address for Wires:
U.S. Bank N.A.
Corporate Trust Services
100 Wall Street
New York, NY 10005
Attention: Rosalyn Calendar
ABA No.: 091-000-022
Account No.: 1731 0185 1827
Account Name: Hatteras Funding Corporation
Account No.: 770 864 72
Account Name: Hatteras Funding AccuTrust
Reference: Deepwater Drilling

DEN NORSKE BANK, A.S.A.

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:

Name: Den Norske Bank, A.S.A.

Address: 200 Park Ave., 31st Floor
New York, NY 10666

EURODOLLAR LENDING OFFICE:

Name:

Address:

ADDRESS FOR NOTICES:

NAME: Anny Peralta

ADDRESS: 200 Park Ave., 31st Floor
New York, NY 10666

TEL #: 212-681-3842

FAX #: 212-681-4123

ADMINISTRATIVE CONTACT PERSON:

NAME: Anny Peralta

ADDRESS: 200 Park Ave., 31st Floor
New York, NY 10666

TEL #: 212-681-3842

FAX #: 212-681-4123

TAXPAYER ID #:

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

Bank of New York
ABA #: 021 000018
Account #: dnbaus 33
Account Name: den norske bank
Further Credit To: Deepwater Drilling A/C # 13216999
Attn: Anny Peralta

FORTIS CAPITAL CORP.

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:		EURODOLLAR LENDING OFFICE:
Name:	Fortis Capital Corp.	Name:
Address:	3 Stamford Plaza 301 Tresser Blvd., 9th Floor Stanford, CT 06901	Address:

ADDRESS FOR NOTICES:

NAME:

ADDRESS:

TEL #:

FAX #:

ADMINISTRATIVE CONTACT PERSON:

NAME: Frank Campanelli

ADDRESS: 3 Stamford Plaza
301 Tresser Boulevard, 9th Floor
Stamford, CT 06901-3239

TEL #: 203-705-5936

FAX #: 203-705-5888

TAXPAYER ID #:

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

Chase Manhattan Bank
ABA #: 021 000 021
For Credit To: Fortis Capital Corp.
Acct #: 001 1 624 418
Ref: Deepwater Drilling II

NATEXIS BANQUES POPULAIRES

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:

Name: Natexis Banques Populaires

Address: Southwest Representative Office

333 Clay Street, Suite 4340

Houston, TX 77002

EURODOLLAR LENDING OFFICE:

Name:

Address:

ADDRESS FOR NOTICES:

NAME: Tanya Mcallister

ADDRESS: Southwest Representative Office
333 Clay Street, Suite 4340
Houston, TX 77002

TEL #: 713-759-9447

FAX #: 713-759-9908

ADMINISTRATIVE CONTACT PERSON:

NAME: Tanya McAllister

ADDRESS: Southwest Representative Office
901 Main Street
Houston, TX 77002

TEL #: 713-759-9447

FAX #: 713-759-9908

TAXPAYER ID #: 52-2257782

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

JP Morgan/Chase New York
ABA Routing # 021-000021

To Further Credit:

Natexis Banques Populaires
Account # 544-775-330
Ref: Deepwater Investment Trust 1999-A, Houston Office

THE BANK OF NOVA SCOTIA

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:	EURODOLLAR LENDING OFFICE:
Name: The Bank of Nova Scotia Atlanta Agency	Name: Same as Domestic Lending Office
Address: 600 Peachtree St. N.E., Suite 2700 Atlanta, GA 30308	Address: Same as Domestic Lending Office

ADDRESS FOR NOTICES:

NAME: Phyllis Walker

ADDRESS: 600 Peachtree ST. N.E., Suite 2700
Atlanta, Ga 30308

TEL #: 404-877-1552

FAX #: 404-888-8998

ADMINISTRATIVE CONTACT PERSON:

NAME: Phyllis Walker

ADDRESS: 600 Peachtree ST. N.E., Suite 2700
Atlanta, GA 30308

TEL #: 404-877-1552

FAX #: 404-888-8998

TAXPAYER ID #: 13-4941099

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

The Bank of Nova Scotia, New York Agency
ABA #: 026 002 532
For Credit to BNS Atlanta Agency, Acct # 0606634
Re: Deepwater Drilling II L.L.C.

SUNTRUST BANK

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:	EURODOLLAR LENDING OFFICE:
Name: Suntrust Bank	Name:
Address: 303 Peachtree St. N.E., 10th Floor Atlanta, GA 30308	Address:

ADDRESS FOR NOTICES:

NAME:

ADDRESS:

TEL #:

FAX #:

ADMINISTRATIVE CONTACT PERSON:

NAME: Roshawn Orise

ADDRESS: 303 Peachtree Street N.E., 10th Floor
Atlanta, GA 30308

TEL #: 404-230-1939

FAX #: 404-575-2730

TAXPAYER ID #: 58-0466330

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

Suntrust Bank
Bank Address: Same As Domestic Lending Office
ABA #: 061-000-104
Account # 9088-000-112
Account Name: Wire Clearing
Attn: Corporate Banking
Ref: Deepwater Drilling

THE ROYAL BANK OF SCOTLAND PLC

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:		EURODOLLAR LENDING OFFICE:	
Name:	The Royal Bank of Scotland New York Branch	Name:	Same as Domestic Lending Office
Address:	65 East 55th Street, 21st Floor New York, NY 10022	Address:	Same as Domestic Lending Office

ADDRESS FOR NOTICES:

NAME:

ADDRESS:

TEL #:

FAX #:

ADMINISTRATIVE CONTACT PERSON:

NAME: Sheila Shaw and Juanita Baird

ADDRESS: Same As Domestic Lending Office

TEL #: 212-401-1406

FAX #: 212-401-1494

TAXPAYER ID #: 135 63 4601

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

Chase Manhattan Bank, New York
ABA 021000021
Account Name: NWB PLC-NY Commercial Lending
Account #: 400931052
Ref: Deepwater Drilling II L.L.C.

WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH

GENERAL INFORMATION:

DOMESTIC LENDING OFFICE:
Name: West LB, New York Branch
Address: 1211 Avenue of the America
New York, NY 10036

EURODOLLAR LENDING OFFICE:
Name:
Address:

ADDRESS FOR NOTICES:

NAME: Violet Diamant

ADDRESS: 1211 Avenue of the Americas
New York, NY 10036

TEL #: 212-852-6394

FAX #: 212-852-5971

ADMINISTRATIVE CONTACT PERSON:

NAME: Rahel Avigdor

ADDRESS: 1211 Avenue of the Americas
New York, NY 10036

TEL #: 212-597-8347

FAX #: 212-852-5971

TAXPAYER ID #: 52-2283708

PAYMENT INSTRUCTIONS (FOR US DOLLARS):

Chase Manhattan
Bank Address: 4 Chase Metro Tech Centre
ABA#: 021000021
Acct #: 9201060663
Account Name: WestLB New York
Ref: Name of Deal/Paradigm Funding

SCHEDULE 3

[Intentionally Omitted]

SCHEDULE 4

SUBORDINATION PROVISIONS

The payment of the principal of and interest on and all other amounts payable under any Subordinated Debt shall be expressly subordinated in right of payment to the payment in full of all Senior Liabilities, as hereinafter defined, to the extent and in the manner set forth in the following Sections 1 through 9 (collectively, the "Subordination Provisions").

1. Subordination. Except as hereinafter expressly otherwise provided, or as the Majority Funding Participants may expressly consent to in writing, the payment of all Junior Liabilities (as hereinafter defined) shall be postponed and subordinated to the payment in full of all Senior Liabilities and no payments or other distributions whatsoever in respect of any Junior Liabilities shall be made, nor shall any property or assets of Deepwater be applied to the purchase or other acquisition or retirement of any Junior Liabilities; except, that so long as no Event of Loss, Material Default, or Charter Event of Default (each as defined in the Participation Agreement referenced in Section 9 below) exists, any and all payments or other distributions in respect of the Junior Liabilities are permitted to be made to the extent that any such payment would be permitted by the terms of the Depository Agreement.

2. Bankruptcy, Insolvency, Etc. If an Event of Default listed in Section 4.1(e) or (f) of either Charter Supplement No. 1 or Charter Supplement No. 2 (each, an "Insolvency Event") occurs in respect of Deepwater, the Senior Liabilities shall first be paid in full in accordance with their terms or to the extent recoverable against assets of Deepwater before the holder of any Junior Liability (each, a "Junior Creditor") shall be entitled to receive and to retain any payment or distribution in respect of such Junior Liability. If an Insolvency Event occurs in respect of Deepwater, each Junior Creditor shall promptly file a claim or claims in the proceedings related to such Insolvency Event, for the full outstanding amount of the Junior Liability attributable to such Junior Creditor, and shall use commercially reasonable efforts to cause said claim or claims to be approved and shall cause all payments and other distributions in respect thereof to be made directly to Depository. If an Insolvency Event occurs in respect of Deepwater, Deepwater shall agree that Depository (if the Depository Agreement is in full force and effect, otherwise Administrative Agent) may, at its sole discretion, in the name of Deepwater, any Junior Creditor or otherwise, demand, sue for, collect, receive and receipt for any and all such payments or distributions, and file, prove and vote or consent in any such proceedings with respect to any and all claims of any Junior Creditor relating to the Junior Liabilities.

3. Payments Held in Trust. If any Junior Creditor receives any payment or other distribution of any kind or character from Deepwater, or from any other source whatsoever, in respect of any of the Junior Liabilities, other than as expressly permitted by the terms hereof, such payment or other distribution shall be received in trust for the Funding Participants and promptly turned over by the Junior Creditor to Depository (if the Depository Agreement is in full force and effect, otherwise to Administrative Agent).

All Junior Creditors will mark their books and records so as clearly to indicate that the Junior Liabilities are subordinated in accordance with these Subordination Provisions and will execute such further documents or instruments and take such further action as Depository (if the Depository Agreement is in full force and effect, otherwise Administrative Agent) may reasonably from time to time request to carry out the intent of these Subordination Provisions.

4. Application of Payments; No Subrogation. All payments and distributions received by any Beneficiary (as hereinafter defined) in respect to the Junior Liabilities, to the extent received in or converted into cash, may be applied by such Beneficiary first to the payment of any and all expenses (including reasonable attorneys' fees and out-of-pocket expenses) paid or incurred by such Beneficiary in enforcing these Subordination Provisions or in endeavoring to collect or realize upon any of the Junior Liabilities or any security therefor, and any balance thereof shall, solely as between the Junior Creditors and the Beneficiaries, if held by either Trustee or a Funding Participant while the Depository Agreement is in full force and effect, be paid to Depository and shall be applied in accordance with the Depository Agreement and, if paid to Administrative Agent, shall be applied toward the payment of, or retained as security for, the discharge of Senior Liabilities remaining unpaid to the extent recoverable against assets of Deepwater; provided, that notwithstanding any such payments or distributions received by any Beneficiary in respect of the Junior Liabilities and so applied by any such Beneficiary toward the payment of Senior Liabilities, the Junior Creditors shall be subrogated to the then existing rights of such Beneficiary, if any, in respect of the Senior Liabilities only at such time as these Subordination Provisions shall have been discontinued and Beneficiaries shall have received payment of the full amount of the Senior Liabilities and all obligations of the Funding Participants to fund Advances shall have terminated.

5. Waivers by the Junior Creditors. The Junior Creditors hereby waive: (a) notice of acceptance by any Beneficiary of these Subordination Provisions; (b) notice of the existence, creation, non-payment, amendment, supplement, increase or waiver of all or any of the Senior Liabilities; and (c) all diligence in collection or protection of, or realization upon, the Senior Liabilities (or any portion thereof) or any security therefore.

6. Obligations of the Junior Creditors. The Junior Creditors will not, without prior written consent of the Majority Funding Participant: (a) except as permitted by the Participation Agreement, transfer or assign, or subordinate to any Liabilities other than the Senior Liabilities, any Junior Liabilities or any rights in respect thereof; (b) take any collateral security for any Junior Liabilities; (c) commence, or join with any other creditor in commencing, any bankruptcy, reorganization or insolvency proceedings with respect to Deepwater; (d) amend, supplement or modify any of the terms or provisions of any instrument or document evidencing any of the Junior Liabilities in a manner inconsistent herewith or prohibited by the Participation Agreement; or (e) upon the occurrence and continuation of any Event of Default in respect of any of the Senior Liabilities, attempt to enforce or collect any of the Junior Liabilities or any rights in respect thereof prior to the payment in full of all Senior Liabilities.

7. Rights of Beneficiaries. Beneficiary in accordance with the terms of the Transaction Documents may, from time to time, whether before or after any discontinuance of these Subordination Provisions, at their sole discretion and without notice to the Junior Creditors, take any or all of the following actions: (a) retain or obtain a security interest in any property to secure any of the Senior Liabilities (provided that this clause (a) does not and shall not be deemed to constitute a grant of, or consent to, a lien or security interest on any property of the Junior Creditors); (b) retain or obtain the primary or secondary obligations of any other obligor or obligors with respect to any of the Senior Liabilities; (c) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Senior Liabilities, or release or compromise any obligation of any nature of any obligor with respect to any of the Senior Liabilities; (d) release its security interest in, or surrender, release or permit any substitution or exchange for all or any part of any property (provided, that this clause (d) does not and shall not be deemed to constitute a grant of, or consent to, a lien or security interest on any property of Deepwater) securing any of the Senior Liabilities, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such property (provided that this clause (d) does not and shall not be deemed to constitute an agreement to release, compromise, alter or exchange any obligations of any nature of the Junior Creditors with respect to any such property of the Junior Creditors); and (e) release, compromise, alter or exchange any guarantee obligations or other obligations of any nature of any obligor under the Transaction Documents or any documents to which Deepwater is a party.

8. Transfer of Senior Liabilities. Subject to the provisions of the Participation Agreement and the other Transaction Documents, any Beneficiary may from time to time, whether before or after any discontinuance of these Subordination Provisions, without notice to Deepwater (subject to the express provisions of the Participation Agreement) or the Junior Creditors, assign or transfer any or all of the Senior Liabilities, or any interest therein, and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Senior Liabilities shall be and remain Senior Liabilities for the purposes of these Subordination Provisions, and every immediate and successive assignee or transferee of any of the Senior Liabilities or of any interest therein shall, to the extent of the interest of such assignee or transferee in the Senior Liabilities, be entitled to the benefits of these Subordination Provisions, to the same extent as if such assignee or transferee were the transferring Beneficiary to the extent of the interest transferred.

9. Definitions. Unless otherwise defined herein, terms used herein have the meanings assigned to such terms in Appendix 1 of that certain Amended and Restated Participation Agreement, dated the date hereof (the "Participation Agreement"), among Deepwater Drilling II L.L.C., a Delaware limited liability company, Wilmington Trust FSB, a Federal savings bank, not in its individual capacity except as expressly provided, but solely as trustee under the Investment Trust Agreement, Deepwater Investment Trust 1999-A, a Delaware business trust, Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity except as expressly provided, but solely as Charter Trustee, various financial institutions, as Certificate Purchasers, Hatteras Funding

Corporation, as the Conduit (Hatteras), Liberty Street Funding Corp., as the Conduit (Liberty), Paradigm Fundings LLC, as the Conduit (Paradigm), various financial institutions, as Liquidity Purchasers, Bank of America N.A., as Administrative Agent, the Investment Trust Beneficiary, various Administrators and Liquidity Agents, solely with respect to Sections 2.15, 9.4, 12.13(b) and 12.13(d) thereof, Transocean Sedco Forex Inc. and Conoco Inc., and solely with respect to Sections 5.2 and 6.4, RBF Deepwater Exploration II Inc. and Conoco Development II Inc.

a) "Junior Liabilities" means all Liabilities of Deepwater under or in connection with any Subordinated Debt.

b) "Liabilities" means collectively all obligations of Deepwater, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due.

c) "Senior Liabilities" means collectively all Liabilities owed to any of the Beneficiaries under the Transaction Documents; it being expressly understood and agreed that the term "Senior Liabilities", as used herein, shall include any and all Charter Return or interest accruing on any of the Senior Liabilities after the commencement of any proceedings referred to in Section 2, notwithstanding any provision or rule of law which might restrict the rights of any Beneficiary, as against Deepwater or anyone else, to collect Charter Return or interest.

d) "Beneficiary" means any or all of the Charter Trustee, the Investment Trustee, the Investment Trust Beneficiary, the Investment Trust, any Agent, the Depository or any Funding Participant or any other Indemnified Party (as defined in the Participation Agreement).

