

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

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
(State or other jurisdiction
of incorporation or organization)

N/A
(I.R.S. Employer
Identification No.)

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

77046
(Zip Code)

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

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

As of October 31, 2000, 210,715,981 ordinary shares, par value \$.01 per
share, were outstanding.

TRANSOCEAN SEDCO FOREX INC.

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QUARTER ENDED SEPTEMBER 30, 2000

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements of Transocean Sedco Forex Inc. and consolidated subsidiaries (the "Company") included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited combined financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(In thousands, except per share data)			
Operating Revenues	\$314,483	\$165,250	\$914,575	\$516,840
Costs and Expenses				
Operating and maintenance	192,208	98,508	561,950	338,041
Depreciation and amortization	64,353	33,169	193,779	96,908
General and administrative	9,189	4,093	31,594	12,277
	265,750	135,770	787,323	447,226
Gain (Loss) From Sale of Assets	11,314	(142)	13,564	(107)
Operating Income	60,047	29,338	140,816	69,507
Other Income (Expense), Net				
Equity in earnings of joint ventures	2,592	1,192	7,584	3,719
Interest income	1,724	624	4,636	4,793
Interest expense, net of amounts capitalized	(1,806)	(3,251)	(2,110)	(10,162)
Other, net	26	716	1,268	367
	2,536	(719)	11,378	(1,283)
Income Before Income Taxes, Minority Interest and Extraordinary Item	62,583	28,619	152,194	68,224
Income Tax Expense (Benefit)	14,628	(3,230)	35,413	(2,319)
Minority Interest	101	45	507	45
Income before Extraordinary Item	47,854	31,804	116,274	70,498
Gain on Extraordinary Item, Net of Tax	1,424	--	1,424	--
Net Income	\$ 49,278	\$ 31,804	\$117,698	\$ 70,498
	=====	=====	=====	=====
Basic and Diluted Earnings Per Share (Pro forma prior to the effective date of the merger)				
Income Before Extraordinary Item	\$ 0.22	\$0.29	\$ 0.55	\$0.64
Gain on Extraordinary Item, Net of Tax	0.01	--	0.01	--
Net Income	\$ 0.23	\$0.29	\$ 0.56	\$0.64
	=====	=====	=====	=====
Weighted Average Shares Outstanding (Pro forma prior to the effective date of the merger)				
Basic	210,526	109,564	210,356	109,564
Diluted	212,016	109,636	211,597	109,636
	-----	-----	-----	-----
Dividends Paid Per Share	\$ 0.03	\$ --	\$ 0.09	\$ --

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2000	December 31, 1999
	-----	-----
	(In thousands, except share data)	
ASSETS		
Cash and Cash Equivalents	\$ 36,972	\$ 165,673
Accounts Receivable, less allowance for doubtful accounts of \$33,778 and \$27,109	302,337	292,628
Materials and Supplies	83,068	77,058
Deferred Income Taxes	22,452	12,562
Other Current Assets	12,502	10,945
	-----	-----
Total Current Assets	457,331	558,866
	-----	-----
Property and Equipment	5,889,961	5,498,116
Less Accumulated Depreciation	1,283,614	1,153,614
	-----	-----
Property and Equipment, net	4,606,347	4,344,502
	-----	-----
Goodwill, net	1,044,717	1,067,594
Investments in and Advances to Joint Ventures	105,700	101,892
Other Assets	50,094	67,316
	-----	-----
Total Assets	\$6,264,189	\$6,140,170
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	\$ 79,251	\$ 144,538
Accrued Income Taxes	91,397	111,853
Current Portion of Long-Term Debt	15,628	78,584
Other Current Liabilities	199,255	193,546
	-----	-----
Total Current Liabilities	385,531	528,521
	-----	-----
Long-Term Debt	1,339,850	1,187,578
Deferred Income Taxes	411,034	383,991
Other Long-Term Liabilities	110,145	129,941
	-----	-----
Total Long-Term Liabilities	1,861,029	1,701,510
	-----	-----
Preference Shares, \$0.10 par value; 50,000,000 shares authorized, none issued and outstanding	--	--
Ordinary Shares, \$0.01 par value; 300,000,000 shares authorized, 210,704,725 shares issued and outstanding at September 30, 2000, and 210,119,501 shares issued and outstanding at December 31, 1999	2,107	2,101
Additional Paid-in Capital	3,916,767	3,908,038
Retained Earnings	98,755	--
	-----	-----
Total Shareholders' Equity	4,017,629	3,910,139
	-----	-----
Total Liabilities and Shareholders' Equity	\$6,264,189	\$6,140,170
	=====	=====

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2000	1999
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 117,698	\$ 70,498
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	193,779	96,908
Deferred income taxes	17,039	(16,457)
1999 Charges	--	30,049
Equity in earnings of joint ventures	(7,584)	(3,719)
(Gain) Loss on disposal of assets	(11,547)	107
Deferred income, net	(23,664)	(19,642)
Deferred expenses, net	(4,766)	--
Amortization of debt discount and issue costs	5,698	--
Other, net	(4,439)	193
Changes in operating assets and liabilities		
Accounts receivable	(12,227)	74,467
Accounts payable and accrued liabilities	(53,457)	(12,575)
Receivable/payable with related parties, net	--	1,968
Income taxes receivable/payable, net	(20,454)	(15,700)
Other current assets/liabilities, net	(12,680)	(14,922)
Net Cash Provided by Operating Activities	183,396	191,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(465,640)	(412,096)
Proceeds from sale of coiled tubing drilling services business	24,871	--
Other proceeds from disposal of assets, net	48,722	3,923
Other, net	1,575	3,788
Net Cash Used in Investing Activities	(390,472)	(404,385)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of Zero Coupon Convertible Debentures	489,081	--
Net repayments on Revolving Credit Agreement	(153,300)	--
Repayments on Secured Loan Agreement	(235,174)	--
Repayments on Secured Rig Financing	(12,314)	(11,410)
Repayments on Notes Payable	(4,615)	--
Proceeds from issuance of ordinary shares under stock-based compensation plans	14,070	--
Dividends paid	(18,943)	--
Proceeds from debt to related parties	--	166,589
Repayments of debt to related parties	--	(78,250)
Advances and other to related parties, net	--	(15,003)
Other, net	(430)	2,363
Net Cash Provided by Financing Activities	78,375	64,289
Net Decrease in Cash and Cash Equivalents	(128,701)	(148,921)
Cash and Cash Equivalents at Beginning of Period	165,673	174,481
Cash and Cash Equivalents at End of Period	\$ 36,972	\$ 25,560

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - PRINCIPLES OF CONSOLIDATION

Transocean Sedco Forex Inc. (together with its majority owned subsidiaries and predecessors, the "Company", unless the context requires otherwise) is a leading international provider of deepwater and harsh environment contract drilling services for oil and gas wells. As of October 31, 2000, the Company owns, has partial ownership interests in, operates, or has under construction 71 mobile offshore drilling units. The Company contracts these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill offshore wells.

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 acquiror for accounting purposes.

The balance sheets presented in these condensed financial statements, the statement of cash flows for the nine months ended September 30, 2000 and the statements of operations for the three and nine months ended September 30, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The statement of cash flows for the nine months ended September 30, 1999 and the statements of operations for the three and nine months ended September 30, 1999 reflect the cash flows and operating results of Sedco Forex and not those of historical Transocean Offshore Inc. Intercompany transactions and accounts have been eliminated. The equity method of accounting is used for investments in joint ventures owned 50 percent or less.

The condensed financial statements for the period prior to the 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 a distribution agreement. Although Sedco Forex was not a separate public company prior to the merger, the condensed financial statements are presented as if Sedco Forex had existed as an entity separate from its parent, Schlumberger. The condensed financial statements include the historical revenues and expenses and cash flows that were directly related to the offshore contract drilling service business of Schlumberger during the three and nine months ended September 30, 1999 and have been prepared using Schlumberger's historical results of operations of Sedco Forex.

Prior to the 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 7). The financial information for the period prior to the merger included herein may not reflect the combined operating results and cash flows of Sedco Forex had Sedco Forex been a separate, stand-alone entity during the period 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.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 - GENERAL

BASIS OF CONSOLIDATION - The accompanying condensed financial statements of the Company have been prepared without audit in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the United States for complete financial statements. Operating results for the three and nine month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000 or for any future period. In connection with the preparation of these financial statements, management was required to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and disclosure of contingent liabilities. Actual results could differ from such estimates. The accompanying condensed financial statements and notes thereto should be read in conjunction with the audited combined financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

SUPPLEMENTARY CASH FLOW INFORMATION - Cash payments for interest and income taxes, net were \$58.6 million and \$38.3 million, respectively, for the nine months ended September 30, 2000 and \$16.9 million and \$26.8 million, respectively, for the nine months ended September 30, 1999.

GOODWILL - The excess of the purchase price over the estimated fair value of net assets acquired is accounted for as goodwill and is amortized on a straight-line basis over 40 years. The amortization period is based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Accumulated amortization as of September 30, 2000 totaled \$20.0 million.

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 \$20.7 million and \$66.6 million for the three and nine months ended September 30, 2000 and \$8.6 million and \$20.3 million for the corresponding periods of 1999.

CHANGE IN ESTIMATE - As a result of the merger, the Company conformed its policies relating to estimated rig lives and salvage values. Estimated useful lives of its offshore drilling units now range from 18 to 35 years, reflecting maintenance history and market demand for these drilling units. Depreciation expense for the three and nine months ended September 30, 2000 was reduced by approximately \$18 million (net \$0.09 per diluted share) and \$53 million (net \$0.25 per diluted share), respectively, as a result of conforming these policies.

INCOME TAXES - Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. 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 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.

SEGMENTS - The Company's operations share similar economic characteristics and have been aggregated into one reportable segment. The Company operates in one industry segment, offshore contract drilling services. The Company provides these services with different types of offshore drilling equipment located 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.