(i) the Participation Agreement;
(ii) the Charter Trust Agreement;
(iii) the Investment Trust Agreement;
(iv) the Deepwater Hedging Agreements, if any;
(v) the Hedging Agreements, if any;
(vi) the Drilling Consent;
(vii) the Master Charter;
(viii) Charter Supplement No. 1;
(ix) Charter Supplement No. 2;
(x) the Security Documents;
(xi) the Series A Charter Trust Certificates;
(xii) the Series B Charter Trust Certificate;
(xiii) Loan Agreement;
(xiv) [Intentionally Omitted];
(xv) Fee Letters;
(xvi) Notes
(xvii) the Conoco Guaranty; and
(xviii) the Transocean Guaranty.

APPENDIX 1
to
Participation Agreement

DEFINITIONS AND INTERPRETATION

I. RULES OF INTERPRETATION

A. General Rules of Interpretation. In each Transaction Document, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person (individually or in any particular capacity) includes such Person's legal representatives, successors and assigns but, if applicable, only if such legal representatives, successors and assigns are permitted by the Transaction Documents, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes the other gender;

(iv) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents and reference to any promissory note, certificate or other instrument includes any promissory note, certificate or other instrument which is an extension or renewal thereof or a substitute or replacement therefor;

(v) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) reference in any Transaction Document to any Article, Section, Appendix, Schedule or Exhibit means such Article or Section thereof or Appendix, Schedule or Exhibit thereto;

(vii) "hereunder", "hereof", "hereto" and words of similar import shall be deemed references to a Transaction Document as a whole and not to any particular Article, Section or other provision thereof;

(viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and

(ix) relative to the determination of any period of time, "from" means "from and including" and "to" means "to and excluding".

B. Accounting Terms. In each Transaction Document, unless expressly otherwise provided, accounting terms shall be construed and interpreted, and accounting determinations and computations shall be made, in accordance with GAAP.

C. Legal Representation of the Parties. The Transaction Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring the Transaction Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

D. Defined Terms. Unless a clear contrary intention appears, terms defined herein have the respective indicated meanings when used in each Transaction Document.

II. DEFINITIONS

"Account" means each of the Event of Loss Proceeds Account, the Reimbursement and Proceeds Account, the Operating Account, the Permitted Contest Reserve Account, the Drillship Sales Proceeds Account and the Termination Proceeds Account.

"Account Collateral" has the meaning specified in Section 2.2 of the Depository Agreement.

"Accredited Investor" has the meaning specified in Rule 501(a) of the

Securities Act.

"Acquiring Member" has the meaning specified in Section 9.5 of the Participation Agreement.

"Acquiror" means an entity (i) into which another entity is merged or (ii) that acquires all or substantially all of the assets or outstanding Voting Stock of a Person.

"Actual Knowledge" means the actual awareness of a Responsible Officer.

"Adjustment Date" means the Initial Charter Margin Adjustment Date and every sixth Charter Hire Payment Date thereafter.

"Administrative Agent" has the meaning specified in Section 11.1(a) of the Participation Agreement.

"Administrator (Hatteras)" has the meaning specified in the preamble to the Loan Agreement.

"Administrator (Liberty)" has the meaning specified in the preamble to the Loan Agreement.

"Administrator (Paradigm)" has the meaning specified in the preamble to the Loan Agreement.

"Administrators" means each of the Administrator (Hatteras), the Administrator (Liberty) and the Administrator (Paradigm).

"Advance" has the meaning specified in Section 2.3(b) of the Participation Agreement.

"Affected Funding Participant" is defined in Section 7.7 of the Participation Agreement.

"Affiliate" means, when used with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. As used in this definition, the term "control" shall mean (including the correlative meanings of the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, the possession directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"After Tax Basis" means, with respect to any payment to be received, the amount of such payment increased so that, after deduction of the amount of all Taxes required to be paid by the recipient calculated at the maximum United States federal rates then generally applicable to large widely held corporations and at the marginal state and local rates certified by the recipient as then applicable to such recipient (less any tax savings realized and the present value of any tax savings projected to be realized by the recipient as a result of the payment of the indemnified amount), with respect to the receipt by the recipient of such amount, such increased payment (as so reduced) is equal to the payment otherwise required to be made.

"Agents" means the Administrative Agent, the Liquidity Agents and the Administrators.

"Affected Party" means each Funding Participant, each permitted assignee thereof, each Program Support Provider of each Conduit, and each Affiliate of the foregoing Persons.

"Alternate Rate Funding" means any Contribution, Advance or Liquidity Purchase for which the Series A Return, the Series B Return or any Return Rate, as applicable, is calculated with reference to an Alternate Rate, as applicable.

"Alternate Rate" means the Alternate Rate (Hatteras), the Alternate Rate (Liberty) or the Alternate Rate (Paradigm).

"Alternate Rate (Hatteras)" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America ("BofA"), as its "reference rate." (The reference rate is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.) Any change in the reference rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

"Alternate Rate (Liberty)" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of Nova Scotia ("BNS"), as its "reference rate." (The reference rate is a rate set by BNS based upon various factors including BNS's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.) Any change in the reference rate announced by BNS shall take effect at the opening of business on the day specified in the public announcement of such change.

"Alternate Rate (Paradigm)" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate and (b) the rate of interest in effect for such day as publicly announced from time to time by Westdeutsche Landesbank Girozentrale, New York ("West LB"), as its "reference rate." (The reference rate is a rate set by West LB based upon various factors including West LB's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.) Any change in the reference rate announced by West LB shall take effect at the opening of business on the day specified in the public announcement of such change.

"Applicable Law" means all applicable laws, rules, regulations (including Environmental Laws), statutes, treaties, conventions (including, if applicable, the Safety of Life at Sea Convention) codes, ordinances, permits, certificates, orders and licenses of, and interpretations by, all Government Authorities, and applicable judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal agency of competent jurisdiction (including those pertaining to health and safety and those pertaining to the construction, use or operation of the Vessel, the OFE and any Modifications).

"Applicable Liquidity Purchasers" means, (i) with respect to the Conduit (Hatteras), the Liquidity Purchasers (Hatteras), (ii) with respect to the Conduit (Liberty), the Liquidity Purchasers (Liberty), with respect to the Conduit (Paradigm), the Liquidity Purchasers (Paradigm).

Applicable Office" means, with respect to each Funding Participant, the office, branch or Affiliate of such Funding Participant specified as its "Applicable Office" to Deepwater, the Charter Trustee and the Investment Trust.

"Applicable Percentage" means:

(i) with respect to payments made or obligations guaranteed by (A) Transocean or its Affiliates (other than Deepwater) or (B) Deepwater pursuant to the terms of Charter Supplement No. 1, 60%; or

(ii) with respect to payments made or obligations guaranteed by (A) Conoco or its Affiliates (other than Deepwater) or (B) Deepwater pursuant to the terms of Charter Supplement No. 2, 40%.

"Appraisal" means, with respect to the Drillship, an appraisal delivered on the Closing Date, prepared by the Appraiser.

"Appraiser" means American Appraisal Incorporated.

"Assigned Contract" has the meaning specified in the seventh recital to the Deepwater Assignment.

"Assumption Cure Right" has the meaning set forth in Section 9(a) of the Drilling Consent.

"Bank of America" means Bank of America, N.A. and its Affiliates.

"Bankruptcy Default" means a Charter Default described in Section 4.1(e) or (f) of either Charter Supplement No. 1 or Charter Supplement No. 2.

"Base Charter Term" means the period commencing on the Closing Date and ending on the fifth anniversary of the Day Rate Commencement Date.

"Base Rate" means a rate per annum equal to LIBOR.

"Base Rate Funding" means any Contribution, Advance or Liquidity Purchase for which the Series A Return, Series B Return or any Return Rate, as applicable, is calculated with reference to the Base Rate.

"Basic Hire" means the sum of (x) the principal amortization payment due and payable on the applicable Charter Hire Payment Date as set forth on Schedule I to the Master Charter and (y) all accrued and unpaid Charter Return then due and payable.

"Beneficial Owner Amount" has the meaning specified in Section 3.2 of the Charter Trust Agreement.

"Beneficial Owners" means those financial institutions who are parties to the Charter Trust Agreement and identified therein as "Beneficial Owners".

"Beneficial Participant" has the meaning specified in Section 3.8(h) of the Charter Trust Agreement.

"Board of Governors" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" has the meaning specified in the preamble to the Loan Agreement.

"Borrower Events" has the meaning specified in Section 6.2 of the Loan Agreement.

"Builder" means, collectively, Samsung Heavy Industries Co., Ltd., a Korean corporation, and Samsung Corporation, a Korean corporation, as builder of the Vessel.

"Business Day" means (i) except as set forth in clause (ii) below, any day excluding (x) Saturday, (y) Sunday, and (z) any day on which banks in New York, New York, Wilmington, Delaware, Charlotte, North Carolina or Houston, Texas, are authorized by law to close, and (ii) with respect to all notices and determinations in connection with and payments of Charter

Return any day which is a Business Day described in (i) above and which is also a day for trading by and between banks in U.S. dollar deposits in the London interbank Eurodollar market.

"Casualty" means any damage or destruction of all or any portion of the Drillship as a result of a fire or other casualty aggregating more than $2,000,000 to repair or replace, which does not constitute an Event of Loss.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sec. 9601 et seq., and its implementing regulations and amendments.

"Certificate" means each Series A Charter Trust Certificate and the Series B Charter Trust Certificate.

"Certificate Margin" means 175.0 basis points per annum so long as the ratings of both Transocean and Conoco are at or above Investment Grade or otherwise 225.0 basis points per annum.

"Certificate Purchaser" means those financial institutions who are identified in the Charter Trust Agreement as "Beneficial Owners".

"Certificate Purchaser Amount" means, with respect to each Certificate Purchaser, at any given time, the aggregate amount of all Contributions made by such Certificate Purchaser plus accrued but unpaid Postponement Yield due to such Certificate Purchaser, if any, minus the amount of any distributions paid to such Certificate Purchaser in reduction of the Charter Balance.

"Certificate Purchaser Balance" means, at any given time, the aggregate of all Certificate Purchaser Amounts.

"Certificate Purchaser Commitment" means, with respect to each Certificate Purchaser, the amount set forth on Schedule I to the Charter Trust Agreement opposite the name of each Certificate Purchaser, which amount may be adjusted pursuant to Section 7.7, 7.9 or 9.1 of the Participation Agreement.

"Certificate Purchaser Commitment Percentage" means, with respect to each Certificate Purchaser, the percentage beneficial interest held by such Certificate Purchaser under the Charter Trust Agreement from time to time determined in accordance with the Charter Trust Agreement.

"Certificate Return Rate" means the Base Rate plus the Certificate Margin or, to the extent that the Base Rate is unavailable or illegal, the Alternate Rate plus the Certificate Margin.

"Change of Control" means (i) as to any Person (including Conoco and Transocean), a sale, assignment or transfer by its Affiliates of all or substantially all of the assets of such Person and its Subsidiaries taken as a whole (whether in a single transaction or a series of related transactions) to any "person" or "group" (as the ultimate purchaser, assignee or transferee) within the meaning of Section 13(d)(3) and Section 14(d)(2) of the Securities Exchange Act of 1934 other than to its Affiliates; (ii) as to any Person (including Conoco and Transocean), its

Affiliates directly or indirectly cease to beneficially own more than 50% of the outstanding voting stock of such Person; (iii) after the occurrence of the event described in clause (ii), the first date on which the individuals who are directors of the relevant entity and whose election or nomination for election by the stockholders of the relevant entity is approved, or who were elected by the affirmative vote of, at least two-thirds of the directors who were members of the board of directors of the relevant entity at the time of such nomination or election, will cease to constitute a majority of the board of directors of the relevant entity or its successor by merger, consolidation or sale of assets; or (iv) with respect to any Person, the liquidation or dissolution of such Person. For purposes of this definition, relevant entity means either Conoco or Transocean, or, if there is a Parent of such respective Person, the Parent; provided that none of the merger of Conoco with Phillips Petroleum Company, any
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acquisition of assets or securities related thereto, any related change of directors of any entity or related dissolution of any Person shall be a Change of Control.

"Change of Control Prepayment Amount" has the meaning specified in Section
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9.4 of the Participation Agreement.

"Charter" means both charters created by the Master Charter, as
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supplemented by Charter Supplement No. 1 and Charter Supplement No. 2.

"Charter Balance" means, at any given time, the Certificate Purchaser
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Balance plus the Lender Balance.

"Charter Commencement Date" means the Closing Date.

"Charter Default" means any event or condition which, with the lapse of
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time or the giving of notice, or both, would constitute a Charter Event of Default.

"Charter Event of Default" has the meaning specified in Section 16.1 of the
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Master Charter.

"Charter Extension Option" has the meaning specified in Section 20.2 of the
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Master Charter.

"Charter Hire" means Basic Hire plus Supplemental Hire.

"Charter Hire Payment Date" means the last Business Day of each calendar
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month commencing on the Initial Charter Hire Payment Date, and the last day of the Charter Term.

"Charter Hire Payment Date Certificate" has the meaning specified in
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Section 3.4(b) of the Depository Agreement.

"Charter Margin" means either or both of the Certificate Margin and the
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Loan Margin.

"Charter Residual Risk Amount" means 18% of the Charter Balance at the
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commencement of the Base Charter Term.

"Charter Return" means the aggregate of the Series A Return and the Series
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B Return.

"Charter Supplement" means Charter Supplement No. 1 or Charter Supplement No. 2.

"Charter Supplement No. 1" means that Amended and Restated Charter Supplement No. 1 dated as of the Documentation Date, between the Charter Trustee and Deepwater.

"Charter Supplement No. 1 Event of Default" has the meaning specified in Section 4.1 of Charter Supplement No. 1.

"Charter Supplement No. 1 Payment Date" has the meaning specified in Section 3.1 of Charter Supplement No. 1.

"Charter Supplement No. 2" means that Amended and Restated Charter Supplement No. 2 dated as of the Documentation Date, between the Charter Trustee and Deepwater.

"Charter Supplement No. 2 Event of Default" has the meaning specified in Section 4.1 of Charter Supplement No. 2.

"Charter Supplement No. 2 Payment Date" has the meaning specified in Section 3.1 of Charter Supplement No. 2.

"Charter Supplement Prepayment Amount" has the meaning specified in Section 4.2(c) of the Depository Agreement.

"Charter Term" has the meaning specified in Section 2.3 of the Master Charter.

"Charter Trust" means the trust created pursuant to the Charter Trust Agreement.

"Charter Trust Agreement" means that Amended and Restated Charter Trust Agreement (Deepwater Charter Trust 1999-A), dated as of the Documentation Date, between the Charter Trustee, the Certificate Purchasers and the Investment Trust.

"Charter Trust Certificates" means the Series A Charter Trust Certificates and the Series B Charter Trust Certificate.

"Charter Trust Company" has the meaning specified in the preamble to the Charter Trust Agreement.

"Charter Trust Estate" has the meaning specified in Section 2.2 of the Charter Trust Agreement.

"Charter Trustee" has the meaning specified in the preamble to the Participation Agreement.

"Charter Trustee Assignment" means the Amended and Restated Charter Trustee Assignment, dated as of the Documentation Date, between the Charter Trustee, the Investment Trustee and the Hedging Agreement Counterparties (if any).

"Claims" has the meaning specified in Section 10.1 of the Participation Agreement.

"Classification Society" has the meaning specified in Section 10.1 of the Master Charter.

"Closing Date" means August 31, 1999.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means the Charter Trustee's rights in the Drillship, the Account Collateral, the Collateral Documents and all other assets or property over which a Lien or security interest has purported to have been granted under the Security Documents.

"Collateral Documents" has the meaning specified in Section 2.1 of the Depository Agreement.

"Commercial Paper Account" has the meaning specified in Section 2.2 of the LAPA (Hatteras).

"Commercial Paper Notes" means the Commercial Paper Notes (Hatteras), the Commercial Paper Notes (Paradigm) and the Commercial Paper Notes (Liberty).

"Commercial Paper Notes (Hatteras)" shall mean commercial paper notes of the Conduit (Hatteras) issued pursuant to and in accordance with its program documents.

"Commercial Paper Notes (Liberty)" shall mean commercial paper notes of the Conduit (Liberty) issued pursuant to and in accordance with its program documents.

"Commercial Paper Notes (Paradigm)" shall mean commercial paper notes of the Conduit (Paradigm) issued pursuant to and in accordance with its program documents.

"Commitment" means each or all of the Certificate Purchaser Commitment, the Liquidity Purchaser Commitment Amount and the Facility Loan Commitment Amount.

"Competitor" means a Person who either (i) is engaged in the exploration, development, production, refinement, marketing or retailing of crude oil, petroleum products, natural gas or gas liquids or in providing marine contract drilling services for oil, gas or other hydrocarbons or (ii) has a material interest (whether held directly or indirectly) in, or is otherwise an Affiliate of, a Person that is engaged in the exploration, development, production, refinement, marketing or retailing of crude oil, petroleum products, natural gas or gas liquids or in providing marine contract drilling services for oil, gas or other hydrocarbons; provided, however, that a Person who is an institutional investor or lender which is a passive investor or lender in the financing of equipment or facilities used in the exploration, development, production, refinement, marketing or retailing of crude oil, petroleum products, natural gas or gas liquids or in providing marine contract drilling services for oil, gas or other hydrocarbons or a passive investor in any Person described in clauses (i) or (ii) above shall not, solely by the reason of such investment or loan (including by reason of foreclosing on any facilities used by such Person), be deemed to be a "Competitor".

"Condemnation" means (x) the permanent and complete condemnation, requisition, confiscation, arrest, seizure or other taking of title or leasehold interest to the Drillship or any

transfer made in lieu of any such actual or threatened action or proceeding or (y) any condemnation other than a requisition of temporary use or requisition of use for a period scheduled to last beyond the end of the Charter Term or which in fact is continuing on the last day of the Charter Term even if not scheduled to last beyond the Charter Term, in either case resulting in the loss of use or possession of substantially all of the Drillship. A "Condemnation" shall be deemed to have occurred on the earliest of the dates that use, title or a leasehold interest is taken.

"Conduit Advance" has the meaning specified in Section 2.3(b) of the Participation Agreement.

"Conduit Fee Letter" means that certain fee letter dated as of the Documentation Date made by Deepwater for the benefit of the Conduit (Hatteras), the Conduit (Paradigm) and the Conduit (Liberty).

"Conduit (Hatteras)" means Hatteras Funding Corporation.

"Conduit (Liberty)" means Liberty Street Funding Corp.

"Conduit Loan" has the meaning specified in Section 2.1 of the Loan Agreement.

"Conduit Loan Amount" means each of the Conduit Loan Amount (Hatteras), Conduit Loan Amount (Liberty) and Conduit Loan Amount (Paradigm).

"Conduit Loan Amount (Hatteras)" means $126,470,589.

"Conduit Loan Amount (Liberty)" means $50,000,000.

"Conduit Loan Amount (Paradigm)" means $52,076,267.

"Conduit Loan Events of Default" has the meaning specified in Section 6.1 of the Loan Agreement.

"Conduit Notes" has the meaning specified in Section 2.3(a) of the Loan Agreement.

"Conduit (Paradigm)" means Paradigm Funding LLC.

"Conduit Portion" means a fraction, the numerator of which is the aggregate face amount of Notes held by a Conduit and the denominator of which is the aggregate amount of all Notes then outstanding.

"Conduits" means each of the Conduit (Hatteras), the Conduit (Paradigm) and the Conduit (Liberty).

"Conoco" means Conoco Inc. (formerly Conoco Energy Company), a Delaware corporation.

"Conoco Charter" means the charter created by the Master Charter, as supplemented by Charter Supplement No. 2.

"Conoco Drilling Contract" means that Deepwater Drillship Contract, dated as of April 30, 1997, as assigned, amended and restated, between Frontier Deepwater Drilling Inc. and Deepwater.

"Conoco Drilling Contract Guaranty" means the Amended and Restated Deepwater Drillship Project, Conoco Inc. Guaranty, dated as of August 31, 1999, given by Conoco Inc. in favor of Deepwater.

"Conoco Drilling Party" means Frontier Deepwater Drilling Inc.

"Conoco Guaranty" means the Amended and Restated Conoco Guaranty, dated as of the Documentation Date, given by Conoco in favor of the Trustees, the Investment Trust, the Administrative Agent, the Funding Participants, the Hedging Agreement Counterparties, if any, and the other beneficiaries named therein.

"Conoco Series A Charter Trust Certificate" means each certificate issued to a Beneficial Owner from the Charter Trustee pursuant to Section 2.4(a) of the Participation Agreement and in accordance with the Charter Trust Agreement to evidence 40% of the Certificate Purchaser Amount of each such Beneficial Owner.

"Conoco Usage" means the number of days, rounded to the nearest day, the Drillship has been utilized under the Conoco Drilling Contract.

"Construction Contract" means the Contract for Construction and Sale of a 103,000 Metric Tons Displacement Drillship (Hull No. 1231), dated February 7, 1997, between the Buyer and the Builder.

"Consumer Price Index" means the Consumer Price Index of all Items for all Urban Consumers (1981-1983 = 100) published by the Bureau of Labor Statistics of the United States Department of Labor, as reported by the Wall Street Journal. If for any reason the Bureau of Labor Statistics does not furnish the Consumer Price Index, the parties instead shall mutually select, accept and use such other index or comparable statistics on the cost of living in Washington, D.C. that is computed and published by an agency of the United States or a responsible financial periodical of recognized authority.

"Contract Payments" has the meaning specified in Section 6 of the Deepwater Assignment.

"Contribution" has the meaning specified in Section 2.3(a) of the Participation Agreement.

"Counterpart Series A Charter Trust Certificate" has the meaning specified in Section 2.4(c) of the Participation Agreement.

"Coverage Ratio" means, (i) as of any Charter Hire Payment Date occurring on or prior to the third Charter Hire Payment Date, the ratio of (x) the projected Revenues for the next three calendar months (beginning with the month following the month in which such Charter Hire Payment Date occurs) to (y) the aggregate amount of all payments (including projected

Operation and Maintenance Expenses) that will be required to be made under clauses "first" through "ninth" of Section 3.4(b) of the Depository Agreement during such three-month period, and (ii) thereafter, as of any Charter Hire Payment Date, the ratio of (A) the actual Revenues for the immediately preceding three calendar months (including the month in which such Charter Hire Payment Date occurs) to (B) the aggregate amount of all payments under clauses "first" through "eighth" of Section 3.4(b) of the Depository Agreement that were actually made during such three-month period or that would have been made during such period if there had been sufficient funds in the Operating Account at the time such payments were required to be made.

"Covered Assets" shall mean, with respect to each Conduit, the loans made by such Conduit to the Investment Trust and notes related thereto.

"CP Rate" for any Return Period for any Conduit Loan means, the per annum rate equivalent to the "weighted average cost" (as defined below) related to the issuance of the Commercial Paper Notes by the applicable Conduit that are allocated, in whole, or in part, by such Conduit or its Administrator to fund or maintain such Conduit Loan (and which may also be allocated in part to the funding of other assets of such Conduit); provided, however, that if any component of such rate is a discount rate, in calculating the "CP Rate" for such Conduit Loans for such Return Period, a Conduit shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum. As used in this definition, a Conduit's "weighted average cost" shall consist of (w) the daily weighted average interest rate (or discount) paid to purchasers of the Commercial Paper Notes, together with the Dealer Fee, to the extent allocated, in whole or in part, to such Commercial Paper Notes by such Conduit or its Administrator, (x) certain documentation and transaction costs associated with the issuance of such Commercial Paper Notes, (y) any incremental out-of-pocket carrying costs incurred with respect to Commercial Paper Notes allocated to such Conduit Loans and maturing on dates other than those on which corresponding funds are received by the Conduit and (z) the actual interest rate paid on other borrowings by the Conduit, including borrowings to fund small or odd dollar amounts are not easily accommodated in the commercial paper market.

"Credit Support" means (i) any direct or indirect payment by one Drilling Party or its Affiliates to the other Drilling Party for the purpose of allowing such payee Drilling Party to meet its obligations under its respective Drilling Contract or (ii) any guaranty or other credit support by one Drilling Party or its Affiliates of the obligations of the other Drilling Party or its Affiliates for the purpose of allowing such benefited Drilling Party to meet its obligations under its respective Drilling Contract.

"Cross Charter Default" means, with respect to a Charter Supplement, the Charter Event of Default listed in Section 4.1(k) thereof.

"Day Rate" means the daily rate payable to Deepwater under the Drilling Contracts for the use of the Drillship.

"Day Rate Commencement Date" means March 31, 1999.

"Dealer Fee" has the meaning specified in each related Conduit Fee Letter.

"Deepwater" has the meaning specified in the preamble to the Participation Agreement.

"Deepwater Assignment" means the Assignment Agreement, dated as of the Closing Date, between Deepwater and the Charter Trustee.

"Deepwater Hedging Agreements" has the meaning specified in Section 6.5 of the Participation Agreement.

"Deepwater Obligations" means all of Deepwater's obligations (monetary or otherwise) arising under, or in connection with, the Transaction Documents.

"Deepwater Person" means Deepwater, any permitted subcharterer or any other Person (other than the Charter Trustee, the Investment Trustee, the Investment Trust or any Funding Participant) using or in possession of the Drillship or any officer, director, employee or agent of any of the foregoing.

"Default" means a Charter Default.

"Defaulted Amount" has the meaning specified in Section 7.9 of the Participation Agreement.

"Defaulting Certificate Purchaser" has the meaning specified in Section 7.9 of the Participation Agreement.

"Defaulting Drilling Party" means (i) Frontier Deepwater Drilling Inc., where a Charter Supplement No. 2 Event of Default exists (but not a Charter Supplement No.1 Event of Default, other than a Cross Charter Default thereunder) or would exist but for the exercise of the Assumption Cure Right, the Non-Assumption Cure Right or the provision of Credit Support (except such Charter Event of Default arising solely from the Cross Charter Default thereunder) or (ii) R&B Falcon Drilling (International & Deepwater) Inc., where a Charter Supplement No. 1 Event of Default exists (but not a Charter Supplement No. 2 Event of Default, other than a Cross Charter Default thereunder) or would exist but for the exercise of the Assumption Cure Right, the Non-Assumption Cure Right or the provision of Credit Support (except such Charter Event of Default arising solely from a Cross Charter Default thereunder).

"Deposited Amounts" has the meaning specified in Section 2.1 of the Depository Agreement.

"Depository" has the meaning specified in the preamble to the Depository Agreement.

"Depository Agreement" means the Amended and Restated Depository Agreement, dated as of the Documentation Date, among Deepwater, the Charter Trustee, the Investment Trust and the Depository.

"Disbursement Certificate" means an Event of Loss Certificate, a Reimbursement and Proceeds Certificate, a Payment Date Certificate, a Permitted Contest Reserve Certificate, a Trustee Default Notice, a Hedging Agreement Default Notice, a Drillship Sales Proceeds Certificate, a Termination Proceeds Certificate or a Permitted Contest Reserve Certificate.

"Disbursement Information" has the meaning specified in Section 4.3 of the Depository Agreement.

"Documentation Date" has the meaning specified in Section 3.1(a) of the Participation Agreement.

"Dollars", "US$" and "$" means dollars in lawful currency of the United States.

"Drawn Rate" means the Base Rate plus the Loan Margin or, to the extent that the Base Rate is unavailable or illegal, the Alternate Rate.

"Drilling Consent" means the Amended and Restated Acknowledgment and Consent Agreement, dated as of the Documentation Date, by and among R&B Falcon Drilling (International & Deepwater) Inc., Frontier Deepwater Drilling Inc., Deepwater, the Charter Trustee and the Investment Trust.

"Drilling Contract" means the Conoco Drilling Contract or the R&B Falcon Drilling Contract.

"Drilling Contract Guaranty" means the Conoco Drilling Contract Guaranty or the Transocean Drilling Contract Guaranty.

"Drilling Party" means Frontier Deepwater Drilling Inc. or R&B Falcon Drilling (International & Deepwater) Inc. or, when used in the plural, both Frontier Deepwater Drilling Inc. and R&B Falcon Drilling (International & Deepwater) Inc.

"Drilling Services Agreement Contractor" means R&B Falcon Drilling Co.

"Drillship" means the Vessel together with the OFE.

"Drillship Sales Proceeds" has the meaning specified in Section 3.6(a) of the Depository Agreement.

"Drillship Sales Proceeds Account" has the meaning specified in Section 3.6(a) of the Depository Agreement.

"Drillship Sales Proceeds Certificate" has the meaning specified in Section 3.6(b) of the Depository Agreement.

"Effective Date" has the meaning specified in Section 4.1 of the Participation Agreement.

"Eligible Asset" shall mean loans secured by interests in the Collateral, including, but not limited to, any Covered Assets, which meet the criteria set forth in each Conduit's credit and investment policy, as amended from time to time, as of the date a loan is made in relation to such Eligible Asset or is purchased by any Conduit.

"Environmental Claim" means any Claim arising out of or attributable to any Environmental Event or Hazardous Activity.

"Environmental Event" means (i) any activity, occurrence or condition that violates or results in noncompliance with any Environmental Law; (ii) any release of or potential release of any Hazardous Substance or Oil from the Drillship; (iii) any incident in which any Hazardous Substance or Oil is released or threatened to be released from a vessel other than the Drillship and which involves a collision between the Drillship and such other vessel or some incident of navigation or operation, in either case, in connection with which the Drillship is actually or potentially liable to be arrested and/or the Drillship or Deepwater and/or any operator or manager is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or (iv) any other incident in which any Hazardous Substance or Oil is released or threatened to be released otherwise than from the Drillship in connection with which the Drillship is actually or potentially liable to be arrested and/or where Deepwater and/or any operator or manager of the Drillship is at fault or allegedly at fault or otherwise liable to any legal or administrative action.

"Environmental Law" means all applicable international, foreign, federal, state and local laws, regulations, conventions, treaties, written governmental agreements and written governmental policies that are legally binding, statutes, ordinances, codes, rules, directives, orders, decrees, judicial and administrative judgments and rules of common law, whether now or hereafter in effect, that relate in any way to Oil or any Hazardous Substance in connection with the regulation or protection of human health, natural resources or the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Estimated Interest Period" has the meaning specified in Section 2.16 of the Participation Agreement.

"Eurocurrency Liabilities" has the meaning specified in Section 7.5 of the Participation Agreement.

"Event of Default" means a Charter Event of Default.

"Event of Loss" means a Condemnation or the occurrence of an event that results or would result in the termination of either Drilling Contract pursuant to Section 2.2.2 thereof.