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

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

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB 133, to delay the effective date for the adoption of SFAS No. 133 to fiscal years beginning after June 15, 2000. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, management anticipates that the adoption of the new statement will have no material effect on the results of operations or the financial position of the Company. The Company will adopt SFAS No. 133 as of January 1, 2001.

In December 1999, the U.S. Securities and Exchange Commission (the "SEC") released Staff Accounting Bulletin ("SAB") No. 101 Revenue Recognition in Financial Statements. This bulletin provides new guidelines on revenue recognition. SAB No. 101 must be implemented no later than the fourth quarter of fiscal years beginning after December 15, 1999. The Company is evaluating its treatment of revenues related to contract preparation, mobilization and demobilization of drilling units. The Company will adopt the new guidelines as required in the fourth quarter of 2000. Management believes that the implementation of SAB No. 101 will not have a material effect on the results of operations of the Company.

NOTE 3 - PRO FORMA COMBINED OPERATING RESULTS

Unaudited pro forma combined operating results of Sedco Forex and Transocean Offshore Inc. for the nine months ended September 30, 1999, assuming the merger (see Note 1) had been completed as of January 1, 1999, are summarized as follows:

Nine months ended September 30, -----	1999 -----
(In thousands, except per share data)	
Operating revenues	\$1,263,069
Operating income	299,610
Net income	239,988
Basic and diluted earnings per share	1.14

The pro forma information includes adjustments for additional depreciation based on the fair market value of the drilling and other property and equipment acquired, the amortization of goodwill arising from the transaction, decreased interest expense for related party debt replaced by borrowings under the Term Loan Agreement (see Note 5) and related adjustments for income taxes. The pro forma information is not necessarily indicative of the results of operations had the transaction been effected on the assumed date or the results of operations for any future periods.

NOTE 4 - UPGRADE AND EXPANSION OF DRILLING FLEET

Capital expenditures, including capitalized interest, totaled \$466 million during the nine months ended September 30, 2000 and include \$81 million, \$83 million, \$69 million, \$67 million and \$86 million spent on the construction of the Sedco Express, Sedco Energy, Cajun Express, Discoverer Spirit and Discoverer Deep Seas, respectively. The Company also spent \$50 million on the construction of the Trident 20 during the nine months ended September 30, 2000, which was partially offset by \$30 million in client reimbursements for the estimated incremental cost to construct the rig in the Caspian Sea.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5 - DEBT

Debt is comprised of the following:

	September 30, 2000	December 31, 1999
	-----	-----
(In thousands)		
Zero Coupon Convertible Debentures(1)	\$ 494,136	\$ --
Term Loan Agreement	400,000	400,000
Revolving Credit Agreement	81,700	235,000
Secured Loan Agreement	--	235,174
8.00% Debentures	197,835	197,774
7.45% Notes	94,083	93,916
Secured Rig Financing	72,831	85,145
6.90% Notes Payable	14,832	19,153
Other	61	--
	-----	-----
Total Debt	1,355,478	1,266,162
Less Current Maturities	15,628	78,584
	-----	-----
Total Long-Term Debt	\$1,339,850	\$1,187,578
	=====	=====

(1) Net of unamortized discount and issue costs.

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 Zero Coupon Convertible 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% per annum compounded semi-annually 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. A debenture 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.

Secured Loan Agreement - In January 2000, the Company agreed to cancel the remaining 14 months of a contract with BP Amoco for its semisubmersible rig, the Transocean Amirante, for a cash settlement of \$25.1 million, which was recognized as revenue during the first quarter of 2000. The cash received was used to repay borrowings under the Secured Loan Agreement relating to the Transocean Amirante and the security interest in the rig was released by the banks. An interest rate swap agreement related to the Secured Loan Agreement was also amended to reflect the reduced amounts subject to the swap.

In August 2000, the Company repaid all amounts outstanding under the Secured Loan Agreement using cash on hand and borrowings under the Revolving Credit Agreement. The Company also terminated the related interest rate swap agreement. The Company recognized an extraordinary gain, net of income taxes of \$1.4 million, or \$0.01 per diluted share, on this early termination of debt.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6 - OTHER CURRENT LIABILITIES

Other current liabilities are comprised of the following:

	September 30, 2000	December 31, 1999
	-----	-----
(In thousands)		
Accrued Payroll and Employee Benefits	\$ 74,602	\$ 63,082
Contract Disputes and Legal Claims	58,254	50,454
Deferred Gain on Sale of Rigs	26,167	26,167
Accrued Taxes, Other than Income	13,107	14,390
Accrued Interest	12,059	10,056
Other	15,066	29,397
	-----	-----
	\$199,255	\$193,546
	=====	=====

NOTE 7 - RELATED PARTY TRANSACTIONS

The financial statements for the three and nine months ended September 30, 1999 include 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. These allocations were determined 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 of \$10.0 million and \$44.6 million to operating and maintenance expense and \$2.4 million and \$5.5 million to general and administrative expense for the three and nine months ended September 30, 1999, respectively. The Company incurred expenses amounting to approximately \$2 million and \$8 million in the three and nine months ended September 30, 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 fifty 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 aggregated \$5.7 million and \$20.7 million for the three and nine months ended September 30, 1999, respectively. On December 31, 1999, the Company repaid these loans in connection with the merger.

NOTE 8 - 1999 CHARGES

Operating and maintenance expense for the nine months ended September 30, 1999 includes charges totaling \$42.0 million, of which \$13.2 million relates to termination and severance benefits and \$28.8 million relates to potential legal claims.

NOTE 9 - ASSET DISPOSALS

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

In July 2000, the Company sold a second-generation 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 gain of \$9.4 million, or \$0.04 per diluted share.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10 - EARNINGS PER SHARE

The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999

	(In thousands, except per share data)			
Income before Extraordinary Item	\$ 47,854	\$ 31,804	\$116,274	\$ 70,498
Gain on Extraordinary Item, Net of Tax	1,424	--	1,424	--
	-----	-----	-----	-----
Net Income	\$ 49,278	\$ 31,804	\$117,698	\$ 70,498
	=====	=====	=====	=====
Weighted-average shares outstanding (Pro forma prior to effective date of the merger):				
Shares for basic earnings per share	210,526	109,564	210,356	109,564
Effect of dilutive securities:				
Employee stock options and unvested stock grants	1,490	72	1,241	72
	-----	-----	-----	-----
Adjusted weighted-average shares and assumed conversions for diluted earnings per share	212,016	109,636	211,597	109,636
	=====	=====	=====	=====
Basic and Diluted Earnings Per Share (Pro forma prior to the effective date of the merger):				
Income Before Extraordinary Item	\$ 0.22	\$ 0.29	\$ 0.55	\$ 0.64
Gain on Extraordinary Item, Net of Tax	0.01	--	0.01	--
	-----	-----	-----	-----
Net Income	\$ 0.23	\$ 0.29	\$ 0.56	\$ 0.64
	=====	=====	=====	=====

Ordinary shares subject to issuance pursuant to the conversion feature of the Zero Coupon Convertible Debentures (see Note 5) 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. (see Note 1). Accordingly, historical earnings per share has not been presented for the periods prior to the merger. Pro forma earnings per share for the three and nine months ended September 30, 1999 was calculated using the Transocean Sedco Forex shares issued pursuant to the merger agreement and the dilutive effect of Transocean Sedco Forex stock options granted to former Sedco Forex employees at the time of the merger, as applicable.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11 - PROPOSED BUSINESS COMBINATION

On August 21, 2000, the Company announced the signing of a definitive agreement and plan of merger with R&B Falcon Corporation ("R&B Falcon"). Under this agreement, R&B Falcon will merge with a recently formed subsidiary of the Company (the "RBF Merger"). Each share of the common stock of R&B Falcon issued and outstanding immediately prior to the effective time of the RBF Merger will be exchanged for 0.5 newly issued ordinary shares of the Company. The purchase price has currently been estimated at \$6.6 billion using the estimated number of Transocean Sedco Forex ordinary shares to be issued in the RBF Merger and the average closing price of the Company's ordinary shares for a period immediately before and after the date the RBF Merger was announced, plus estimated direct costs and the estimated fair value of R&B Falcon stock options and warrants which will be assumed in the RBF Merger. As a result of using the purchase method of accounting, the assets and liabilities of the Company will remain at their recorded amounts, without restatement to fair values. The assets and liabilities of R&B Falcon will be recorded at their estimated fair values at the date of the merger, with the excess of the purchase price over the sum of such fair values recorded as goodwill.

The RBF Merger has been approved by the board of directors of each company and is expected to close by the end of first quarter 2001. The closing of the RBF Merger is conditioned upon approval by the shareholders of the Company and the stockholders of R&B Falcon, customary regulatory approvals, including the expiration or termination of the waiting period prescribed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the application of certain proceeds of a R&B Falcon common stock public offering to a redemption of R&B Falcon's 13.875% Cumulative Redeemable Preferred Stock, the rating of certain debt of R&B Falcon or its affiliates as investment grade and other customary conditions. The Company has filed a registration statement with the SEC on Form S-4 relating to the RBF Merger. The Company's registration statement became effective October 30, 2000. Meetings of the shareholders of both companies have been set for December 12, 2000.

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

The following information should be read in conjunction with the audited combined financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

OVERVIEW

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 acquiror for accounting purposes.

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 deepwater and harsh environment contract drilling services for oil and gas wells. As of October 31, 2000, the Company owns, has partial ownership interests in, operates, or has under construction 71 mobile offshore drilling units. The Company's active fleet consists of twelve high-specification semisubmersibles, twenty-nine second- and third-generation semisubmersibles, two Discoverer Enterprise-class drillships, four other drillships, seventeen jackup rigs and three tenders. The Company has under construction one Discoverer Enterprise-class drillship and three Sedco Express-class semisubmersibles. In addition, the fleet includes one mobile offshore production unit, six swamp barges and two land drilling rigs. The Company contracts these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill offshore wells.

The balance sheets presented in the condensed financial statements, the statement of cash flows for the nine months ended September 30, 2000 and the statements of operations for the three and nine months ended September 30, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The statement of cash flows for the nine months ended September 30, 1999 and the statements of operations for the three and nine months ended September 30, 1999 reflect the cash flows and operating results of Sedco Forex and not those of historical Transocean Offshore Inc. At the time of the merger, Sedco Forex owned, had ownership interests in or operated 40 mobile offshore drilling rigs and had four such rigs under construction.

OPERATING RESULTS

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

Net income for the three months ended September 30, 2000 was \$49.3 million, or \$0.23 per diluted share, on revenues of \$314.5 million and reflect the results of the combined company. The results include an extraordinary gain of \$1.4 million or \$0.01 per diluted share, relating to the early termination of certain debt, as well as a net gain of \$11.2 million or \$0.05 per diluted share resulting from the sale of two rigs. Net income for the corresponding period in 1999 was \$31.8 million, or \$0.29 per pro forma diluted share, on revenues of \$165.3 million. The results for the three months ended September 30, 1999 reflect Sedco Forex historical results only and not those of Transocean Offshore Inc.

Operating revenues for the three months ended September 30, 2000 were \$314.5 million compared to \$165.3 million for the same period in 1999, an increase of \$149.2 million or 90 percent. The increase was primarily as a result of the merger. Revenues relating to former Sedco Forex operations totaled \$144.7 million for the third quarter of 2000, representing a \$20.6 million or a 12 percent decrease over the comparable 1999 period. Excluding a \$9.2 million contract cancellation settlement in the third quarter of 1999 relating to the Sovereign Explorer, revenues from Sedco Forex's core assets (the Company's semisubmersible, jackup and tender rigs) were comparable between periods. Utilization of core assets increased to 84 percent for the third quarter of 2000 from 70 percent during the same period of 1999. This was offset by a decrease in average dayrates from \$61,200 in the third quarter of 1999 to \$52,600 for the same period of 2000. The decrease in revenues can be attributed to less activity of non-core assets (the Company's swamp barges and land rigs) and revenues earned from managed rigs no longer operated in 2000.

Operating and maintenance expense for the three months ended September 30, 2000 was \$192.2 million compared to \$98.5 million for the same period in 1999, an increase of \$93.7 million or 95 percent. The increase was primarily as a result of the merger. Operating and maintenance expense for the third quarter of 1999 included \$10.0 million in allocated costs from Schlumberger. A large portion of 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.

Depreciation and amortization expense was \$64.4 million for three months ended September 30, 2000 compared to \$33.2 million for the same period in 1999, an increase of \$31.2 million or 94 percent. Depreciation expense increased primarily due to the addition of the former Transocean Offshore Inc. rigs and equipment at fair value. In addition, \$6.7 million of amortization of goodwill resulting from the merger was recorded in the third quarter of 2000. Depreciation expense was reduced by approximately \$18 million (net \$0.09 per diluted share) for the third quarter of 2000 as a result of the Company conforming its policies relating to estimated rig lives and salvage values after the merger.

General and administrative expense for the three months ended September 30, 2000 was \$9.2 million compared to \$4.1 million for the same period in 1999, an increase of \$5.1 million or 124 percent. The increase is primarily attributable to the merger and reflects the costs to manage a larger, more complex and geographically diverse organization. General and administrative expense for the three months ended September 30, 1999 included an allocation of corporate overhead by Schlumberger that amounted to approximately \$2.4 million.

During the three months ended September 30, 2000, the Company recognized a net gain of \$11.2 million on the sale of two drilling rigs, the semisubmersible Transocean Discoverer and the multi-purpose service jackup Mr. John. There were no such rig sales in the third quarter of 1999.

Other income was \$2.5 million for the three months ended September 30, 2000 compared to other expense of \$0.7 million for the corresponding period of 1999, an increase of \$3.2 million. The Company capitalized \$20.7 million of interest relating to construction projects during the third quarter of 2000 compared to \$8.6 million for the same period of 1999, representing a greater proportion of interest capitalized. Equity in earnings of joint ventures increased by \$1.4 million due primarily to the addition of joint ventures owned by Transocean Offshore Inc. prior to the merger.

Provision for income taxes for the three months ended September 30, 2000 was \$14.6 million compared to a benefit of \$3.2 million for the third quarter of 1999. The Company operates internationally and provides for income taxes based on the tax laws and rates in the countries in which it operates and income is earned. There is no expected relationship between the provision for income taxes and income before taxes.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

Net income for the nine months ended September 30, 2000 was \$117.7 million, or \$0.56 per diluted share, on revenues of \$914.6 million and reflects the results of the combined company. The results include an extraordinary gain of \$1.4 million or \$0.01 per diluted share, relating to the early termination of certain debt, as well as a gain of \$12.9 million or \$0.06 per diluted share resulting from the sale of three rigs. Net income for the corresponding period in 1999 was \$70.5 million, or \$0.64 per pro forma diluted share, on revenues of \$516.8 million. Operating and maintenance expense for the nine months ended September 30, 1999 included charges for severance costs and provisions for potential legal claims totaling \$42.0 million, or a net \$0.30 per pro forma diluted share. The results for the nine months ended September 30, 1999 reflect Sedco Forex historical results only and not those of Transocean Offshore Inc.

Operating revenues for the nine months ended September 30, 2000 were \$914.6 million compared to \$516.8 million for the same period in 1999, an increase of \$397.8 million or 77 percent. The increase was primarily as a result of the merger. Revenues for the nine months ended September 30, 2000 include a \$25.1 million cash settlement relating to an agreement with BP Amoco to cancel the remaining 14 months of firm contract time on the semisubmersible Transocean Amirante. Revenues relating to former Sedco Forex operations totaled \$412.6 million for the nine months ended September 30, 2000, representing a \$104.2 million or 20 percent decrease over the comparable 1999 period. Of the decrease in comparable revenues, \$61.0 million relates to core assets which experienced lower average dayrates, declining from \$66,600 for the first nine months of 1999 to \$55,800 for the same period in 2000. This was partially offset by an increase in activity, as utilization of core assets increased from 70 percent in the first nine months of 1999 to 74 percent for the same period in 2000, and cash settlements of \$16.0 million during the nine months ended September 30, 1999 from the cancellation of contracts on the Sovereign Explorer and Trident 17. The remaining decrease in comparable revenues can be attributed to less activity of non-core assets and revenue earned from managed rigs no longer operated in 2000.

Operating and maintenance expense for the nine months ended September 30, 2000 was \$562.0 million compared to \$338.0 million for the same period in 1999, an increase of \$224.0 million or 66 percent. The increase was primarily as a result of the merger. Operating and maintenance expense for the 1999 period included charges totaling \$42.0 million relating to severance liabilities and provisions for potential legal claims and \$44.6 million in allocations of costs by Schlumberger. A large portion of 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.

Depreciation and amortization expense was \$193.8 million for the nine months ended September 30, 2000 compared to \$96.9 million for the same period in 1999, an increase of \$96.9 million or 100 percent. Depreciation expense increased primarily due to the addition of the former Transocean Offshore Inc. rigs and equipment at fair value. In addition, \$20.0 million of amortization of goodwill resulting from the merger was recorded in the first nine months of 2000. Depreciation expense was reduced by approximately \$53 million (net \$0.25 per diluted share) for the first nine months of 2000 as a result of the Company conforming its policies relating to estimated rig lives and salvage values after the merger.

General and administrative expense for the nine months ended September 30, 2000 was \$31.6 million compared to \$12.3 million for the same period in 1999, an increase of \$19.3 million or 157 percent. The increase is primarily attributable to the merger and reflects the costs to manage a larger, more complex and geographically diverse organization. General and administrative expense for the nine months ended September 30, 1999 included an allocation of corporate overhead by Schlumberger that amounted to \$5.5 million.

During the nine months ended September 30, 2000, the Company recognized a net gain of \$12.9 million on the sale of three drilling rigs, the semisubmersible Transocean Discoverer, the multi-purpose service jackup Mr. John and the tender Searex 5. There were no such rig sales in the corresponding period of 1999.

Other income was \$11.4 million for the nine months ended September 30, 2000 compared to other expense of \$1.3 million for the same period in 1999, an increase of \$12.7 million. The Company capitalized \$66.6 million in interest relating to construction projects during the nine months ended September 30, 2000 compared to \$20.3 million for the same period in 1999, representing a greater proportion of interest capitalized. Equity in earnings of joint ventures increased by \$3.9 million due primarily to the addition of joint ventures owned by Transocean Offshore Inc. prior to the merger.

Provision for income taxes for the nine months ended September 30, 2000 was \$35.4 million compared to a benefit of \$2.3 million for the same period in 1999. Sedco Forex recognized a \$9.5 million deferred tax benefit during the 1999 period relating to charges for potential legal claims. The Company operates internationally and provides for income taxes based on the tax laws and rates in the countries in which it operates and income is earned. There is no expected relationship between the provision for income taxes and income before income taxes.

1999 PRO FORMA OPERATING RESULTS

Unaudited pro forma combined results for Transocean Sedco Forex Inc. for the nine months ended September 30, 1999 reflected net income of \$240.0 million or \$1.14 per diluted share on pro forma revenues of \$1,263.1 million. The pro forma operating results assume the spin-off and merger was completed on January 1, 1999. See Note 3 to the condensed 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 Transocean Sedco Forex Inc. would have achieved had the spin-off and merger taken place earlier or of the future results that Transocean Sedco Forex Inc. may achieve.