"Event of Loss Certificate" has the meaning specified in Section 3.2(b) of the Depository Agreement.

"Event of Loss Proceeds Account" has the meaning specified in Section 3.2(a) of the Depository Agreement.

"Excepted Rights" means, as to any Participant, the exclusive right of such Participant to (i) retain all Excluded Amounts owing to it and (ii) to demand, collect or commence any action in equity or at law to obtain such payments and to enforce any judgment with respect thereto.

"Excess Charter Return" means, for any Return Period, an amount equal to the excess of (i) an amount equal to the product of the applicable Return Rate times the Charter Balance set forth on Schedule I to the Master Charter opposite the Charter Hire Payment Date under the heading "Charter Balance" over (ii) an amount equal to the product of the applicable Return Rate

times the actual Charter Balance (or portion thereof) allocable to such Return Period as of the first day of such Return Period.

"Excess Funds" means (i) with respect to the Conduit (Hatteras), (a) prior to a Foreclosure Event (as defined in the LAPA (Hatteras)), all funds not required after giving effect to all amounts on deposit in the Commercial Paper Account (Hatteras) to pay or provide for the payment of all Commercial Paper Notes (Hatteras) of the Conduit (Hatteras) maturing on the date of such determination or that have previously matured but remain unpaid and (b) after the occurrence of a Foreclosure Event (as defined in the LAPA (Hatteras)), means all funds not required to pay or provide for the payment of all Outstanding Commercial Paper Notes of the Conduit (Hatteras) or Commercial Paper Notes of the Conduit (Hatteras) that have previously matured but remain unpaid, (ii) with respect to the Conduit (Liberty) and the Conduit (Paradigm), all funds of such Conduit which may be used to make the applicable payment and which are not required to repay the Face Amount of the Commercial Paper Notes and other obligations of each Conduit under its program documents when due; provided, that after giving effect to such payment either (x) such Conduit could issue Commercial Paper Notes or obtain loans under its program documents (assuming such outstanding Commercial Paper Notes and other obligations matured at such time) in accordance with the program documents or (y) all Commercial Paper Notes and other obligations are paid in full.

"Excluded Accounts" means (i) the Permitted Contest Reserve Account; (ii) the Event of Loss Proceeds Account and (iii) the Reimbursement and Proceeds Account.

"Excluded Amounts" means

(i) all indemnity payments and expenses to which any Indemnitee is entitled pursuant to the Transaction Documents;

(ii) any amounts payable under any Transaction Document to reimburse the Charter Trustee, any Agent or any other Participant (including the reasonable expenses of any such Person incurred in connection with any such payment) for performing any of the obligations of Deepwater under and as permitted by any Transaction Document;

(iii) any insurance proceeds (or payments with respect to risks self-insured or policy deductibles) under liability policies payable to the Charter Trustee, any Agent or any other Participant (or any such Person's successors, assigns, agents, trustees, officers, directors or employees);

(iv) any insurance proceeds under policies maintained by the Charter Trustee, any Agent or any other Participant and not required to be maintained by Deepwater under the Charter;

(v) any amount payable by Deepwater pursuant to Sections 3.2(i) and 4.2(j) of the Participation Agreement, whether or not such amounts are or can be characterized as a Supplemental Hire; and

(vi) any payments of interest, yield or Charter Return on payments referred to in clauses (a) through (e) above.

"Extension Notice" has the meaning specified in Section 20.2 of the Master Charter.

"Extension Term" means any period which immediately follows the end of the Base Charter Term with respect to which Deepwater has requested an extension of the Charter Term pursuant to Section 20.2 of the Master Charter, and such request has been granted pursuant to such Section 20.2.

"Face Amount" shall mean with respect to Commercial Paper Notes issued on a discount basis, the face amount thereof and with respect to Commercial Paper Notes issued on an interest-bearing basis, the amount of principal plus interest payable at maturity in respect of such Commercial Paper Notes.

"Facility Fee" has the meaning specified in Section 2.14 of the Participation Agreement.

"Facility Loan" has the meaning specified in Section 2.1(b) of the Loan Agreement.

"Facility Loan Commitment" means the percentage set forth on the Schedules to the Loan Agreement under the heading "Facility Loan Commitment" opposite the names of each Liquidity Purchaser.

"Facility Loan Commitment Amount" means the amounts set forth on the Schedules to the Loan Agreement under the heading "Facility Loan Commitment Amount" opposite the names of each Liquidity Purchaser.

"Facility Note" has the meaning specified in Section 2.3(b) of the Loan Agreement.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day shall be the arithmetic mean as determined by the Charter Trustee of the rates for the last transaction in overnight Federal Funds arranged prior to 9 a.m. (New York City time) on that day by each of the three leading brokers of Federal Funds transactions in New York City selected by the Charter Trustee.

"Fees" means each fee set forth in Section 2.14(b) of the Participation Agreement or in each Fee Letter.

"Fee Letters" means the Upfront Fee Letters and the Conduit Fee Letter.

"Force Majeure Event" means any excused or permissible delay under the Drilling Contracts, if fulfillment has been delayed, hindered or prevented by any circumstance of whatsoever nature, including financial or economic conditions in general, hostilities, restraints of rulers or people, revolution, civil commotion, strike, labor disturbances, epidemic, accident, fire, lightning, flood, wind, storm, earthquake, explosion, blow-out, crater, blockade, embargo, lack

of or failure of transportation facilities, inability, despite Deepwater's best efforts, to arrange or secure importation, exportation or permits, or any law, proclamation, regulation, ordinance, demand or requirement of any government or any government agency having or claiming to have jurisdiction over the operations of or with respect to the Drillship or any part thereof, or over Deepwater or any act of God, or any other act of government or act or omission of a supplier.

"Frontier Deepwater Drilling Inc." means Frontier Deepwater Drilling Inc., a Delaware corporation.

"Frontier Portion" means with respect to any Return Period, a fraction, the numerator of which is the number of hours, rounded to the nearest half hour, the Drillship has been utilized under the Conoco Drilling Contract during the relevant Return Period and the denominator of which is the product of the actual number of days in such Return Period and 24 hours.

"Funding" means Contributions, Advances and/or Liquidity Purchases.

"Funding Participant" means any or all Liquidity Purchasers, Conduits and Certificate Purchasers.

"Funding Participant Liens" means Liens on or against any or all of the Drillship, the Trust Estate, the Investment Trust, the Charter or any payment of Charter Hire which results from (a) any act or omission of, or any Claim against any Funding Participant in any case unrelated to the transactions contemplated by the Transaction Documents (including any Liens arising as a result of a voluntary transfer of all or any portion of either Trust Estate, other than any voluntary transfer after a Charter Event of Default or a transfer to Deepwater pursuant to the Charter), (b) any Tax owed by any such Person, except for any Tax required to be paid by Deepwater under the Transaction Documents, including any Tax for which Deepwater is obligated to indemnify such Person under the General Tax Indemnity, or (c) any act or omission of such Person that is in breach of any of the covenants or agreements of the Transaction Documents.

"Funding Participant Replacement Conditions" has the meaning specified in Section 4.4 of the Participation Agreement.

"GAAP" means United States generally accepted accounting principles (including principles of consolidation and characterization), in effect from time to time, consistently applied.

"General Indemnity" means the indemnity provided by Deepwater to various parties pursuant to Section 10.1 (subject to Section 10.2) of the Participation Agreement.

"General Tax Indemnity" means the indemnity provided by Deepwater to various parties pursuant to Section 10.4 of the Participation Agreement.

"Government Action" means all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Government Authority, or required by any Applicable Law, and shall include, without limitation, all

environmental and operating permits and licenses that are required for the full use and operation of the Drillship (or any part thereof).

"Government Authority" means any nation or government, any state, county, province, municipality or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantor's Percentage" means

(i) with respect to Conoco, (a) its Applicable Percentage of the Charter Balance minus the Certificate Purchaser Amounts and Lender Amounts purchased by Conoco pursuant to Section 9.4 of the Participation Agreement divided by (b) 100% of the Charter Balance; provided, however, that in no event shall the percentage calculated by this clause (i) be less than 0%; and

(ii) with respect to Transocean, (a) its Applicable Percentage of the Charter Balance minus the Certificate Purchaser Amounts and Lender Amounts purchased by Transocean pursuant to Section 9.4 of the Participation Agreement divided by (b) 100% of the Charter Balance; provided, however, that in no event shall the percentage calculated by this clause (ii) be less than 0%.

"Guaranty" by any Person, means any obligation or arrangement, contingent or otherwise, of such Person directly or indirectly guaranteeing or otherwise becoming contingently liable upon any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) to the extent that such an arrangement would be considered to be a guaranty under GAAP, entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranty" used as a verb has a corresponding meaning.

"Hazardous Activity" means any activity, process, procedure or undertaking that directly or indirectly (i) produces, generates or creates any Hazardous Substance; (ii) causes or results in (or threatens to cause or result in) the Release of any Hazardous Substance into the environment (including air, surface water, groundwater, drinking water, land (including surface or subsurface) and plant, aquatic and animal life); (iii) involves the containment or storage of any Hazardous Substance; or (iv) would be regulated as hazardous waste treatment, storage or disposal within the meaning of any Environmental Law.

"Hazardous Substance" means any of the following: (i) explosives, radioactive materials, asbestos, polychlorinated biphenyls, lead and radon gas; or (ii) any substance, material, product, derivative, compound, mixture, mineral, chemical, waste, gas, medical waste, or pollutant, in

each case whether naturally occurring, human-made or the by-product of any process, that is considered under any applicable Environmental Law to be toxic, corrosive, flammable, carcinogenic, mutagenic or hazardous to the environment or human health; provided, however, that the term "Hazardous Substance" specifically does not include Oil.

"Head Lease" means the lease agreement (if any) under which the Charter Trustee leases the Drillship from the Head Lessor in accordance with Section 4.3 of the Participation Agreement.

"Head Lease Defeasance Arrangements" has the meaning specified in Section 4.3 of the Participation Agreement.

"Head Lease Documents" means the Head Lease, the Head Lease Loan, the Head Lease Defeasance Agreement and any other documents entered into in connection with the Head Lease Transaction.

"Head Lease Loan" has the meaning specified in Section 4.3 of the Participation Agreement.

"Head Lease Transaction" has the meaning specified in Section 4.3 of the Participation Agreement.

"Head Lessor" means the lessor under the Head Lease.

"Hedging Agreement Counterparty" means the counterparty under any Hedging Agreement.

"Hedging Agreement Default Notice" means a notice given by each Hedging Agreement Counterparty, if any, setting forth disbursements to be made to such Hedging Agreement Counterparty as indicated in either Section 4.2(b), Section 4.2(c) or Section 4.2(d) of the Depository Agreement.

"Hedging Agreement Obligations" means all of the obligations (monetary or otherwise) of the Charter Trustee arising under or in connection with the Hedging Agreements.

"Hedging Agreements" has the meaning specified in Section 6.5 of the Participation Agreement.

"Illegality Event" has the meaning specified in Section 7.1 of the Participation Agreement.

"Indebtedness" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money; (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments; (iii) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (iv) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance; (v) all obligations of such Person, contingent or otherwise,

relative to the face amount of all letters of credit, whether or not drawn; (vi) all indebtedness (including indebtedness arising under title retention or conditional sales agreements) secured by a Lien on any asset of any Person, whether or not such indebtedness is assumed by such Person or is of limited recourse (provided, that, for purposes of this clause (vi), non-recourse indebtedness in excess of the value of the asset securing such indebtedness shall not be counted); (vii) all obligations of such Person as lessee under leases which have been or should be, in accordance with GAAP, recorded as capital or operating leases; and (viii) all indebtedness of others Guaranteed by such Person.

"Indemnified Party" has the meaning specified in Section 10.1 of the Participation Agreement.

"Initial Charter Hire Payment Date" means the last Business Day of the first full calendar month following the Closing Date.

"Initial Charter Margin Adjustment Date" means October 1, 2001.

"Institutional Investor" means any Accredited Investor, excluding any individual or natural person.

"Insurance Beneficiary" has the meaning specified in Section 14.2(d) of the Master Charter.

"Insurance Requirements" means all terms and conditions of any insurance policy either required by the Master Charter to be maintained by Deepwater and all requirements of the issuer of any such policy; provided, however, that if Deepwater is entitled to self-insure certain risks in lieu of maintaining the insurance coverages required under Article XIV of the Master Charter, "Insurance Requirements" means the standard terms of any insurance policies (including casualty and general liability) and all requirements commonly prescribed by the issuers of such policies which otherwise would be required to be maintained by Deepwater absent the permitted self-insurance.

"Interim Class Certificate" means a certificate issued by the Classification Society evidencing the class of the Drillship to be delivered by the Builder to Deepwater.

"Inverse R&B Usage Ratio" means the R&B Usage Ratio minus one.

"Investment Companies Act" means the Investment Companies Act of 1940, as amended, together with the rules and regulations promulgated thereunder.

"Investment Grade" means BBB- and Baa3 by S&P and Moody's, respectively or any equivalent rating by any other nationally recognized rating agency.

"Investment Trust" means Deepwater Investment Trust 1999-A, a Delaware business trust.

"Investment Trust Agreement" means the Amended and Restated Investment Trust Agreement (Deepwater Investment Trust 1999-A) dated as of the Documentation Date, between Wilmington Trust FSB, as trustee, and the Investment Trust Beneficiary.

"Investment Trust Amount" means, with respect to the Investment Trust, at any given time, the aggregate amount advanced by the Lenders minus any distributions made which have the effect of reducing the Lender Balance, plus any Postponement Interest capitalized pursuant to Section 2.8 of the Participation Agreement.

"Investment Trust Beneficiary" has the meaning specified in Section 11.1(b) of the Participation Agreement.

"Investment Trustee" has the meaning specified in the preamble to the Participation Agreement.

"LAPA (Hatteras)" means the Liquidity Asset Purchase Agreement, dated as of the Documentation Date among the Conduit (Hatteras), the Liquidity Purchasers (Hatteras), the Liquidity Agent (Hatteras) and the Administrator (Hatteras).

"LAPA (Liberty)" means the Liquidity Asset Purchase Agreement, dated as of the Documentation Date among the Conduit (Liberty), the Liquidity Purchasers (Liberty) and the Liquidity Agent (Liberty) and the Administrator (Liberty).

"LAPA (Paradigm)" means the Liquidity Asset Purchase Agreement, dated as of the Documentation Date among the Conduit (Paradigm), the Liquidity Purchasers (Paradigm) and the Liquidity Agent (Paradigm) and the Administrator (Paradigm).

"LAPAs" means each of LAPA (Hatteras), LAPA (Liberty) and LAPA (Paradigm).

"Lender Amount" means, with respect to each Lender, the aggregate outstanding amount of its Notes.

"Lender Balance" means, at any given time, the aggregate amount of all Lender Amounts plus any Postponement Interest capitalized pursuant to Section 2.8 of the Participation Agreement.

"Lenders (Hatteras)" has the meaning specified in the preamble to the Loan Agreement.

"Lenders (Liberty)" has the meaning specified in the preamble to the Loan Agreement.

"Lenders (Paradigm)" has the meaning specified in the preamble to the Loan Agreement.

"Lender Portion" means, with respect to any amount, ninety seven percent (97%) of such amount.

"Lenders" means each of Lenders (Hatteras), Lenders (Paradigm) and Lenders (Liberty).