OUTLOOK

Fleet utilization for the third quarter of 2000 averaged 81 percent for our 61 fully owned or chartered and active mobile offshore drilling units (i.e., excluding newbuilds under construction, managed rigs and partially owned rigs which are not operated by us) compared to 75 percent fleet utilization for the second quarter of 2000. Combined semisubmersible and drillship ("floater") utilization for active drilling units was 84 percent during the third quarter of 2000, compared to utilization of 75 percent for the same units during the second quarter of 2000.

Average fleet dayrates declined during the third quarter as rigs that were previously idle or working under contracts negotiated prior to the onset of weaker market conditions began operating under new contracts at competitive market rates. Average dayrates during the third quarter of 2000 were \$67,200 for the 61 rigs and \$81,400 for floaters, compared to average dayrates of \$69,100 and \$85,900, respectively, for the second quarter of 2000. While average dayrates decreased, there have been some signs of improving market dayrates, especially for higher specification units. These improved prospects are evidenced by recent contract awards and extensions on a number of rigs, including the Transocean Leader, Sovereign Explorer, Transocean John Shaw, Sedco 601, Transocean Comet and Transocean Mercury, located in the North Sea, Asia and Middle East. These recent contract awards and extensions represent approximately \$112 million in potential revenues over the duration of the contracts and improve the Company's committed fleet time during 2001 to approximately 41 percent as of October 31, 2000.

General market conditions continued to improve during the third quarter of 2000. Oil and gas prices again remained at relatively strong levels, leading our customers to initiate more active offshore drilling programs during the second half of 2000. If market conditions remain favorable, we expect the trend of strong utilization and improving dayrates to continue. However, even with higher utilization, dayrates may not increase significantly in the near term. Also, the contract drilling market historically has been highly competitive and cyclical, and we are unable to predict the extent to which current market conditions will continue. A decline in oil prices could reduce demand for the Company's contract drilling services and adversely affect both utilization and dayrates.

The Company anticipates that it will experience higher levels of expenses during 2001 due to a variety of factors, including, but not limited to, those described in this paragraph. The Company expects to complete its remaining major construction projects in early 2001, resulting in increased interest expense as interest on these projects will no longer be capitalized. The Company currently has plans for significant shipyard upgrade and maintenance projects on at least two rigs which could result in increased expenses during the coming year. Recently, the Company replaced existing employment agreements with certain executives which contained change in control provisions that had been triggered by the merger with Sedco Forex. These new agreements will require the Company to recognize approximately \$5.8 million in additional compensation expense during 2001. Finally, the labor market for rig workers, especially in the U.S. Gulf of Mexico, has tightened as rig utilization rates have increased. If this trend continues, the Company may incur higher compensation expense to attract and retain qualified rig personnel.

The Company owns a 25 percent interest in a joint venture, Sea Wolf Drilling Limited ("Sea Wolf"), that owns two semisubmersible rigs which the Company currently charters from Sea Wolf. The Company originally sold the two rigs, the Sedco Explorer and the Drill Star, to Sea Wolf and has been amortizing the gain from the sale of each rig over the estimated charter terms. Sea Wolf is currently in negotiations to sell the two rigs to a third party. In the event of such a sale, the current charter for the Sedco Explorer would likely be terminated effective upon the closing of the sale and the charter for the Drill Star would likely be terminated in the third quarter of 2001. If the sale is consummated on this basis, the remaining deferred gain related to the Sedco Explorer would be recognized at the time of the closing of the sale and the remaining deferred gain related to the Drill Star would be recognized over the revised charter term. The unamortized deferred gains as of September 30, 2000 relating to the Sedco Explorer and the Drill Star were \$21.1 million and \$55.2 million, respectively. The Company would also recognize, at the time of the sale, its share of any gain or loss on the sale of the rigs and the effect of an expected charter termination settlement for the Sedco Explorer. However, a definitive sale agreement has not yet been executed and there can be no assurance that this sale will be completed.

On November 2, 2000, the Trident IX cantilevered jackup rig suffered a well blowout and resulting fire while drilling in Indonesia. All personnel were safely evacuated, but the rig has sustained significant damage, particularly to its drilling equipment. The full extent of the damage is not yet known, although the Company does not currently expect the rig to be a total loss. Until the Company knows the extent of necessary repairs, it is unable to determine the amount of time the rig will be out of service and the related loss of revenue. The Company maintains insurance on the rig and expects the insurance to cover substantially all physical damages to the rig, but not loss of revenue while the rig undergoes repairs.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES OF CASH

Cash flows provided by operations were \$183.4 million for the nine months ended September 30, 2000, compared to \$191.2 million for the same period in 1999, a decrease of \$7.8 million.

Cash flows used in investing activities decreased \$13.9 million from \$404.4 million for the nine months ended September 30, 1999 to \$390.5 million for the same period in 2000. Capital expenditures relating to rig construction and upgrade projects increased by \$53.5 million, which was offset by a \$69.7 million increase in proceeds from the disposal of assets. During the first nine months of 2000, the Company received net proceeds of \$24.9 million from the sale of its coiled tubing drilling services business and \$42.7 million on the sale of the semisubmersible Transocean Discoverer.

Cash flows provided by financing activities increased \$14.1 million from \$64.3 million during the first nine months of 1999 to \$78.4 million for the same period in 2000. During the first nine months of 2000, the Company received \$489.1 million in net proceeds from the issuance of the Zero Coupon Convertible Debentures which was partially offset by net repayments on its Revolving Credit Agreement and by the repayment of its Secured Loan Agreement. During the corresponding period of 1999, Sedco Forex obtained additional long-term funding from related parties, which was offset by repayments of advances and long-term debt to related parties.

CAPITAL EXPENDITURES

Capital expenditures, including capitalized interest, totaled \$465.6 million during the nine months ended September 30, 2000. The Company expects to spend \$185 million during the remainder of 2000 on its existing drilling fleet, corporate infrastructure and previously announced fleet additions. During 2001, the Company expects to spend \$210 million on its existing fleet, corporate infrastructure and completion of major construction projects, including major upgrades on the Discoverer 534 and Sedco 710 as well as conversion of the Sedco 135D to an offshore production facility.

The following table summarizes projected expenditures (including capitalized interest) during the remainder of 2000 and for 2001 for the Company's major construction projects.

	Expenditures - Nine Months Ended September 30, 2000 -----	Projected Expenditures - Remainder of 2000 -----	Projected Expenditures - 2001 -----	Projected Recorded Value At Completion -----
(In millions)				
Sedco Express	\$ 81	\$ 28	\$ 21	\$ 378
Sedco Energy	83	27	25	380
Cajun Express	69	23	-	300
Discoverer Spirit	67	12	-	318
Discoverer Deep Seas	86	31	3	315
Trident 20 (1)	20	5	2	127
	----	----	----	----
	\$406	\$126	\$ 51	\$1,818
	=====	=====	=====	=====

(1) Expenditures for the first nine months of 2000 are net of \$30 million in client reimbursements for the estimated incremental cost to construct the rig in the Caspian Sea.

The Sedco Express-class semisubmersibles and the Discoverer Deep Seas are in the final stages of construction and commissioning. The Sedco Express is expected to be delivered late in the fourth quarter of 2000, when it will begin a three-year contract with Elf in West Africa. The customer has the right to terminate the contract if the rig is not made available by December 28, 2000. The Discoverer Deep Seas is also expected to be delivered late in the fourth quarter of 2000, when it will begin a five-year contract with Chevron in the U. S. Gulf of Mexico. The Cajun Express is expected to be delivered in January 2001, when it will begin a three-year contract with Marathon in the U. S. Gulf of Mexico. The customer has the right to terminate the contract if the rig is not delivered by March 31, 2001. The Sedco Energy is expected to be delivered in March 2001, when it will begin a five-year contract with Texaco in Brazil, however the customer has the right to reduce the contract term equivalent to the period of delayed delivery beyond December 23, 1999.

The Discoverer Spirit was completed and delivered in September 2000, when it began a five-year contract with Unocal in the U.S. Gulf of Mexico. The Company also completed construction of an independent-leg cantilevered jackup, the Trident 20. This rig will be 75 percent owned by the Company through a joint venture. The rig became operational in October 2000, when it began a three-year contract for Elf and other parties to a rig sharing agreement in the Caspian Sea.

As with any major construction project that takes place over an extended period of time, the actual costs, the timing of expenditures and delivery dates may vary from estimates based on numerous factors, including actual terms of awarded construction contracts, weather, exchange rates, shipyard labor conditions, the market demand for components and resources required for drilling unit construction, testing and commissioning of the rig and rig systems, acceptance by the client and mobilization from the shipyard to the location of initial operations. The Company intends to fund the cash requirements relating to these capital commitments through available cash balances, borrowings under the Revolving Credit Agreement referred to below and other commercial bank or capital market financings.

DEBT

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 Zero Coupon Convertible 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% per annum compounded semi-annually 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. A debenture 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. The Company used the net proceeds (\$489.1 million after underwriter discount and issue costs) from the financing to repay outstanding borrowings under the Revolving Credit Agreement, to repay other indebtedness and for general corporate purposes.

Secured Loan Agreement - In January 2000, the Company agreed to cancel the remaining 14 months of a contract with BP Amoco for its semisubmersible rig, the Transocean Amirante, for a cash settlement of \$25.1 million. The cash received was used to repay borrowings under the Secured Loan Agreement relating to the Transocean Amirante and the security interest in the rig was released by the banks. An interest rate swap agreement related to the Secured Loan Agreement was also amended to reflect the reduced amounts subject to the swap.

In August 2000, the Company repaid all amounts outstanding under the Secured Loan Agreement using cash on hand and borrowings under the Revolving Credit Agreement. The Company also terminated the related interest rate swap agreement. The Company recognized an extraordinary gain, net of income taxes of \$1.4 million, or \$0.01 per diluted share, on this early termination of debt.

Revolving Credit Agreement - The Company is a party to a \$540 million revolving credit agreement, as amended, with a group of banks led by ABN AMRO Bank, NV, as agent, dated as of July 30, 1996 (the "Revolving Credit Agreement"). As of September 30, 2000, \$458.3 million was available for borrowing.

Letters of Credit - The Company had letters of credit outstanding at September 30, 2000 totaling \$85.6 million, including a letter of credit relating to the legal dispute with Kvaerner Installasjon valued at \$24.1 million and a letter of credit relating to the legal dispute with the India Customs Department, Mumbai valued at \$10.9 million. The remaining amount guarantees various insurance, rig construction and contract bidding activities.

ACQUISITIONS AND DISPOSITIONS

In February 2000, the Company sold its coiled tubing drilling services business to Schlumberger. 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 L.L.C. joint ventures were excluded from the sale. The proceeds from the sale were used to repay debt and for general corporate purposes.

In July 2000, the Company sold a second-generation 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 gain of \$9.4 million, or \$0.04 per diluted share. The proceeds from the sale were used for general corporate purposes.

The Company, from time to time, reviews 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 the Company of a substantial amount of cash and the issuance of a substantial number of ordinary shares or other securities. The Company would expect to 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. See "- Proposed Business Combination" below.

DERIVATIVE INSTRUMENTS

The Company, from time to time, may enter into a variety of derivative financial instruments in connection with the management of its exposure to fluctuations in foreign exchange rates and interest rates. The Company does 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, which qualify as accounting hedges, are deferred 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 September 30, 2000, the Company did not have any foreign exchange derivative instruments.

The Company, from time to time, may use interest rate swap agreements to effectively convert a portion of its floating rate debt to a fixed rate basis, reducing the impact 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 on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. At September 30, 2000, the Company did not have any interest rate swap agreements.

SOURCES OF LIQUIDITY

The Company believes that its cash and cash equivalents, cash generated from operations, borrowings available under its Revolving Credit Agreement and access to other financing sources will be adequate to meet its anticipated short-term and long-term liquidity requirements, including scheduled debt repayments and capital expenditures for new rig construction and upgrade projects.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB 133, to delay the required effective date for adoption of SFAS No. 133 to fiscal years beginning after June 15, 2000. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, management anticipates that the adoption of the new statement will have no material effect on the results of operations or the financial position of the Company. The Company will adopt SFAS No. 133 as of January 1, 2001.

In December 1999, the U.S. Securities and Exchange Commission (the "SEC") released Staff Accounting Bulletin ("SAB") No. 101 Revenue Recognition in Financial Statements. This bulletin provides new guidelines on revenue recognition. SAB No. 101 must be implemented no later than the fourth quarter of fiscal years beginning after December 15, 1999. The Company is evaluating its treatment of revenues related to contract preparation, mobilization and demobilization of drilling units. The Company will adopt the new guidelines as required in the fourth quarter of 2000. Management believes that the implementation of SAB No. 101 will not have a material effect on the results of operations of the Company.

PROPOSED BUSINESS COMBINATION

On August 21, 2000, the Company announced the signing of a definitive agreement and plan of merger with R&B Falcon Corporation ("R&B Falcon"). Under this agreement, R&B Falcon will merge with a recently formed subsidiary of the Company (the "RBF Merger"). Each share of the common stock of R&B Falcon issued and outstanding immediately prior to the effective time of the RBF Merger will be exchanged for 0.5 newly issued ordinary shares of the Company. The purchase price has currently been estimated at \$6.6 billion using the estimated number of Transocean Sedco Forex ordinary shares to be issued in the RBF Merger and the average closing price of the Company's ordinary shares for a period immediately before and after the date the RBF Merger was announced, plus estimated direct costs and the estimated fair value of R&B Falcon stock options and warrants which will be assumed in the RBF Merger. As a result of using the purchase method of accounting, the assets and liabilities of the Company will remain at their recorded amounts, without restatement to fair values. The assets and liabilities of R&B Falcon will be recorded at their estimated fair values at the date of the merger, with the excess of the purchase price over the sum of such fair values recorded as goodwill.

The RBF Merger has been approved by the board of directors of each company and is expected to close by the end of first quarter 2001. The closing of the RBF Merger is conditioned upon approval by the shareholders of the Company and the stockholders of R&B Falcon, customary regulatory approvals, including the expiration or termination of the waiting period prescribed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the application of certain proceeds of a R&B Falcon common stock public offering to a redemption of R&B Falcon's 13.875% Cumulative Redeemable Preferred Stock, the rating of certain debt of R&B Falcon or its affiliates as investment grade and other customary conditions. The Company has filed a registration statement with the SEC on Form S-4 relating to the RBF Merger. The Company's registration statement became effective October 30, 2000. Meetings of the shareholders of both companies have been set for December 12, 2000.

FORWARD-LOOKING INFORMATION

The statements included in this quarterly report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements to the effect that the Company or management "anticipates," "believes," "budgets," "estimates," "expects," "forecasts," "intends," "plans," "predicts," or "projects" a particular result or course of events, or that such result or course of events "could," "might," "may" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this quarterly report include, but are not limited to, statements involving expected capital expenditures, results and effects of legal proceedings, liabilities for tax issues, the timing and cost of completion of capital projects, timing of delivery of drilling units, potential revenues, increased expenses, customer drilling programs, utilization rates, dayrates, the Company's other expectations with regard to market outlook, consummation and timing of the Sea Wolf rig sales and related charter terminations and the effects, consummation and timing of the RBF Merger. Such statements are subject to numerous risks, uncertainties and assumptions, including but not limited to, uncertainties relating to the level of activity in offshore oil and gas exploration and development, exploration success by producers, oil and gas prices, demand for offshore rigs, competition and market conditions in the contract drilling industry, our ability to successfully integrate the operations of acquired businesses, costs, delays and other difficulties related to the proposed merger with R&B Falcon Corporation (including the satisfaction of closing conditions), delays or cost overruns on construction projects and possible cancellation of drilling contracts as a result of delays or performance, work stoppages by shipyard workers where our newbuilds are being constructed, 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), 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 quarterly report and in the Company's other filings with the Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates has not changed materially since June 30, 2000. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Debt." The Company's exposure to foreign exchange risk has not materially changed since December 31, 1999. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Derivative Instruments."

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has certain actions or claims pending involving the DCN International shipyard in Brest, France; the Verdin v. R & B Falcon Drilling USA, Inc., et al. class action; the Indian Customs Department, Mumbai; Kvaerner Installasjon a.s; the municipality of Rio de Janeiro, Brazil; Global Marine Drilling Company; RIGCO North America LLC; and the operator of a pipeline damaged in the Gulf of Mexico and certain other related joint owners and producers. These matters have been previously discussed and reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and the Company's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other SEC filings made during the year. There have been no material developments in these previously reported matters.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed in connection with this Report:

NUMBER	DESCRIPTION
- - - - -	- - - - -
*2.1	Agreement and Plan of Merger dated as of 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, 1999 included in the Company's Registration Statement on Form S-4 (Registration No. 333-89727))
*2.2	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, 1999 included in the Company's Registration Statement on Form S-4 (Registration No. 333-89727))
*2.3	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).

NUMBER -----	DESCRIPTION -----
10.1	Employment Agreement dated September 22, 2000 between J. Michael Talbert and Transocean Offshore Deepwater Drilling Inc.
10.2	Employment Agreement dated October 3, 2000 between Jon C. Cole and Transocean Offshore Deepwater Drilling Inc.
10.3	Employment Agreement dated September 17, 2000 between Robert L. Long and Transocean Offshore Deepwater Drilling Inc.
10.4	Employment Agreement dated September 26, 2000 between Donald R. Ray and Transocean Offshore Deepwater Drilling Inc.
10.5	Agreement dated October 8, 2000 between W. Dennis Heagney and Transocean Offshore Deepwater Drilling Inc.
10.6	Agreement dated September 20, 2000 between Eric B. Brown and Transocean Offshore Deepwater Drilling Inc.
10.7	Agreement dated October 4, 2000 between Barbara S. Koucouthakis and Transocean Offshore Deepwater Drilling Inc.
27.1	Financial Data Schedule.

* Incorporated by reference as indicated.

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on August 19, 2000 reporting under Item 5. thereof the proposed merger of the Company with R&B Falcon Corporation.

The Company filed a Current Report on Form 8-K on September 21, 2000 reporting under Item 5. thereof certain legal events and employment agreement developments and under Item 7. thereof additional proforma financial information for the year ended December 31, 1999 of Transocean Offshore Inc. and Sedco Forex Holdings Limited.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, on November 8, 2000.

TRANSOCEAN SEDCO FOREX INC.

By: /s/ Robert L. Long

Robert L. Long
Executive Vice President
(Principal Financial Officer)

By: /s/ Ricardo H. Rosa

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

EMPLOYMENT AGREEMENT

AGREEMENT by and between Transocean Offshore Deepwater Drilling Inc. (the "Company"), a wholly-owned subsidiary of Transocean Sedco Forex Inc. (the "Parent") and J. Michael Talbert (the "Executive"), dated effective as of 22 September, 2000 (the "Effective Date").

WHEREAS, the Company and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Prior Employment Agreement"); and

WHEREAS, the Prior Employment Agreement became operative effective December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, this Agreement replaces the Prior Employment Agreement, which Prior Employment Agreement is superseded and revoked as of the execution and effectiveness of this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on December 31, 2003 (the "Employment Period").

2. TERMS OF EMPLOYMENT.

(a) Duties. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

- (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a rate at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.
- (ii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.
- (iii) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately

preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iv) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (v) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vi) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

3. TERMINATION OF EMPLOYMENT.

- (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below),

it may give to the Executive written notice in accordance with Section 10(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

- (b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:
- (i) The willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties; or
 - (ii) The willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent.
 - (iii) For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or Parent or based upon the advice of counsel for the Company or Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, the Executive is guilty of the

conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Section, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then Parent Board shall mean the Board of Directors of the Company.