"LIBOR" means, for any Return Period, the rate per annum equal to the offered rate (rounded upwards, if necessary, to the next higher 1/100th of 1%) which appears on the Telerate Page 3750, British Bankers Association Interest Settlement Rates (or such other system for the purpose of displaying rates of leading reference banks in the London interbank market that replaces such system) as of 11:00 a.m. (London time) for deposits in Dollars on the day two (2) Business Days prior to the first day of such Return Period in an amount approximately equal to the principal amount of the Certificate Purchaser Amounts and Lender Amounts to which such Return Period is to apply and for a period corresponding as nearly as possible to such Return Period; provided, that, if no such rate appears on Telerate Page 3750 it shall be (i), so long as any Hedging Agreements are in effect, the "Floating Rate" as defined in the Hedging Agreements or (ii) if no Hedging Agreements are in effect, the rate of interest then offered to prime banks in the London interbank Eurodollar market by Bank of America for deposits in U.S. Dollars.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, sublease, charter, subcharter, right, security interest, rights in rem of any kind or claim of whatever nature or description against any property or asset.

"Liquidity Agent (Hatteras)" has the meaning specified in the Preamble to the Loan Agreement.

"Liquidity Agent (Liberty)" has the meaning specified in the Preamble to the Loan Agreement.

"Liquidity Agent (Paradigm)" has the meaning specified in the Preamble to the Loan Agreement.

"Liquidity Agents" means each of the Liquidity Agent (Hatteras), the Liquidity Agent (Paradigm) and the Liquidity Agent (Liberty).

"Liquidity Purchase" means the purchase of a Percentage Interest under any LAPA (and as described in the Loan Agreement) by the Applicable Liquidity Purchaser.

"Liquidity Purchaser Advance" has the meaning specified in Section 2.3(b) of the Participation Agreement.

"Liquidity Purchaser (Hatteras)" means each financial institution listed on the signature page of the LAPA (Hatteras) under the caption "Liquidity Purchasers," and each other financial institution that has become a "Liquidity Purchaser," under the LAPA (Hatteras).

"Liquidity Purchaser (Liberty)" has the meaning specified in the preamble to the Loan Agreement.

"Liquidity Purchaser (Paradigm)" has the meaning specified in the preamble to the Loan Agreement.

"Liquidity Purchaser Commitment" means each Liquidity Purchaser's obligation (i) to purchase Percentage Interests under each LAPA from the respective Conduit and (ii) to make Facility Loans under the Loan Agreement.

"Liquidity Purchaser Commitment Amount" means, with respect to each Liquidity Purchaser, the amount set forth on the signature pages to each LAPA opposite the name of such Liquidity Purchaser, which amount may be adjusted pursuant to each LAPA.

Liquidity Purchaser Commitment Percentage" means, with respect to each Liquidity Purchaser, the percentage set forth on the signature pages to each LAPA opposite the name of such Liquidity Purchaser, which amount may be adjusted pursuant to each LAPA.

"Liquidity Purchaser Portion" means a fraction, the numerator of which is the aggregate face amount of Notes held by all Liquidity Purchasers and the denominator of which is the aggregate face amount of all Notes then outstanding

"Liquidity Purchasers" means each of the Liquidity Purchasers (Hatteras), the Liquidity Purchasers (Paradigm) and the Liquidity Purchasers (Liberty).

"LLC Agreement" means the LLC Agreement, dated as of April 30, 1997, between the Members.

"Loan Agreement" means the Loan Agreement, dated the date hereof, among the Borrower, each Conduit, each Administrator, each Liquidity Agent and each Liquidity Purchaser.

"Loan Margin" means 100.0 basis points per annum so long as the ratings of both Transocean and Conoco are at or above Investment Grade or otherwise 150.0 basis points per annum.

"Loan Return Rate" means (i) with respect to Lender Amounts of the Liquidity Purchasers, the Drawn Rate and (ii) with respect to Lender Amounts of each Conduit, the CP Rate to the extent such Lender Amount is funded through the issuance of Commercial Paper Notes and the Drawn Rate (subject to Section 2.5 of the Loan Agreement) to the extent such Lender Amount is otherwise funded.

"Loans" means the Conduit Loans and the Facility Loans.

"Majority Funding Participants" means, as of the date of determination, the Funding Participants that have an aggregate of Certificate Purchaser Amounts, Lender Amounts and unfunded Commitments that in the aggregate represent more than 50% of the sum of Charter Balance and all unfunded Commitments. For purposes of this definition, no Purchasing Party shall be considered a "Funding Participant" and any interest of any Purchasing Party shall be subtracted from the outstanding Charter Balance solely for the calculation of Majority Funding Participants.

"Mandatory Funding Event" has the meaning specified in Schedule 2 to the LAPA (Hatteras).

"Marketing Period" means the period commencing on the date which is 180 days prior to the Scheduled Charter Expiration Date and ending on the Scheduled Charter Expiration Date.

"Master Charter" means the bareboat Amended and Restated Master Charter and Sale and Purchase Agreement for a Vessel, dated as of the Documentation Date, among Deepwater and the Charter Trustee, excluding both Charter Supplement No. 1 and Charter Supplement No. 2.

"Material Adverse Effect" means, with respect to Conoco, Transocean or Deepwater, an event or events, condition or conditions, circumstance or circumstances which individually or in the aggregate could be reasonably expected to:

(iii) have a material adverse effect on the financial condition, business, assets or operations of Conoco, Transocean or Deepwater;

(iv) have a material adverse effect on Deepwater's, Conoco's or Transocean's ability to perform its respective obligations under the Transaction Documents to which it is a party;

(v) have a material adverse effect on the title, priority or perfection of the Participants' interest in the Drillship;

(vi) have a material adverse effect on the validity, legality or enforceability of any material provision of any Transaction Document or on the rights or remedies of any of the Participants under the Transaction Documents;

(vii) have a material adverse effect on the value, utility or remaining useful life of the Drillship; or

(viii) result in criminal liability or material civil liability to any Indemnitee or forfeiture or loss of the Drillship.

"Material Default" means a Charter Default described in Section 4.1(a), (e) or (f) of either Charter Supplement No. 1 or Charter Supplement No. 2.

"Maturity Date" means the last day of the Charter Term.

"Maximum Residual Guaranty Amount" means as of any date the sum of:

(i) the Charter Balance on such date (reduced by any payment of Charter Supplement Prepayment Amount of Termination Value under Section 4.2(c) of the Depository Agreement), plus any accrued and unpaid Charter Return, minus the Charter Residual Risk Amount as of such date; and

(ii) all accrued and unpaid Supplemental Hire (not included in clause (i)).

"Member" means each of RBF Deepwater Exploration II Inc. and Conoco Development II Inc.

"Minimum Specifications" means each of the following criteria with respect to the Drillship: (i) upon final sea trial, speed shall not be more than two (2) knots lower than the

guaranteed speed specified in Paragraph 2 of Article I of the Construction Contract; (ii) actual fuel consumption shall not be more than ten percent (10%) in excess of the guaranteed fuel consumption specified in Paragraph 2 of Article I of the Construction Contract; (iii) the capacity of the "Extended Well Test" tanks, including slop tanks, shall not be less than 14,310 cubic meters; and (iv) the actual displacement of the Drillship shall not vary by more than 3,500 metric tons (whether higher or lower) from the guaranteed displacement of the Drillship specified in Paragraph 2 of Article I of the Construction Contract.

"Modifications" has the meaning specified in Section 11.1 of the Master Charter.

"Moody's" means Moody's Investors Service, Inc.

"NAIC Annual Statement" has the meaning specified in Section 5.4(d) of the Participation Agreement.

"Net Sales Proceeds" has the meaning specified in Section 20.3(iii) of the Master Charter.

"Non-Assumption Cure Right" has the meaning specified in Section 16.5(a) of the Master Charter.

"Non-Defaulting Certificate Purchaser" has the meaning specified in Section 7.9 of the Participation Agreement.

"Non-Defaulting Drilling Party" means (i) Frontier Deepwater Drilling Inc., provided that no Charter Supplement No. 2 Event of Default exists (except such Charter Event of Default arising solely from the Cross Charter Default thereunder) or (ii) R&B Falcon Drilling (International & Deepwater) Inc., provided that no Charter Supplement No. 1 Event of Default exists (except such Charter Event of Default arising solely from the Cross Charter Default thereunder).

"Non-Recourse Party" means any Member, its respective Affiliates and its past, present or future officers, directors, employees, shareholders, agents or representatives.

"Note Payment" means Basic Hire due and payable under the Charter, excluding any accrued and unpaid Series A Return then due and payable.

"Notes" has the meaning specified in Section 2.3(b) of the Loan Agreement.

"Obligation" has the meaning specified in Section 22.1 of the Master Charter.

"OFE" means owner-furnished equipment, more specifically described in Schedule 3 to the Participation Agreement.

"Officer's Certificate" means a certificate signed by any individual holding the office of vice president, treasurer, assistant treasurer or higher, which certificate shall certify as true and correct the subject matter being certified to in such certificate.

"Oil" means oil of any kind or in any form, including but not limited to petroleum, fuel oil, sludge, oil refuse, and oil mixed with wastes other than dredged spoil, but not including petroleum (including crude oil or any fraction thereof) which is specifically listed or designated as a hazardous substance under subparagraphs (A) through (F) of Section 101(14) of CERCLA.

"Operating Account" has the meaning specified in Section 3.4(a) of the Depository Agreement.

"Operation and Maintenance Expenses" means all amounts necessary for Deepwater to man, victual, navigate, operate, supply, fuel, repair, maintain the Drillship in accordance with the requirements of the Drilling Contracts and the Charter and shall include, without limitation, payments under Deepwater's contracts for marine and drilling services, payments to any Permitted Service Provider, premiums on insurance policies, fees, costs and expenses in connection with any Deepwater Hedging Agreements or Hedging Agreements (excluding amounts payable in connection with an early termination), property and other taxes (other than income taxes), costs of fuel and fuel supply, waste disposal, expenses for repairs and maintenance required in order to maintain the Drillship in accordance with the Drilling Contracts and in accordance with the Charter (including expenses for inspections and drydocking maintenance), the costs of all Modifications required or permitted under the Charter and all shore-based support expenses and warehouse costs attributable to any of the foregoing; provided, however, that Operation and Maintenance Expenses shall not include any amounts for which Deepwater is entitled to a Reimbursement.

"Optional Modifications" has the meaning specified in Section 11.1 of the Master Charter.

"Original Certificate Purchasers" mean the Persons specified in the Original Participation Agreement as certificate purchasers therein.

"Original Certificates" means the Original Series A Trust Certificate and the Original Investment Trust Certificate.

"Original Charter Supplement" shall mean the Original Charter Supplement No. 1 or the Original Charter Supplement No. 2.

"Original Charter Supplement No. 1" shall mean the Original Charter Supplement No. 1, dated the Closing Date, between the Charter Trustee and Deepwater.

"Original Charter Supplement No. 2" shall mean the Original Charter Supplement No. 2, dated the Closing Date, between the Charter Trustee and Deepwater.

"Original Charter Trust Agreement" means the Charter Trust Agreement, dated the Closing Date, among the beneficial owners named therein, Charter Trustee and Investment Trust.

"Original Conoco Guaranty" means the Conoco Guaranty as defined in the Original Participation Agreement.

"Original Depository Agreement" means the Depository Agreement, dated the Closing Date, among Deepwater, the Charter Trustee, the Investment Trust and the Depository.

"Original Drilling Consent" means the Acknowledgment and Consent Agreement, dated as of the Closing Date, by and among R&B Falcon Drilling (International & Deepwater) Inc., Frontier Deepwater Drilling Inc., Deepwater, the Charter Trustee and the Investment Trust.

"Original Investment Trust Agreement" means the Investment Trust Agreement, dated the Closing Date, among the Original Certificate Purchasers, the Investment Trustee and a co-investment trustee.

"Original Investment Trust Certificates" means each certificate issued to the Original Certificate Purchasers by the Investment Trust pursuant to Section 2.1(d) of the Original Participation Agreement and in accordance with the Original Trust Agreements.

"Original Master Charter" has the meaning specified in the first recital to the Master Charter.

"Original Participation Agreement" has the meaning specified in the second recital to the Participation Agreement.

"Original Series A Trust Certificate" means each certificate issued to the Original Certificate Purchasers by the Charter Trustee pursuant to Section 2.1(b) of the Original Participation Agreement and in accordance with the Original Charter Trust Agreement.

"Original Series B Trust Certificate" means the certificate issued to the Investment Trust pursuant to Section 2.1(f) of the Original Participation Agreement and in accordance with the Original Charter Trust Agreement.

"Original Transaction Documents" means:

(i) the Original Participation Agreement;
(ii) the Original Charter Trust Agreement;
(iii) the Original Investment Trust Agreement;
(iv) the Deepwater Hedging Agreements, if any;
(v) the Hedging Agreements, if any;
(vi) the Original Drilling Consent;
(vii) the Original Master Charter;
(viii) the Original Charter Supplement No. 1;
(ix) the Original Charter Supplement No. 2;
(x) the Protocol of Delivery and Acceptance;
(xi) the Security Documents as defined in the Original Participation Agreement;
(xii) the Original Certificates;
(xiii) the Original Conoco Guaranty; and
(xiv) the R&B Falcon Guaranty as defined in the Original Participation Agreement.

"Other Supplement" (i) when used in Charter Supplement No. 1, means Charter Supplement No. 2 or (ii) when used in Charter Supplement No. 2, means Charter Supplement No. 1.

"Outstanding" has the meaning specified in Schedule 2 to the LAPA (Hatteras).

"Overdue Rate" means either Return Rate, as applicable, plus two percent (2%) per annum.

"Parent" means, with respect to any Person, a corporation that is the direct or indirect beneficial owner of more than 50% of the outstanding Voting Stock of such Person and that has reporting obligations under Section 13 of the Securities Exchange Act of 1934, as amended.

"Partial Condemnation" means the condemnation, requisition for use, confiscation, arrest, seizure or other taking of title or leasehold interest in the Drillship or any transfer made in lieu of any such actual or threatened action or proceeding which does not constitute a Condemnation.

"Participants" means the Certificate Purchasers, the Conduits, the Liquidity Purchasers, the Trustees and the Investment Trust, collectively.

"Participation Agreement" means the Amended and Restated Participation Agreement, dated as of the Documentation Date, among Deepwater, the Trustees, the Investment Trust, the Administrative Agent, the Conduits, the Liquidity Purchasers, the Certificate Purchasers, the Administrators, the Liquidity Agents, Investment Trust Beneficiary, Transocean, Conoco, RBF Deepwater Exploration II Inc. and Conoco Development II Inc.

"Payment Date Certificate" has the meaning specified in Section 3.4(b) of the Depository Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Percentage Interests" has the meaning set forth in the applicable LAPA.

"Permitted Charterer" means any Person that is or should be consolidated with Conoco or Transocean for financial reporting purposes in accordance with GAAP.

"Permitted Contest" means a test, challenge, appeal or proceeding for review of any Applicable Law, so long as (x) such test, challenge, appeal or proceeding shall be prosecuted diligently and in good faith in appropriate proceedings and (y) such test, challenge, appeal or proceeding and any non-compliance with Applicable Law during the pendency thereof does not (i) pose any significant risk of foreclosure, forfeiture or loss of the Drillship or any material part thereof, (ii) pose any material risk of a loss of priority of the Lien of the Ship Mortgage (or any other Lien on the Drillship) or any other Collateral, (iii) pose any material risk of any criminal liability or any material civil liability being imposed on either Trustee, the Investment Trust, the Administrative Agent, the Collateral Agent or any Funding Participant, (iv) interfere in any material manner with the use or operation of the Drillship or (v) pose any material risk of interference with the payment of Charter Hire.

"Permitted Contest Reserve Account" has the meaning specified in Section 3.5(a) of the Depository Agreement.