- (c) Notice of Termination. Any termination by the Company for Cause, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights hereunder.
- (d) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be and (iv) if the Executive voluntarily terminates employment, the Date of Termination shall be the actual date of termination of Executive's employment.

4. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

- (a) Other Than for Cause, Death or Disability or Voluntary Termination prior to July 1, 2002. If, during the Employment Period, (i) the Company and its affiliated companies shall terminate the Executive's employment other than for Cause or Disability, or (ii) the Executive shall voluntarily terminate employment for any reason, other than Disability, after June 30, 2002, and after giving 30 days' prior written notice of such termination to the Company:
 - (i) The Company shall pay to the Executive, within 30 days after the Date of Termination, a lump-sum cash payment of \$4,877,593, together with interest on this amount accrued from January 1, 2001 through the date of payment at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue

Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code");

- (ii) Should the Executive move his residence in order to pursue other business opportunities within three years of the Date of Termination (or until his normal retirement date, whichever is sooner), the Company shall reimburse him for any expenses incurred in that relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer; provided, however, that the Executive shall be entitled to such reimbursement with respect to only one such relocation, and the Executive shall be entitled to specify the relocation for which reimbursement hereunder is to be made. Benefits under this provision will include the assistance, at no cost to the Executive, in selling his home and other assistance which was customarily provided to executives transferred within the Company or between the Company and its affiliated companies prior to the Effective Date;
- (iii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 2(b)(iii) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;
- (iv) The Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and
- (v) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

- (b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall pay the Executive's legal representatives a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.
- (c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall pay the Executive a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.
- (d) Voluntary Termination Prior to July 1, 2002. If the Executive voluntarily terminates employment prior to July 1, 2002 for any reason other than Disability, this Agreement shall terminate without further obligations to the Executive, other than for the timely payment or provision of Other Benefits.
- (e) Cause. If the Executive's employment shall be terminated for Cause at any time during the term of this Agreement, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid.

5. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the

Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 10(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, or contract or agreement except as explicitly modified by this Agreement.

6. FULL SETTLEMENT. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

7. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company, and any affiliated company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 7(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise

Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

- (b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 7(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.
- (c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:
- (i) Give the Company any information reasonably requested by the Company relating to such claim;
 - (ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

- (iii) Cooperate with the Company in good faith in order effectively to contest such claim; and
 - (iv) Permit the Company to participate in any proceedings relating to such claim;
 - (v) Provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.
- (d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then

such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

8. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company and all affiliated companies, all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

9. SUCCESSORS.

- (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.
- (b) This Agreement shall inure to the benefit of and be binding upon the Company and its respective successors and assigns.
- (c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. MISCELLANEOUS.

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

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

If to the Executive:

J. Michael Talbert
6242 Woods Bridge Way
Houston, TX 77007

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

- (c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- (d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.
- (e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- (f) The Executive and the Company acknowledge that, from and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof including, without limitation, the Prior Employment Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ J. MICHAEL TALBERT

J. Michael Talbert

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC.

By: /s/ ERIC B. BROWN

EMPLOYMENT AGREEMENT

AGREEMENT by and between Transocean Offshore Deepwater Drilling Inc. (the "Company"), a wholly-owned subsidiary of Transocean Sedco Forex Inc. (the "Parent") and Jon C. Cole (the "Executive"), dated effective as of 3 October, 2000 (the "Effective Date").

WHEREAS, the Company and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Prior Employment Agreement"); and

WHEREAS, the Prior Employment Agreement became operative effective December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, this Agreement replaces the Prior Employment Agreement, which Prior Employment Agreement is superseded and revoked as of the execution and effectiveness of this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on December 31, 2003 (the "Employment Period").

2. TERMS OF EMPLOYMENT.

(a) Duties. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

- (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a rate at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

- (ii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iii) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately

preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iv) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (v) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vi) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

3. TERMINATION OF EMPLOYMENT.

- (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below),

it may give to the Executive written notice in accordance with Section 10(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

- (b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:
- (i) The willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties; or
 - (ii) The willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent.
 - (iii) For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or Parent or based upon the advice of counsel for the Company or Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, the Executive is guilty of the

conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Section, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then Parent Board shall mean the Board of Directors of the Company.

- (c) Notice of Termination. Any termination by the Company for Cause, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights hereunder.
- (d) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be and (iv) if the Executive voluntarily terminates employment, the Date of Termination shall be the actual date of termination of Executive's employment.

4. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

- (a) Other Than for Cause, Death or Disability or Voluntary Termination prior to July 1, 2002. If, during the Employment Period, (i) the Company and its affiliated companies shall terminate the Executive's employment other than for Cause or Disability, or (ii) the Executive shall voluntarily terminate employment for any reason, other than Disability, after June 30, 2002, and after giving 30 days' prior written notice of such termination to the Company:
 - (i) The Company shall pay to the Executive, within 30 days after the Date of Termination, a lump-sum cash payment of \$1,999,933, together with interest on this amount accrued from January 1, 2001 through the date of payment at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue

Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code");

- (ii) Should the Executive move his residence in order to pursue other business opportunities within three years of the Date of Termination (or until his normal retirement date, whichever is sooner), the Company shall reimburse him for any expenses incurred in that relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer; provided, however, that the Executive shall be entitled to such reimbursement with respect to only one such relocation, and the Executive shall be entitled to specify the relocation for which reimbursement hereunder is to be made. Benefits under this provision will include the assistance, at no cost to the Executive, in selling his home and other assistance which was customarily provided to executives transferred within the Company or between the Company and its affiliated companies prior to the Effective Date;
- (iii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 2(b)(iii) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;
- (iv) The Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and
- (v) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

- (b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall pay the Executive's legal representatives a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.
- (c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall pay the Executive a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.
- (d) Voluntary Termination Prior to July 1, 2002. If the Executive voluntarily terminates employment prior to July 1, 2002 for any reason other than Disability, this Agreement shall terminate without further obligations to the Executive, other than for the timely payment or provision of Other Benefits.
- (e) Cause. If the Executive's employment shall be terminated for Cause at any time during the term of this Agreement, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid.
5. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the

Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 10(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, or contract or agreement except as explicitly modified by this Agreement.

6. FULL SETTLEMENT. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

7. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company, and any affiliated company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 7(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise

Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

- (b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 7(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.
- (c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:
- (i) Give the Company any information reasonably requested by the Company relating to such claim;
 - (ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

- (iii) Cooperate with the Company in good faith in order effectively to contest such claim; and
 - (iv) Permit the Company to participate in any proceedings relating to such claim;
 - (v) Provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.
- (d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then

such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

8. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company and all affiliated companies, all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

9. SUCCESSORS.

- (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.
- (b) This Agreement shall inure to the benefit of and be binding upon the Company and its respective successors and assigns.
- (c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. MISCELLANEOUS.

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

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

If to the Executive:

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

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

- (c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- (d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.
- (e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- (f) The Executive and the Company acknowledge that, from and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof including, without limitation, the Prior Employment Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ JOHN C. COLE

Jon C. Cole

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC.

By: /s/ J. MICHAEL TALBERT

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EMPLOYMENT AGREEMENT

AGREEMENT by and between Transocean Offshore Deepwater Drilling Inc. (the "Company"), a wholly-owned subsidiary of Transocean Sedco Forex Inc. (the "Parent") and Robert L. Long (the "Executive"), dated effective as of 17 September, 2000 (the "Effective Date").

WHEREAS, the Company and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Prior Employment Agreement"); and

WHEREAS, the Prior Employment Agreement became operative effective December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, this Agreement replaces the Prior Employment Agreement, which Prior Employment Agreement is superseded and revoked as of the execution and effectiveness of this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on December 31, 2003 (the "Employment Period").

2. TERMS OF EMPLOYMENT.

(a) Duties. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

- (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a rate at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

- (ii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iii) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately

preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iv) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (v) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vi) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

3. TERMINATION OF EMPLOYMENT.

- (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below),

it may give to the Executive written notice in accordance with Section 10(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

- (b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:
- (i) The willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties; or
 - (ii) The willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent.
 - (iii) For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or Parent or based upon the advice of counsel for the Company or Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, the Executive is guilty of the

conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Section, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then Parent Board shall mean the Board of Directors of the Company.

- (c) Notice of Termination. Any termination by the Company for Cause, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights hereunder.
- (d) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be and (iv) if the Executive voluntarily terminates employment, the Date of Termination shall be the actual date of termination of Executive's employment.

4. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

- (a) Other Than for Cause, Death or Disability or Voluntary Termination prior to July 1, 2002. If, during the Employment Period, (i) the Company and its affiliated companies shall terminate the Executive's employment other than for Cause or Disability, or (ii) the Executive shall voluntarily terminate employment for any reason, other than Disability, after June 30, 2002, and after giving 30 days' prior written notice of such termination to the Company:
 - (i) The Company shall pay to the Executive, within 30 days after the Date of Termination, a lump-sum cash payment of \$2,142,756, together with interest on this amount accrued from January 1, 2001 through the date of payment at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue

Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code");

- (ii) Should the Executive move his residence in order to pursue other business opportunities within three years of the Date of Termination (or until his normal retirement date, whichever is sooner), the Company shall reimburse him for any expenses incurred in that relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer; provided, however, that the Executive shall be entitled to such reimbursement with respect to only one such relocation, and the Executive shall be entitled to specify the relocation for which reimbursement hereunder is to be made. Benefits under this provision will include the assistance, at no cost to the Executive, in selling his home and other assistance which was customarily provided to executives transferred within the Company or between the Company and its affiliated companies prior to the Effective Date;
- (iii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 2(b)(iii) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;
- (iv) The Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and
- (v) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

- (b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall pay the Executive's legal representatives a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.
- (c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall pay the Executive a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.
- (d) Voluntary Termination Prior to July 1, 2002. If the Executive voluntarily terminates employment prior to July 1, 2002 for any reason other than Disability, this Agreement shall terminate without further obligations to the Executive, other than for the timely payment or provision of Other Benefits.
- (e) Cause. If the Executive's employment shall be terminated for Cause at any time during the term of this Agreement, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid.
5. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the

Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 10(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, or contract or agreement except as explicitly modified by this Agreement.

6. FULL SETTLEMENT. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

7. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company, and any affiliated company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 7(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise

Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

- (b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 7(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.
- (c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:
- (i) Give the Company any information reasonably requested by the Company relating to such claim;
 - (ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

- (iii) Cooperate with the Company in good faith in order effectively to contest such claim; and
 - (iv) Permit the Company to participate in any proceedings relating to such claim;
 - (v) Provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.
- (d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then

such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

8. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company and all affiliated companies, all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

9. SUCCESSORS.

- (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.
- (b) This Agreement shall inure to the benefit of and be binding upon the Company and its respective successors and assigns.
- (c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. MISCELLANEOUS.

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

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

If to the Executive:

Robert L. Long
4950 Tilbury
Houston, TX 77056

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

- (c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- (d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.
- (e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- (f) The Executive and the Company acknowledge that, from and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof including, without limitation, the Prior Employment Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ ROBERT L. LONG

Robert L. Long

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC.

By: /s/ J. MICHAEL TALBERT

EMPLOYMENT AGREEMENT

AGREEMENT by and between Transocean Offshore Deepwater Drilling Inc. (the "Company"), a wholly-owned subsidiary of Transocean Sedco Forex Inc. (the "Parent") and Donald R. Ray (the "Executive"), dated effective as of September 26, 2000 (the "Effective Date").

WHEREAS, the Company and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Prior Employment Agreement"); and

WHEREAS, the Prior Employment Agreement became operative effective December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, this Agreement replaces the Prior Employment Agreement, which Prior Employment Agreement is superseded and revoked as of the execution and effectiveness of this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on December 31, 2003 (the "Employment Period").

2. TERMS OF EMPLOYMENT.

(a) Duties. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

- (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a rate at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

- (ii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iii) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately

preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

- (iv) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (v) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vi) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.
- (vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

3. TERMINATION OF EMPLOYMENT.

- (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below),

it may give to the Executive written notice in accordance with Section 10(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

- (b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:
- (i) The willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties; or
 - (ii) The willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent.
 - (iii) For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or Parent or based upon the advice of counsel for the Company or Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, the Executive is guilty of the

conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Section, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then Parent Board shall mean the Board of Directors of the Company.

- (c) Notice of Termination. Any termination by the Company for Cause, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights hereunder.
- (d) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be and (iv) if the Executive voluntarily terminates employment, the Date of Termination shall be the actual date of termination of Executive's employment.

4. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

- (a) Other Than for Cause, Death or Disability or Voluntary Termination prior to July 1, 2002. If, during the Employment Period, (i) the Company and its affiliated companies shall terminate the Executive's employment other than for Cause or Disability, or (ii) the Executive shall voluntarily terminate employment for any reason, other than Disability, after June 30, 2002, and after giving 30 days' prior written notice of such termination to the Company:
 - (i) The Company shall pay to the Executive, within 30 days after the Date of Termination, a lump-sum cash payment of \$1,794,212, together with interest on this amount accrued from January 1, 2001 through the date of payment at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue

Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code");

- (ii) Should the Executive move his residence in order to pursue other business opportunities within three years of the Date of Termination (or until his normal retirement date, whichever is sooner), the Company shall reimburse him for any expenses incurred in that relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer; provided, however, that the Executive shall be entitled to such reimbursement with respect to only one such relocation, and the Executive shall be entitled to specify the relocation for which reimbursement hereunder is to be made. Benefits under this provision will include the assistance, at no cost to the Executive, in selling his home and other assistance which was customarily provided to executives transferred within the Company or between the Company and its affiliated companies prior to the Effective Date;
- (iii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 2(b)(iii) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;
- (iv) The Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and
- (v) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

- (b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall pay the Executive's legal representatives a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.
- (c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall pay the Executive a lump-sum cash payment in an amount determined under Paragraph 4(a)(i) of this Agreement and will also provide the Other Benefits. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.
- (d) Voluntary Termination Prior to July 1, 2002. If the Executive voluntarily terminates employment prior to July 1, 2002 for any reason other than Disability, this Agreement shall terminate without further obligations to the Executive, other than for the timely payment or provision of Other Benefits.
- (e) Cause. If the Executive's employment shall be terminated for Cause at any time during the term of this Agreement, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid.

5. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the

Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 10(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, or contract or agreement except as explicitly modified by this Agreement.

6. FULL SETTLEMENT. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

7. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company, the and any affiliated company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 7(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the

Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

- (b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 7(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.
- (c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:
- (i) Give the Company any information reasonably requested by the Company relating to such claim;
 - (ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

- (iii) Cooperate with the Company in good faith in order effectively to contest such claim; and
 - (iv) Permit the Company to participate in any proceedings relating to such claim;
 - (v) Provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.
- (d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then

such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

8. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company and all affiliated companies, all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

9. SUCCESSORS.

- (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.
- (b) This Agreement shall inure to the benefit of and be binding upon the Company and its respective successors and assigns.
- (c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. MISCELLANEOUS.

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

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

If to the Executive:

Donald R. Ray
446 Hollow Drive
Houston, TX 77024

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

- (c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- (d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.
- (e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- (f) The Executive and the Company acknowledge that, from and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof including, without limitation, the Prior Employment Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ DONALD R. RAY

Donald R. Ray

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC.

By: /s/ ERIC B. BROWN

AGREEMENT

THIS AGREEMENT ("Agreement") is entered into between Transocean Offshore Deepwater Drilling Inc. (the "Company") and W. Dennis Heagney ("Executive"), dated as of October 8, 2000 (the "Effective Date").

WHEREAS, the Company, and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Employment Agreement"); and

WHEREAS, Transocean Offshore Inc., a Cayman Islands exempted company limited by shares (predecessor to Transocean Sedco Forex Inc.) (the "Parent"), agreed to guarantee the obligations of the Company under the Employment Agreement; and

WHEREAS, a "Change of Control" (within the meaning of the Employment Agreement) of Parent occurred on December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, such a "Change of Control" gives Executive certain rights under the terms of the Employment Agreement; and

WHEREAS, the Company and Executive mutually agree to the revocation of Executive's rights under the Employment Agreement in exchange for the consideration set forth herein.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. PAYMENT TO EXECUTIVE. Subject to the terms of this Agreement, the Company agrees to pay to Executive an aggregate amount of \$2,370,587 ("the Principal Amount"), together with accrued interest. This amount shall be paid in three annual installments, with one-third of the Principal Amount, plus accrued interest, paid on the first business day following each of January 1, 2002, January 1, 2003 and January 1, 2004. Interest shall accrue on the outstanding balance from January 1, 2001, through the date of each payment, at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986. The Company agrees that Executive shall continue to have the protection of Section 9 of the Employment Agreement during the term of this Agreement, and the provisions of Section 9 of the Employment Agreement are hereby incorporated by reference into this Agreement.

2. FORFEITURE OF PAYMENT.

a. Voluntary Termination. If Executive voluntarily terminates employment with the Company and all companies controlled by, controlling or under common control with the Company (the "TSF Group"), for any reason other than Disability or Constructive Termination, prior to the first business day following January 1, 2004 (the "Expiration Date"), the Executive shall have no right to any further payments under Paragraph 1 and such unpaid installments will be forfeited.

b. Cause. If Executive's employment with the TSF Group is terminated for Cause prior to the Expiration Date, the Executive shall have no right to any further payments under Paragraph 1 and such unpaid installments will be forfeited.

3. INVOLUNTARY TERMINATION, CONSTRUCTIVE TERMINATION, DEATH AND DISABILITY. If Executive's employment is terminated prior to the Expiration Date (i) by the TSF Group for any reason other than Cause, (ii) by Executive due to a Constructive Termination, or (iii) by reason of Executive's Disability or death, the Company shall pay to Executive, within 30 days after the Date of Termination, a lump sum cash payment equal to the unpaid Principal Amount, plus accrued interest to the date of payment, as determined pursuant to Paragraph 1. The Company shall also pay any amounts due pursuant to Section 9 of the Employment Agreement.

4. EFFECT ON EMPLOYMENT AGREEMENT. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, in particular, the Employment Agreement previously entered into between the parties, and except as specifically set forth in Paragraphs 1 and 3, the Employment Agreement shall have no further force or effect.

5. CONFIDENTIAL INFORMATION. Executive shall hold in a fiduciary capacity for the benefit of the TSF Group all secret or confidential information, knowledge or data relating to the TSF Group, and their respective businesses, which shall have been obtained by Executive during Executive's employment by the TSF Group and which shall not be or become public knowledge (other than by acts by Executive or representatives of Executive in violation of this Agreement). After termination of Executive's employment with the TSF Group, Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any

such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Paragraph 5 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

6. SUCCESSORS.

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

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7. MISCELLANEOUS.

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

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

If to Executive:

W. Dennis Heagney
206 Lakemere Drive
Houston, TX 77079

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

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

d. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

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

f. Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between Executive and the Company, the employment of Executive by the Company is "at will" and Executive's employment may be terminated by either Executive or the Company at any time.