"Permitted Contest Reserve Amount" means, as of the date of calculation, an amount equal to Deepwater's reasonable estimate of its potential or actual liability or additional costs and expenses that it will be required to incur but only to the extent that (a) such liability or costs and expenses exceed $500,000 with respect to a single Permitted Contest or $2,000,000 with respect to all pending Permitted Contests and (b) such Claims are not covered by insurance policies required to be maintained by Deepwater under the Master Charter which are then in effect (except that all Claims as to which the insurer has issued a denial of coverage or as to which it has reserved its rights, shall be deemed not to be covered by insurance for the purposes of this clause (b)).

"Permitted Contest Reserve Certificate" has the meaning specified in Section 3.5(b) of the Depository Agreement.

"Permitted Indebtedness" means (i) Subordinated Debt, (ii) Indebtedness arising under the Transaction Documents and (iii) any other Indebtedness owed to any Person other than a Member or Affiliate of a Member in an aggregate amount not to exceed $500,000 (provided that, (x) if such Indebtedness is in the form of a loan, such limit shall be calculated by reference to the principal of such loan and (y) if such Indebtedness is in the form of a lease, such limit shall be calculated by reference to the present value as of the date of determination of all lease payments discounted at the then applicable Federal Funds Rate plus sixty (60) basis points).

"Permitted Investments" has the meaning specified in Section 6.1 of the Depository Agreement.

"Permitted Liens" means (i) the respective rights and interests of the Participants, as provided in any of the Transaction Documents; (ii) any Lien as permitted and contemplated by the Transaction Documents; (iii) Liens for Taxes either not yet due or being contested pursuant to a Permitted Contest; (iv) Liens of suppliers, mechanics, crew, repairers, employees, or operators of port authorities, Liens for salvage, general or particular average, or other similar Liens securing the payment of the price of goods or services rendered arising in the ordinary course of business and for amounts the payment of which is either not yet delinquent or is being diligently contested pursuant to a Permitted Contest; (v) Liens arising out of judgments or awards which are being appealed in good faith or with respect to which at the time there shall have been secured a stay of execution; (vi) salvage and similar rights of insurers under policies of insurance maintained with respect to the Drillship; (vii) Liens securing Permitted Indebtedness; (viii) any other Lien with respect to which a bond or other security shall have been provided either (x) through a normal and customary letter of undertaking issued by the protection and indemnity club providing the coverage maintained under Section 14.1(f) of the Master Charter or (y) by a surety and in a form, both of which are acceptable to the Majority Funding Participants in their sole discretion; (ix) Trust Liens; and (x) Funding Participant Liens.

"Permitted Service Provider" has the meaning specified in Section 7(b) of the Drilling Consent.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, Government Authority or any other entity.

"Placement Agent" means Bank of America.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"Post Cure Payment Notice" has the meaning specified in Section 4.2(d) of the Depository Agreement.

"Postponed Advance" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponed Advance Account" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponed Advance Date" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponed Contribution" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponed Contribution Account" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponement Interest" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponement Payment" has the meaning specified in Section 2.8 of the Participation Agreement.

"Postponement Yield" has the meaning specified in Section 2.8 of the Participation Agreement.

"Prepayment Change of Control Trigger Event" means the occurrence of a Change of Control of either Conoco or Transocean unless (a) the rating of such person is not less than (i) in the case of Conoco, Baa2 from Moody's and BBB from S&P or (ii) in the case of Transocean, is not less than Baa2 from Moody's and BBB from S&P or (b) in the event that such person is merged into or acquired by an Acquiror (i) in the case of an Acquiror of Conoco, such Acquiror has a rating of not less than Baa2 from Moody's and not less than BBB from S&P (ii) in the case of an Acquiror of Transocean, such Acquiror has a rating of not less than Baa2 from Moody's and BBB from S&P, provided that the Acquiror assumes the obligations of the acquired company under the Transaction Documents pursuant to an assumption agreement and delivers an opinion of counsel in connection therewith, each in substantially the form satisfactory to the Majority Funding Participants, or (c) Conoco or Transocean, as applicable, will provide to the Majority Funding Participants simultaneously with a Change of Control credit support

acceptable to the Majority Funding Participants for any obligations of such person under the Transaction Documents reasonably equivalent to that in effect immediately prior to the Change of Control.

"Prepayment Change of Control Trigger Event Notice" has the meaning specified in Section 9.4(a) of the Participation Agreement.

"Prepayment Notice" has the meaning specified in Section 9.4(a) of the Participation Agreement.

"Program Fee" means the Program Fee (Hatteras), the Program Fee (Liberty) and the Program Fee (Paradigm).

"Program Fee (Hatteras)" means the fee payable to the Conduit (Hatteras) in accordance with the Conduit Fee Letter (Hatteras).

"Program Fee (Liberty)" means the fee payable to the Conduit (Liberty) in accordance with the Conduit Fee Letter (Liberty).

"Program Fee (Paradigm)" means the fee payable to the Conduit (Paradigm) in accordance with the Conduit Fee Letter (Paradigm).

"Program Support Provider" shall mean any Person now or hereafter, directly in support of the transactions contemplated by the Transaction Documents or generally in support of a Conduit extending credit or having a commitment to extend credit to or for the account of, or to make purchases from such Conduit or issuing a letter of credit, surety bond or other instrument to support any obligations arising under or in connection with such Conduit's commercial paper program (except to the extent such general support does not cover this transaction), as well as any such Person now or hereafter acting as agent for such Conduit or for any of the foregoing Persons, including, without limitation, the Liquidity Purchasers and Agents of such Conduit.

"Protocol of Delivery and Acceptance" means the Protocol of Delivery and Acceptance, entered into by the Charter Trustee and Deepwater on the Closing Date.

"Purchase Notice" has the meaning specified in Section 20.1 of the Master Charter.

"Purchase Option" has the meaning specified in Section 20.1 of the Master Charter.

"Purchase Option Date" has the meaning specified in Section 20.1 of the Master Charter.

"Purchase Option Price" has the meaning specified in Section 20.1 of the Master Charter.

"Purchased Interest" means (i) where Transocean is a Purchasing Party, the Certificate Purchaser Amounts relating to the Transocean Series A Charter Trust Certificates and the Lender Amounts related to the Notes purchased by Transocean pursuant to Section 9.4 of the Participation Agreement or (ii) where Conoco is a Purchasing Party, the Certificate Purchaser Amounts relating to the Conoco Series A Charter Trust Certificates and the Lender Amounts

related to the Notes purchased by Conoco pursuant to Section 9.4 of the Participation Agreement.

"Purchasing Party" means (i) Conoco or Transocean, if and only if such Person has suffered a Prepayment Change of Control Trigger Event and has or is required to purchase any Purchased Interest under Section 9.4 of the Participation Agreement or (ii) Deepwater or any Affiliate of any of the foregoing to the extent such Person obtains an interest, directly or indirectly, in a Purchased Interest.

"Purchasing Party Amount" means, at any given time with respect to any Purchasing Party, its Purchased Interest minus the amount of any distributions paid to such Purchasing Party in reduction of its allocated portion of the Certificate Purchaser Amounts or the Lender Amounts, as the case may be.

"Qualified Transfer" has the meaning specified in Section 9.5 of the Participation Agreement.

"R&B Falcon Drilling Contract" means that Deepwater Drillship Contract, dated as of April 30, 1997, as amended and restated, between R&B Falcon Drilling (International & Deepwater) Inc. and Deepwater.

"R&B Falcon Drilling Contract Guaranty" has the meaning specified in the Original Participation Agreement.

"R&B Falcon Drilling (International & Deepwater) Inc." means R&B Falcon Drilling (International & Deepwater) Inc., a Delaware corporation.

"R&B Falcon Drilling Party" means R&B Falcon Drilling (International & Deepwater) Inc.

"R&B Falcon Guaranty" means the R&B Falcon Guaranty as defined in the Original Participation Agreement.

"R&B Portion" means, with respect to any Return Period, a fraction, the numerator of which is the number of hours, rounded to the nearest half hour, the Drillship has been utilized under the R&B Falcon Drilling Contract during the relevant Return Period and the denominator of which is the product of the actual number of days in such Return Period and 24 hours.

"R&B Usage" means the number of days, rounded to the nearest full day, the Drillship has been utilized under the R&B Falcon Drilling Contract.

"R&B Usage Ratio" means, from time to time, a fraction (expressed as a percentage) the numerator of which is the maximum number of days during which R&B Falcon Drilling (International & Deepwater) Inc. is obligated, pursuant to the terms of the Rig Sharing Agreement, to use the Drillship commencing on the most recent Adjustment Date preceding the date the rate of the Charter Margin is to be determined and ending on the scheduled termination of the Drilling Contracts divided by the total number of days remaining during such period under the Drilling Contracts.

"Rating Agency" and "Rating Agencies" means S&P and/or Moody's and/or, with respect to any Conduit, any other rating agency rating the Commercial Paper Notes of any applicable Conduit, as applicable.

"Reasonable Basis" means a reasonable basis within the meaning of Section 6662(d)(2)(B)(ii)(II) of the Code or any regulations thereunder.

"Refinancing Amount" means $237,215,675.

"Refinancing Date" means December __, 2001.

"Refinancing Request" means each written request by Deepwater setting forth, among other things, the Refinancing Date or, if the Contributions and Advances are postponed under Section 2.8 of the Participation Agreement, the Refinancing Request issued under such Section, in each case in substantially the form of Exhibit J to the Participation Agreement with appropriate provisions and insertions.

"Reimbursement and Proceeds Account" has the meaning specified in Section 3.3(a) of the Depository Agreement.

"Reimbursement and Proceeds Certificate" has the meaning specified in Section 3.3(b) of the Depository Agreement.

"Reimbursements" has the meaning specified in Section 3.3(a) of the Depository Agreement.

"Related Indemnified Party" means the Affiliates of an Indemnified Party, the officers, directors, employees and agents of the Indemnified Party and its Affiliates and, in the case of the Funding Participants and their Related Indemnified Parties, the Charter Trustee and, in the case of the Charter Trustee and the Investment Trust, the Funding Participants and their Related Indemnified Parties.

"Related Party" means (i) with respect to Charter Supplement No. 1 and the charter created thereby, Transocean and its Affiliates (other than Deepwater) or (ii) with respect to Charter Supplement No. 2 and the charter created thereby, Conoco and its Affiliates (other than Deepwater).

"Release" means any release, pumping, pouring, emptying, injecting, escaping, leaching, dumping, seepage, spill, leak, flow, discharge, disposal or emission of Oil or a Hazardous Substance.

"Replacement Funding Participant" has the meaning specified in Section 4.4 of the Participation Agreement.

"Required Modifications" has the meaning specified in Section 11.1 of the Master Charter.

"Residual Guaranty Amount" means, (i) upon sale of the Charter Trustee's interest in the Drillship pursuant to Deepwater's exercise of its Return Option, the sum of:

(A) the Charter Balance on such date (reduced by any payment of Charter Supplement Prepayment Amount of Termination Value under Section 4.2(c) of the Depository Agreement), plus any accrued and unpaid Charter Return, minus the Net Sales Proceeds; and

(B) all accrued and unpaid Supplemental Hire;

provided, however, that in no event shall the amount calculated in this clause (i) exceed the Maximum Residual Guaranty Amount; or (ii) if the Charter Trustee's interest in the Drillship is not sold on or prior to the Scheduled Charter Expiration Date in accordance with Section 20.3 of the Master Charter, the Maximum Residual Guaranty Amount.

"Responsible Officer" means, with respect to any matter (i) if a natural Person, such Person; or (ii) if not a natural Person, a senior financial or legal officer or such other officer of such Person, who in the normal course of his operational duties would have knowledge of such matter.

"Return Notice" has the meaning specified in Section 20.3 of the Master Charter.

"Return Option" has the meaning specified in Section 20.3 of the Master Charter.

"Return Period" means with respect to any determination of Charter Return (i) the period commencing on and including the Refinancing Date and ending on but excluding the last day of the month in which the Refinancing Date occurs, and (ii) thereafter with respect to the Charter Balance, the calendar month preceding the month in which the Charter Hire Payment Date occurs; provided, that the last Return Period shall end on the last day of the Charter Term.

"Return Rates" means the Certificate Return Rate and the Loan Return Rate.

"Revenues" means all amounts received by Deepwater from whatever source, including all revenues from the Drilling Contracts but excluding (i) those amounts to be deposited, pursuant to the Depository Agreement, into the Event of Loss Proceeds Account, Reimbursement and Proceeds Account, Permitted Contest Reserve Account, Drillship Sales Proceeds Account or the Termination Proceeds Account, (ii) those amounts which, on the date of payment or receipt, may be properly distributed to Deepwater (or as directed by Deepwater) under the Depository Agreement, (iii) those amounts received by Deepwater from the Members as capital contributions and (iv) those amounts received by Deepwater that constitute proceeds of Subordinated Debt and (v) proceeds of Casualties and Condemnations up to $2,000,000 an occurrence.

"Rig Sharing Agreement" means that Rig Sharing Agreement, dated as of April 30, 1997, among the Conoco Drilling Party, the R&B Falcon Drilling Party and Deepwater.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Scheduled Charter Expiration Date" means, with respect to the Base Charter Term, the scheduled expiration of the Base Charter Term and with respect to any Extension Term, the scheduled expiration of any Extension Term.

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Securities Intermediary" means Wilmington Trust Company, a Delaware banking corporation, as securities intermediary and depository under the Depository Agreement.

"Security Documents" means the collective reference to the Ship Mortgage, the Deepwater Assignment, the Depository Agreement, the Drilling Contract Guaranties, the Charter Trustee Assignment, the Charter and all other security documents granting or perfecting a Lien on any asset or assets of any Person to secure the Deepwater Obligations, the Series A Obligations or the Series B Obligations.

"Selling Member" has the meaning specified in Section 9.5 of the Participation Agreement.

"Series A Charter Trust Certificates" means the Conoco Series A Trust Certificates and the Transocean Series A Trust Certificates.

"Series A Obligations" means the obligations (monetary or otherwise) owed by the Charter Trustee to the Beneficial Owners as evidenced by the Series A Charter Trust Certificates.

"Series A Portion" means, with respect to any amount, three percent (3%) of such amount.

"Series A Return" means:

(i) except where clause (ii) of this definition is applicable, for any Return Period, an amount equal to the product of the applicable Certificate Return Rate times the Certificate Purchaser Balance (or portion thereof) allocable to such Return Period or

(ii) where one, but not both, of the Charter Supplements has been accelerated pursuant to Section 4.2(a) thereof, Series A Return accruing after the termination of the accelerated Charter Supplement shall be calculated as, for any Return Period, an amount equal to the product of the applicable Certificate Return Rate times the Certificate Purchaser Balance that would have been in effect on such date, but for the acceleration.

"Series B Charter Trust Certificate" means the certificate issued to the Investment Trust from the Charter Trustee pursuant to Section 2.1(f) of the Original Participation Agreement and in accordance with the Original Trust Agreements to evidence the Investment Trust Amount.

"Series B Obligations" means those obligations owed by the Charter Trustee to the Investment Trust as evidenced by the Series B Charter Trust Certificate. Any event which reduces the obligations owed by Deepwater to the holders of the Notes shall reduce the Series B Obligations to the same extent.

"Series B Return" means

(i) except where clause (ii) of this definition is applicable, for any Return Period, an amount equal to the product of the applicable Loan Return Rate times the Lender Balance (or portion thereof) allocable to such Return Period or

(ii) where one, but not both, of the Charter Supplements has been accelerated pursuant to Section 4.2(a) thereof, Series B Return accruing after the termination of the accelerated Charter Supplement shall be calculated as, for any Return Period, an amount equal to the product of the applicable Loan Return Rate times the Lender Balance that would have been in effect on such date, but for the acceleration.

"Services Agreements" means the Marine Services Agreement, dated as of
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April 30, 1997, between Deepwater and Conoco Shipping Company, and the Drilling Services Agreement, dated as of April 30, 1997, between Deepwater and R&B Falcon Drilling Co.

"Settlement Date" has the meaning specified in Section 15.2 of the Master
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Charter.

"Ship Mortgage" means a first priority Panamanian mortgage over the Vessel,
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given by the Charter Trustee in favor of the Investment Trust and the Hedging Agreement Counterparties, if any as amended by the First Addendum to Naval Mortgage.

"Slot" has the meaning specified in Section 4(a) of the Rig Sharing
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Agreement.

"Special Purchase Right" has the meaning specified in Section 16.4 of the
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Master Charter.

"Special Purchase Right Notice" has the meaning specified in Section 16.4
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of the Master Charter.

"Special Purchase Right Payment Amount" has the meaning specified in
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Section 16.4 of the Master Charter.

"Special Purchase Right Payment Date" has the meaning specified in Section
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16.4 of the Master Charter.

"Subordinated Debt" means Indebtedness of Deepwater to its Members or
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Affiliates of its Members which is by its terms expressly subordinate to all payments of Charter Hire (including Basic Hire and all amounts due and owing by Deepwater to the other parties under the Transaction Documents) (as more fully set forth on Schedule 4 to the Participation Agreement) and is payable only out of funds available for distribution under clauses "eighth" and "ninth" of Section 3.4(b) of the Depository Agreement.

"Subordinated Notes" means promissory notes or other instruments evidencing
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Subordinated Debt.

"Subordinated Operating Expenses" means those fees, costs and expenses
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payable to Affiliates of Transocean and Conoco under the Services Agreements.

"Subsidiary" means, with respect to a Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Substitute Funding Participant" is defined in Section 7.7 of the Participation Agreement.

"Supplement Date" has the meaning specified in Section 15.2 of the Master Charter.

"Supplemental Hire" means all amounts, liabilities and obligations (other than Basic Hire) which Deepwater assumes, agrees or is otherwise obligated to pay to the Charter Trustee, the Investment Trust, any Funding Participant or any other Person under, and subject to, the Charter or any of the other Transaction Documents, including breakage costs, indemnities, damages and expenses. "Supplemental Hire" shall include all fees, costs and expenses and other amounts payable by Deepwater during the Base Charter Term to the Charter Trustee under the Deepwater Hedging Agreements.

"Swap Termination Amount" means an amount due and payable by the Charter Trustee under Section 6(d) or (e) of the Hedging Agreements.

"Tax" or "Taxes" means any and all license, registration, mortgage or security filing fees, stamp duties and documentation fees and all taxes, assessments, levies, sales, use or transfer tax, imposts, duties, charges, fees or withholdings of any nature whatsoever, together with all penalties, fines or interest thereon or other additions thereto, imposed by any federal, state or local government, political subdivision, or taxing authority in the United States, or by any governmental or taxing authority of or in a foreign country or possession or territory or any international authority.

"Tax Claim" means a claim for Taxes under the General Tax Indemnity.

"Termination of Refinancing" has the meaning specified in Section 4.1 of the Participation Agreement.

"Termination Proceeds" has the meaning specified in Section 3.7(a) of the Depository Agreement.

"Termination Proceeds Account" has the meaning specified in Section 3.7(a) of the Depository Agreement.

"Termination Proceeds Certificate" has the meaning specified in Section 3.7(b) of the Depository Agreement.

"Termination Value" means on any date, an amount equal to the Charter Balance on such date.

"Transaction Documents" means:

(i) the Participation Agreement;

(ii) the Charter Trust Agreement;
(iii) the Investment Trust Agreement;
(iv) the Deepwater Hedging Agreements, if any;
(v) the Hedging Agreements, if any;
(vi) the Drilling Consent;
(vii) the Master Charter;
(viii) Charter Supplement No. 1;
(ix) Charter Supplement No. 2;
(x) the Security Documents;
(xi) the Series A Charter Trust Certificates;
(xii) the Series B Charter Trust Certificate;
(xiii) Loan Agreement;
(xiv) LAPAs;
(xv) Fee Letters;
(xvi) Notes
(xvii) the Conoco Guaranty; and
(xviii) the Transocean Guaranty.

"Transaction Expenses" means:

(i) the fees and expenses of Mayer, Brown & Platt, special counsel to Certificate Purchasers, Liquidity Purchasers and Administrative Agent, Baker Botts, L.L.P., special counsel to Deepwater, Watson, Farley & Williams, special maritime counsel to the Certificate Purchasers, the Conduit, Liquidity Purchasers, and Administrative Agent, Mayer, Brown & Platt, special counsel to each of the Conduit (Liberty) and the Conduit (Paradigm) (including any fees incurred in connection with extension of each applicable LAPA), Cadwalader, Wickersham and Taft, special counsel to the Conduit (Hatteras), (including any fees incurred in connection with extension of the LAPA (Hatteras)), Arias, Fabrega & Fabrega, Panamanian counsel to the Liquidity Purchasers, the Conduit and the Certificate Purchasers, Benedetti & Benedetti, special Panamanian counsel to Deepwater, and Walkers, Cayman Islands counsel to Transocean;
(ii) the fees and expenses of the Placement Agent other than legal fees and expenses;
(iii) the fees and expenses of the Administrative Agent other than legal fees and expenses;
(iv) the fees and expenses of the Investment Trust Beneficiary other than legal fees and expenses;
(v) the fees and expenses of the Trustees;
(vi) the fees and expenses of Delaware counsel to the Investment Trustee, the Charter Trustee and the Depository;
(vii) certain other expenses incurred in connection with the negotiation and execution of the Transaction Documents and the transactions contemplated thereby (including fees or expenses incurred in connection

with the translation, documentation or recordation of the Ship Mortgage); and

(viii) the fees and expenses of one local counsel, if any, to the Funding Participants, the Trustees, the Investment Trust and the Administrative Agent in connection with the review of the Head Lease Documents, if any.

"Transfer Restrictions" means the restrictions on transfer of interest imposed on the Trustees and Funding Participants pursuant to Section 9 of the Participation Agreement.

"Transocean" means Transocean Sedco Forex Inc., an exempt company formed under the laws of the Cayman Islands.

"Transocean Charter" means the charter created by the Master Charter, as supplemented by Charter Supplement No. 1.

"Transocean Drilling Contract Guaranty" means that Deepwater Drillship Project, Transocean Guaranty, dated as of the Documentation Date given by Transocean in favor of Deepwater.

"Transocean Guaranty" means the Transocean Guaranty, dated as of the Documentation Date, given by Transocean in favor of the Trustees, the Investment Trust, the Administrative Agent, the Liquidity Purchasers, the Conduit, the Certificate Purchasers and the other beneficiaries named therein.

"Transocean Series A Charter Trust Certificate" means each certificate issued to a Beneficial Owner from the Charter Trustee pursuant to Section 2.4(a) of the Participation Agreement and in accordance with the Charter Trust Agreement to evidence the 60% of the Certificate Purchaser Amount of each such Beneficial Owner.

"Trust Agreements" means the Charter Trust Agreement and the Investment Trust Agreement.

"Trust Estate" means the sum of $1.00 (receipt of which from the Original Certificate Purchasers is hereby acknowledged by the Charter Trustee) and all estate, right, title and interest of the Charter Trustee and/or the Investment Trust in, to and under (1) the Charter, (2) the Depository Agreement, (3) the Drillship and (4) each other Transaction Document to which the Charter Trustee and/or the Investment Trust is a party.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, together with the rules and regulations promulgated thereunder.

"Trust Liens" means Liens on or against any or all of the Drillship, the Trust Estate, the Charter Trust, the Investment Trust, the Charter or any payment of Charter Hire which result from (a) any act or omission of, or any Claim against, the Investment Trust, the Investment Trust Beneficiary or the Trustees in any case unrelated to the transactions contemplated by the Transaction Documents (including any Liens arising as a result of a voluntary transfer of the Drillship or all or any portion of the Trust Estate other than any voluntary transfer after a Charter

Event of Default), (b) any Tax owed by any such Person, except for any Tax required to be paid by Deepwater under the Transaction Documents, including any Tax for which Deepwater is obligated to indemnify such Person under the General Tax Indemnity, or (c) any act or omission of such Person that is in breach of any of the covenants or agreements of the Transaction Documents.

"Trustee Default Notice" has the meaning specified in Section 4.2(a) of the Depository Agreement.

"Trustee Disbursement Notice (Both Supplements)" has the meaning specified in Section 4.2(b) of the Depository Agreement.

"Trustee Disbursement Notice (Either Supplement)" has the meaning specified in Section 4.2(c) of the Depository Agreement.

"Trustees" means the Charter Trustee and the Investment Trustee.

"Uniform Commercial Code" and "UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"United States" and "U.S." shall mean the United States of America.

"Unsubordinated Operating Expense Amount" means, for each day during any Return Period (or portion thereof) during the Charter Term, $12,000 of Operation and Maintenance Expenses to be adjusted from time to time as follows: (i) commencing in the year 2000 on every January 1 during the Charter Term the "Unsubordinated Operating Expense Amount" shall be adjusted upwards or downwards by an amount determined in accordance with the following equation: (a) the Consumer Price Index for December 31 of the most recently ended calendar year shall be divided by the Consumer Price Index for December 31 of the calendar year immediately preceding the most recently ended calendar year and (b) the quotient obtained through the calculation set forth in clause (a) (expressed as a percentage) shall be multiplied by the "Unsubordinated Operating Expense Amount" (taking into account all prior adjustments) for the immediately preceding calendar year; and (ii) for any period during which the Day Rate is reduced pursuant to the Drilling Contract during the Charter Term, the Unsubordinated Operating Expense Amount shall be adjusted downwards by an amount determined in accordance with the following equation: (x) the Day Rate after such reduction divided by the Day Rate before such reduction and (y) the quotient (expressed as a percentage) determined in clause (x) shall be multiplied by the Unsubordinated Operating Expense Amount (taking into account all prior adjustments) in effect immediately prior to the reduction of Day Rate.

"Upfront Fee Letters" means certain fee letters dated the Documentation Date, each made by Deepwater in favor of each Lender, respectively.

"Vessel" means the 727-foot double-hulled vessel, bearing Hull No. 1231, without the OFE, constructed pursuant to the Construction Contract.

"Voting Stock" means the shares of capital stock of a corporation having ordinary voting power to elect a majority of the board of directors of such corporation, but excluding any other

class or classes of stock that have or might have voting power upon the occurrence of a contingency.

"War Risk Policy" means a marine "all risk" insurance policy that covers war risks, confiscation, expropriation, nationalization and deprivation risks for operations of the Drillship outside the United States that complies with Section 14.1(e) of the Charter and contains the terms of such policy as in effect on the Documentation Date.

"Warranties" means all of the right, title and interest in, to and under any warranty, covenant, representation, service life policy, performance guaranty, indemnity or product support agreement of any contractor, subcontractor, manufacturer, materialman, supplier, vendor or any other Person (excluding Conoco, Frontier Deepwater Drilling Inc., R&B Falcon Drilling (International & Deepwater) Inc., Transocean, Deepwater, the Members, the Investment Trust, the Trustees and the Certificate Purchasers) (collectively, the "Warrantors") contained in any contract or agreement, including the Construction Contract, to the extent that such contracts and agreements relate to the Vessel, the OFE or any part thereof; provided, however, that the definition of "Warranties" shall not include adjustments to the contract price pursuant to Article III of the Construction Contract.

"Warrantors" has the meaning specified in the definition "Warranties".

"Wilmington Trust Company" means Wilmington Trust Company, a Delaware banking company.

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (the "Agreement") made and entered into effective as of December 21, 2001 (the "Effective Date"), by and between Transocean Offshore Deepwater Drilling Inc. (the "Company") and W. Dennis Heagney (the "Executive");

W I T N E S S E T H:

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

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

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

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

1. Resignation of Employment. Effective as of June 30, 2002 (the "Retirement Date"), the Executive resigns his position as Executive Vice President and Chief Operating Officer and director of the Company; and from any other position, directorship or office relating to the affairs of the Company and its subsidiaries or affiliates, including but not limited to Executive Vice President and Chief Operating Officer of Transocean Sedco Forex Inc. ("TSF").

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

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

B. Payment Under Agreement. The Company agrees to pay a lump sum cash payment of $2,541,320.05, on the later of the expiration of the revocation period following execution of the initial Waiver and Release set forth in Section 3 or January 2, 2002, to the Executive in full satisfaction of the obligation of the Company under the Agreement entered into between the Company and the Executive as of October 8, 2000 (the "2000 Agreement").

C. 2001 Performance Bonus. The Company agrees to pay to the Executive a Performance Bonus pursuant to the Performance Award and Cash Bonus Plan (the "Performance Plan") for 2001 in an amount determined by the Executive Compensation Committee of the Board of Directors of TSF pursuant to the terms of the Performance Plan, with an "Individual Performance" rating of 100%. Such payment shall be made at the time bonus awards for 2001 are made to other similarly situated executives.

D. Supplemental Retirement Plan Benefit. The Company agrees to pay a lump sum payment of $1,900,657.05 on July 23, 2002 in full satisfaction of the Company's obligation under the Transocean Offshore Inc. Supplemental Benefit Plan ("Supplemental Plan"), subject to the Executive's continued service through the Retirement Date or involuntary termination by the Company prior to the Retirement Date for any reason other than "Cause" (as defined in the 2000 Agreement). The Executive acknowledges that he has been provided satisfactory documentation regarding the calculation of this benefit, and the Executive specifically agrees and acknowledges that the payments set forth in Sections 2.B and 3.D of this Agreement are not includable in determining the amount payable under the Supplemental Plan.

3. Consideration for Execution of Agreement and Waiver and Release. In consideration for (i) the Executive's execution of and compliance with this Agreement including but not limited to the Non-Competition provisions of Section 4(c) and the execution on two occasions of the Waiver and Release attached hereto as Attachment A and (ii) his continued service through the Retirement Date or involuntary termination by the Company prior to the Retirement Date for any reason other than Cause, the Company shall provide the consideration set forth below in this Section 3. This consideration is provided subject to the binding execution, without revocation, by the Executive of the attached Waiver and Release agreement, which must be executed initially on or before the 21st day after the Effective Date, and which must be executed again during the period beginning on the Retirement Date and ending on the 21st day

after the Retirement Date (the "Retirement Date Waiver"). The Company's obligation to make any further payments otherwise due under Section 3 shall cease in the event the Executive fails to comply with the terms of this Agreement or his Waiver and Release, and no payment shall be made until expiration of the revocation period following execution of the Retirement Date Waiver (the "Effective Waiver Date").

A. 2002 Performance Bonus. The Company shall pay a performance bonus to the Executive for 2002, prorated through June 30, 2002 and payable at 80% of bonus opportunity, in an amount which the parties agree to be equal to $112,800. The performance bonus for 2002 shall be paid on the second business day following the Effective Waiver Date.

B. Additional Payment. The Company agrees to pay a lump sum payment of $1,056,571.99 on the later of the 2nd business day after the Effective Waiver Date or July 30, 2002, which represents an amount which the parties have agreed adequately reflects the additional benefit which the Executive would have received under the Supplemental Plan had his employment continued for three years after the Retirement Date.

C. Options and Restricted Stock. The Company represents that TSF has approved, subject to conditions that will be satisfied by the execution and performance of this Agreement including but not limited to the expiration of the revocation period following execution of the Retirement Date Waiver, the vesting as of the Retirement Date of the Executive's then unvested restricted stock, the acceleration on that date of exercisability of the Executive's outstanding stock options and the extension of exercisability of such options for their then remaining term subject to Section 4.E.

D. Other Consideration. The Company agrees to pay a lump sum cash payment of $1,000,000 to the Executive, payable in two installments of $500,000, with the first installment payable on the second business day following the Effective Waiver Date, and the second installment payable on July 1, 2003.

E. Dependent Medical Coverage. The Company agrees to provide medical coverage to Cheryl Heagney under terms substantially consistent with the dependent care medical coverage available to retirees as of the Effective Date, through the date the Executive attains age 61. Such medical coverage shall be secondary to any other medical coverage available to Cheryl Heagney under any other medical or hospitalization plan. The foregoing provisions of this Section 3.E. shall not serve to limit the Executive's entitlement to coverage for Cheryl Heagney as a dependent under any retiree medical plan or program offered by the Company or its subsidiaries in the future.

F. Club Memberships. The Company agrees to use its best efforts to facilitate a transfer to the Executive of any club memberships in Lakeside Country Club or The Houstonian which have been furnished to the Executive; provided, however, that the Executive shall be obligated to pay any costs associated with such transfer.

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

A. Confidentiality. The Executive recognizes and acknowledges that in the course of his employment with the Company and as a result of the position of trust he has held with the Company he has obtained private or confidential information and proprietary data relating to the Company including, without limitation, financial information, customer lists, patent information and other data which are valuable assets and property rights of the Company. All of such private or confidential information and proprietary data is referred to herein as "Confidential Information"; provided, however, that Confidential Information will not include any information known generally to the public (other than as a result of unauthorized disclosure by the Executive). The Executive agrees that he will not at any time, directly or indirectly, disclose or use Confidential Information acquired during his employment with the Company except with the prior written consent of the Chief Executive Officer of the Company.

B. Non-Solicitation. Except with the written consent of the Chief Executive Officer of the Company, the Executive agrees that he will not (i) for two years after the Retirement Date, in the Executive's individual capacity or on behalf of another, hire or offer to hire any of the officers, employees, directors or agents of the Company, or persuade or attempt to persuade in any manner any officer, employees, directors or agent of the Company to discontinue any relationship with the Company or (ii) for one year after the Retirement Date, solicit or divert or attempt to divert any customer or supplier of the Company.

C. Non-Competition. The Executive acknowledges that his employment with the Company has provided him with specialized knowledge concerning the business of the Company ("Company Business") which, if used in competition with the Company could cause serious harm to the Company, and the covenants contained in this Agreement are essential to protect the business and goodwill of the Company. Accordingly, the Executive agrees that for a period of one year after the Retirement Date, the Executive will not in the United States or any other country where the Company conducts operations related to the Company Business, directly or indirectly, either as an individual, proprietor, stockholder (other than as a holder of up to one (1%) percent of the outstanding shares of a corporation whose shares are listed on a stock exchange or traded in accordance with the automated quotation system of the National Association of Securities Dealers), partner, officer, employee, director or otherwise, work for, become an employee of, invest in, provide consulting services or in any way engage in the offshore drilling contractor business.

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

E. Enforcement. The Executive hereby agrees that a violation of the provisions of Section 4 would cause substantial injury to the Company and its affiliates, which would be difficult to quantify. Accordingly, the Executive agrees that in the event of violation of this Section 4 the Company would be entitled to: (a) cancel and terminate any options whose vesting was accelerated at the separation date; (b) obtain by way of damages all profit generated as a result of the exercise of any options whose vesting was accelerated and (c) cease all further payments due under Section 3 and obtain a refund of all amounts previously paid to the Executive under that Section. The Company further specifically retains the right to seek injunctive relief from a court having jurisdiction for any actual or threatened breach of this Section 4. Any such injunctive relief shall be in addition to any other remedies to which the Company may be entitled at law or in equity or otherwise.

F. Interpretation. If any provision of Section 4 is found by a court of competent jurisdiction to be unreasonably broad, oppressive or unenforceable, such court (i) shall narrow the scope of the Agreement in order to ensure that the application thereof is not unreasonably broad, oppressive or unenforceable and (ii) to the fullest extent permitted by law, shall enforce such Agreement as though reformed.

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

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

6. Death of the Executive. In the event of the death of the Executive prior to the Retirement Date, this Agreement shall be null and void.

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

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

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

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

To the Company:

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

To the Executive:

W. D. Heagney
3601 Amherst
Houston, Texas 77005

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts, all of which shall constitute one agreement, on December 21, 2001, but effective as of the date and year first above written.

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC.

By: /s/ J. MICHAEL TALBERT

J. Michael Talbert
Chief Executive Officer

W. DENNIS HEAGNEY

/s/ W. DENNIS HEAGNEY

Attachment A

[TO BE EXECUTED ON TWO OCCASIONS PURSUANT TO SECTION 3 OF THE SEPARATION AGREEMENT]

Dated: _____

WAIVER AND RELEASE

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

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

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

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

I acknowledge that this Waiver and Release and the Agreement set forth the entire understanding and agreement between me and the Company or any other member of the Corporate Group concerning the subject matter of this Waiver and Release and supersede any

prior or contemporaneous oral and/or written agreements or representations, if any, between me and the Company or any other member of the Corporate Group.

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

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

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

AGREED TO AND ACCEPTED this
_____ day of _____, _____.

- ---------------------------------
EXECUTIVE

SUBSIDIARIES OF TRANSOCEAN SEDCO FOREX INC.

Name*	Jurisdiction
Transocean Holdings Inc	Delaware
Transocean Offshore Deepwater Drilling Inc.	Delaware
Transocean Offshore International Ventures Limited	Cayman Islands
Triton Drilling Limited	Cayman Islands
Transocean Offshore Limited	Cayman Islands
Transocean Offshore International Limited	Cayman Islands
Transocean Offshore (North Sea) Limited	Cayman Islands
Transocean Offshore Services Ltd.	Cayman Islands
Transocean Offshore Europe Limited	Cayman Islands
Transocean International Drilling Limited	Cayman Islands
Transocean Offshore (Cayman) Inc.	Cayman Islands
Transocean Alaskan Ventures Inc.	Delaware
Transocean-Nabors Drilling Technology LLC (50%)	Delaware
Transocean Drilling Services Inc.	Delaware
Transocean Enterprise Inc.	Delaware
Transocean Offshore D.V. Inc	Delaware
DeepVision L.L.C. (50%)	Delaware
Transocean Offshore Norway Inc.	Delaware
Transocean Offshore USA Inc.	Delaware
Transocean Offshore Ventures Inc.	Delaware
Transocean Offshore (U.K.) Inc.	Delaware
Transocean Offshore Caribbean Sea, L.L.C.	Delaware
Sonat Offshore S.A.	Panama
Asie Sonat Offshore Sdn. Bhd.	Malaysia
Sonat Brasocean Servicos de Perfuracoes Ltda.	Brazil
Sonat Offshore do Brasil Perfuracoes Maritimos Ltda.	Brazil
Transocean Brasil Ltda.	Brazil
Transocean Investimentos Ltda.	Brazil
Transocean Offshore Nigeria Ltd.	Nigeria
Transhav AS	Norway
Transocean Services AS	Norway
Transocean AS	Norway
Transocean 4 AS	Norway
Transocean Offshore Holdings ApS	Denmark
Target Drilling Services Ltd.	U.K.
Transocean UK Limited	U.K.
Transocean Services UK Ltd.	U.K.
Transocean I AS	Norway
Transocean Drilling (U.S.A.) Inc.	Texas
Transocean Drilling Netherlands Ltd.	Bahamas
Transocean Drilling (Nigeria) Ltd.	Nigeria
SDS Offshore Ltd.	U.K.
Transocean Drilling Ltd.	U.K.
Transocean Sino Ltd.	U.K.

Wilrig Offshore (UK) Ltd.	U.K.
Wilrig Drilling (Canada) Inc.	Canada
Transocean (Bahamas) Inc.	Bahamas
Transocean Drilling GmbH	Germany
Sedco Forex Holdings Limited	British Virgin Islands
Sedco Forex International, Inc.	Panama
Cariba Ships Corporation N.V.	Netherlands Antilles
Caspian Sea Ventures International Ltd. (75%)	British Virgin Islands
Hellerup Finance International Ltd.	Ireland
International Chandlers, Inc.	Texas
Overseas Drilling Ltd. (50%)	Liberia
Sedco Forex Canada Ltd.	Alberta
Sedco Forex Corporation	Delaware
Transocean Sedco-Forex Brazil Ltda.	Brazil
Sedco Forex International Drilling, Inc.	Panama
PT Hitek Nusantara Offshore Drilling (80%)	Indonesia
Sedco Forex International Resources, Limited	British Virgin Islands
Sedco Forex International Services, S.A.	Panama
Sedco Forex of Nigeria Limited (60%)	Nigeria
Sedco Forex Offshore International N.V. (Limited)	Netherlands Antilles
Sedco Forex Shorebase Support Limited	U.K.
Sedco Forex Technical Services, Inc.	Panama
Sedco Forex Technology, Inc.	Panama
Services Petroliers Sedco Forex	France
Triton Holdings Limited	British Virgin Islands
Sefora Maritime Ltd.	British Virgin Islands
Triton Industries, Inc.	Panama
Sedneth Panama S.A.	Panama
Transocean Sedco Forex Ventures Limited	Cayman Islands
Transocean Support Services Limited	Cayman Islands
R&B Falcon Corporation	Delaware
Cliffs Drilling Company	Delaware
R&B Falcon Holdings, Inc	Delaware
R&B Falcon Drilling (International & Deepwater) Inc.	Delaware
R&B Falcon Deepwater Development Inc.	Nevada
R&B Falcon Subsea Development Inc.	Nevada
RBF Production Co.	Delaware
RBFUS-1, Inc.	Delaware
RBFUS-2, Inc.	Delaware
Cliffs Oil and Gas Company	Delaware
Cliffs Drilling International, Inc.	Delaware

Transocean Offshore Mexico, Inc.	Delaware
Cliffs Drilling de Venezuela, S.A.	Venezuela
Cliffs Drilling (Barbados) Holdings SRL	Barbados

Cliffs Drilling Trinidad L.L.C.	Delaware
Cliffs Drilling do Brasil Servicos de Petroleo S/C Ltda. (90%)	Brazil
Cliffs Central Drilling International (50%)	Mexico
Cliffs Drilling de Mexico, S.A. de C.V.	Mexico
Cliffs Drilling (Barbados) SRL	Barbados
Cliffs Drilling Trinidad Offshore Limited	Trinidad
Falcon Atlantic Ltd.	Cayman Islands
Perforaciones Falrig De Venezuela C.A.	Venezuela
Raptor Exploration Company, Inc.	Delaware
R&B Falcon Drilling USA, Inc.	Delaware
Arcade Drilling AS	Norway
R&B Falcon Drilling Co.	Oklahoma
RBF Holding Corporation	Delaware
R&B Falcon Management Services, Inc.	Delaware
Reading & Bates Coal Co.	Nevada
Reading & Bates Development Co.	Delaware
Reading & Bates Petroleum Co.	Texas
Onshore Services, Inc.	Texas
R&B Falcon Borneo Drilling Co., Ltd.	Oklahoma
R&B Falcon Deepwater (UK) Limited	England
R&B Falcon Drilling Limited	Oklahoma
R&B Falcon Exploration Co.	Oklahoma
R&B Falcon Enterprises Co.	Texas
R&B Falcon, Inc.	Oklahoma
R&B Falcon International Energy Services B.V.	Netherlands
R&B Falcon (Ireland) Limited	Ireland
R&B Falcon Offshore, Limited	Oklahoma
R&B Falcon (U.K.) Limited	England
RBF Deepwater Exploration Inc.	Nevada
RBF Deepwater Exploration II Inc.	Nevada
RBF Deepwater Exploration III Inc.	Nevada
RBF Drilling Co.	Oklahoma
RBF Drilling Services, Inc.	Oklahoma
RBF Exploration Co.	Nevada
RBF Exploration II Inc.	Nevada
RBF Offshore, Inc.	Nevada
RBF Rig Corporation	Oklahoma
Rig Logistics, Inc.	Nevada
Reading & Bates-Demaga Perfuracoes Ltda.	Brazil
PT RBF Offshore Drilling	Indonesia
RB Gabon Inc.	Oklahoma
RB International Ltd.	Cayman Islands
RB Mediterranean Ltd.	Cayman Islands
Mediterranean Development Ltd.	Cayman Islands
Total Offshore Production Systems	Texas
Appalachian Permit Co.	Kentucky
Bismarck Coal Inc.	Kentucky
Caymen Coal Inc.	West Virginia
Deepwater Drilling L.L.C. (50%)	Delaware
Deepwater Drilling II L.L.C. (60%)	Delaware
RBF Servicos Angola, Limitada	Angola
NRB Drilling Services Limited (60%)	Nigeria
RBF (Nigeria) Limited	Nigeria
RBF Subsidiary Corporation	Delaware

Shore Services, Inc.	Texas
R&B Falcon (A) Pty Ltd	Australia
R&B Falcon Canada Co.	Canada
R&B Falcon B.V.	Netherlands
R&B Falcon (Caledonia) Limited	England
Certicoals, Incorporated	West Virginia
RB Anton Ltd.	Cayman Islands
RB Astrid Ltd.	Cayman Islands
RB Vietnam Ltd.	Cayman Islands
R&B Falcon Drilling do Brasil, Ltda.	Brazil
Transocean Deepwater Pathfinder Limited	Cayman Islands
Transocean Deepwater Frontier Limited	Cayman Islands
RBF Finance Co.	Delaware
R&B Falcon (S.E.A.) Pte. Ltd.	Singapore
TOPS Gyrfalcon L.L.C. (75%)	Delaware

*SUBSIDIARIES (50% OR GREATER OWNERSHIP) ARE OWNED 100% UNLESS OTHERWISE INDICATED

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in each of the following Registration Statements of Transocean Sedco Forex Inc. and Subsidiaries of our report dated January 29, 2002, with respect to the consolidated financial statements and schedule of Transocean Sedco Forex Inc. and Subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

REGISTRATION STATEMENT	PURPOSE
No. 333-58604	Registration Statement on Form S-3
No. 333-46374	Registration Statement on Form S-4, as amended by Post-Effective Amendment on Form S-8
No. 333-54668	Registration Statement on From S-4, as amended by Post-Effective Amendment on Form S-8
No. 33-64776	Registration Statement on Form S-8
No. 33-66036	Registration Statement on Form S-8
No. 333-12475	Registration Statement on Form S-8
No. 333-58211	Registration Statement on Form S-8
No. 333-58203	Registration Statement on Form S-8
No. 333-94543	Registration Statement on Form S-8
No. 333-94569	Registration Statement on Form S-8
No. 333-94551	Registration Statement on Form S-8
No. 333-75532	Registration Statement on Form S-8
No. 333-75540	Registration Statement on Form S-8

/s/ Ernst & Young LLP

Houston, Texas
March 22, 2002

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ VICTOR E. GRIJALVA

Name: Victor E. Grijalva

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ RICHARD D. KINDER

Name: Richard D. Kinder

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ RONALD L. KUEHN, JR.

Name: Ronald L. Kuehn, Jr.

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ ARTHUR LINDENAUER

Name: Arthur Lindenauer

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ PAUL B. LOYD, JR.

Name: Paul B. Loyd, Jr.

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ MARTIN B. MCNAMARA

Name: /s/ Martin B. McNamara

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ ROBERTO MONTI

Name: /s/ Roberto Monti

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ RICHARD A. PATTAROZZI

Name: Richard A. Pattarozzi

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ ALAIN ROGER

Name: Alain Roger

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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");

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 14th day of February, 2002.

By: /s/ KRISTIAN SIEM

Name: Kristian Siem

TRANSOCEAN SEDCO FOREX INC.

Power of Attorney

WHEREAS, TRANSOCEAN SEDCO FOREX 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, 2001 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 J. Michael Talbert, Robert L. Long, Gregory L. Cauthen, Eric B. Brown, William E. Turcotte, Ricardo H. Rosa and Brenda S. Masters, 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 14th day of February, 2002.

By: /s/ IAN C. STRACHAN

Name: Ian C. Strachan