8. RELEASE. Executive hereby releases the Parent from any and all obligations arising under the Employment Agreement.

9. CERTAIN DEFINITIONS.

a. Cause. For purposes of this Agreement, "Cause" shall mean: (i) the willful and continued failure of Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or the Chief Executive Officer of the Company believes that Executive has not substantially performed Executive's duties; or (ii) the willful engaging by Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent Group. For purposes of this provision, no act or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Parent Group. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of Parent or the Company or based upon the advice of counsel for Parent or the Company shall be conclusively presumed to be done, or omitted to be done, by Executive, in good faith and in the best interests of the Parent Group. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Paragraph, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then the Parent Board shall mean the Board of Directors of the Company.

b. Notice of Termination. Any termination by the Company for Cause, or by Executive due to a Constructive Termination, shall be communicated by Notice of Termination to Executive in

accordance with Paragraph 7.b. of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision of this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall not be more than thirty days after the giving of such notice). The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Constructive Termination or Cause shall not waive any right of the Company hereunder or preclude Executive or the Company from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

c. Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean a voluntary termination of employment by Executive that occurs within 60 days after (i) a substantial diminution in Executive's position, authority, duties and responsibilities, taken as a whole, excluding for this purpose changes in office, title and/or reporting requirements which are determined by the Chief Executive Officer of Parent to be primarily attributable to reorganization of responsibilities following significant corporate events, or (ii) any reduction in Executive's base salary as in effect on the Effective Date, excluding for this purpose any across-the-board reductions that similarly affect officers of the Company.

d. Date of Termination. "Date of Termination" means (i) if Executive's employment is terminated by the TSF Group for Cause, or by Executive due to a Constructive Termination, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if Executive's employment is terminated by the TSF Group other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies Executive of such termination, (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be.

e. Disability. "Disability" means the absence of Executive from Executive's duties with the TSF Group on a full-time basis for 180

consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representatives.

f. Disability Effective Date. "Disability Effective Date" means the 30th day after the Executive receives notice from any member of the TSF Group of his termination of employment due to Disability.

IN WITNESS WHEREOF, the parties hereto have evidenced their consent to the terms of this Agreement, as set forth below.

EXECUTIVE

/s/ W. DENNIS HEAGNEY

W. Dennis Heagney

TRANSOCEAN OFFSHORE
DEEPWATER DRILLING INC.

/s/ J. MICHAEL TALBERT

By J. Michael Talbert

AGREEMENT

THIS AGREEMENT ("Agreement") is entered into between Transocean Offshore Deepwater Drilling Inc. (the "Company") and Eric B. Brown ("Executive"), dated as of September 20, 2000 (the "Effective Date").

WHEREAS, the Company, and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Employment Agreement"); and

WHEREAS, Transocean Offshore Inc., a Cayman Islands exempted company limited by shares (predecessor to Transocean Sedco Forex Inc.) (the "Parent"), agreed to guarantee the obligations of the Company under the Employment Agreement; and

WHEREAS, a "Change of Control" (within the meaning of the Employment Agreement) of Parent occurred on December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, such a "Change of Control" gives Executive certain rights under the terms of the Employment Agreement; and

WHEREAS, the Company and Executive mutually agree to the revocation of Executive's rights under the Employment Agreement in exchange for the consideration set forth herein.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. PAYMENT TO EXECUTIVE. Subject to the terms of this Agreement, the Company agrees to pay to Executive an aggregate amount of \$1,150,258 ("the Principal Amount"), together with accrued interest. This amount shall be paid in three annual installments, with one-third of the Principal Amount, plus accrued interest, paid on the first business day following each of January 1, 2002, January 1, 2003 and January 1, 2004. Interest shall accrue on the outstanding balance from January 1, 2001, through the date of each payment, at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986. The Company agrees that Executive shall continue to have the protection of Section 9 of the Employment Agreement during the term of this Agreement, and the provisions of Section 9 of the Employment Agreement are hereby incorporated by reference into this Agreement.

2. FORFEITURE OF PAYMENT.

a. Voluntary Termination. If Executive voluntarily terminates employment with the Company and all companies controlled by, controlling or under common control with the Company (the "TSF Group"), for any reason other than Disability or Constructive Termination, prior to the first business day following January 1, 2004 (the "Expiration Date"), the Executive shall have no right to any further payments under Paragraph 1 and such unpaid installments will be forfeited.

b. Cause. If Executive's employment with the TSF Group is terminated for Cause prior to the Expiration Date, the Executive shall have no right to any further payments under Paragraph 1 and such unpaid installments will be forfeited.

3. INVOLUNTARY TERMINATION, CONSTRUCTIVE TERMINATION, DEATH AND DISABILITY. If Executive's employment is terminated prior to the Expiration Date (i) by the TSF Group for any reason other than Cause, (ii) by Executive due to a Constructive Termination, or (iii) by reason of Executive's Disability or death, the Company shall pay to Executive, within 30 days after the Date of Termination, a lump sum cash payment equal to the unpaid Principal Amount, plus accrued interest to the date of payment, as determined pursuant to Paragraph 1. The Company shall also pay any amounts due pursuant to Section 9 of the Employment Agreement.

4. EFFECT ON EMPLOYMENT AGREEMENT. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, in particular, the Employment Agreement previously entered into between the parties, and except as specifically set forth in Paragraphs 1 and 3, the Employment Agreement shall have no further force or effect.

5. CONFIDENTIAL INFORMATION. Executive shall hold in a fiduciary capacity for the benefit of the TSF Group all secret or confidential information, knowledge or data relating to the TSF Group, and their respective businesses, which shall have been obtained by Executive during Executive's employment by the TSF Group and which shall not be or become public knowledge (other than by acts by Executive or representatives of Executive in violation of this Agreement). After termination of Executive's employment with the TSF Group, Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any

such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Paragraph 5 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

6. SUCCESSORS.

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

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7. MISCELLANEOUS.

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

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

If to Executive:

Eric B. Brown
5822 Woodland Falls Drive
Kingwood, TX 77345

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

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

d. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

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

f. Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between Executive and the Company, the employment of Executive by the Company is "at will" and Executive's employment may be terminated by either Executive or the Company at any time.

8. RELEASE. Executive hereby releases the Parent from any and all obligations arising under the Employment Agreement.

9. CERTAIN DEFINITIONS.

a. Cause. For purposes of this Agreement, "Cause" shall mean: (i) the willful and continued failure of Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or the Chief Executive Officer of the Company believes that Executive has not substantially performed Executive's duties; or (ii) the willful engaging by Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent Group. For purposes of this provision, no act or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Parent Group. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of Parent or the Company or based upon the advice of counsel for Parent or the Company shall be conclusively presumed to be done, or omitted to be done, by Executive, in good faith and in the best interests of the Parent Group. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Paragraph, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then the Parent Board shall mean the Board of Directors of the Company.

b. Notice of Termination. Any termination by the Company for Cause, or by Executive due to a Constructive Termination, shall be communicated by Notice of Termination to Executive in

accordance with Paragraph 7.b. of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision of this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall not be more than thirty days after the giving of such notice). The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Constructive Termination or Cause shall not waive any right of the Company hereunder or preclude Executive or the Company from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

c. Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean a voluntary termination of employment by Executive that occurs within 60 days after (i) a substantial diminution in Executive's position, authority, duties and responsibilities, taken as a whole, excluding for this purpose changes in office, title and/or reporting requirements which are determined by the Chief Executive Officer of Parent to be primarily attributable to reorganization of responsibilities following significant corporate events, or (ii) any reduction in Executive's base salary as in effect on the Effective Date, excluding for this purpose any across-the-board reductions that similarly affect officers of the Company.

d. Date of Termination. "Date of Termination" means (i) if Executive's employment is terminated by the TSF Group for Cause, or by Executive due to a Constructive Termination, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if Executive's employment is terminated by the TSF Group other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies Executive of such termination, (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be.

e. Disability. "Disability" means the absence of Executive from Executive's duties with the TSF Group on a full-time basis for 180

consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representatives.

f. Disability Effective Date. "Disability Effective Date" means the 30th day after the Executive receives notice from any member of the TSF Group of his termination of employment due to Disability.

IN WITNESS WHEREOF, the parties hereto have evidenced their consent to the terms of this Agreement, as set forth below.

EXECUTIVE

/s/ ERIC B. BROWN

Eric B. Brown

TRANSOCEAN OFFSHORE
DEEPWATER DRILLING INC.

/s/ J. MICHAEL TALBERT

By J. Michael Talbert

7

AGREEMENT

THIS AGREEMENT ("Agreement") is entered into between Transocean Offshore Deepwater Drilling Inc. (the "Company") and Barbara S. Koucouthakis ("Executive"), dated as of 4th October, 2000 (the "Effective Date").

WHEREAS, the Company, and Executive have previously entered into an Employment Agreement dated effective May 14, 1999 (the "Employment Agreement"); and

WHEREAS, Transocean Offshore Inc., a Cayman Islands exempted company limited by shares (predecessor to Transocean Sedco Forex Inc.) (the "Parent"), agreed to guarantee the obligations of the Company under the Employment Agreement; and

WHEREAS, a "Change of Control" (within the meaning of the Employment Agreement) of Parent occurred on December 31, 1999 as a result of the transactions contemplated by the Agreement and Plan of Merger among Schlumberger Limited, Sedco Forex Holdings Limited and the Parent dated as of July 12, 1999 (the "Merger"); and

WHEREAS, such a "Change of Control" gives Executive certain rights under the terms of the Employment Agreement; and

WHEREAS, the Company and Executive mutually agree to the revocation of Executive's rights under the Employment Agreement in exchange for the consideration set forth herein.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. PAYMENT TO EXECUTIVE. Subject to the terms of this Agreement, the Company agrees to pay to Executive an aggregate amount of \$888,605 ("the Principal Amount"), together with accrued interest. This amount shall be paid in three annual installments, with one-third of the Principal Amount, plus accrued interest, paid on the first business day following each of January 1, 2002, January 1, 2003 and January 1, 2004. Interest shall accrue on the outstanding balance from January 1, 2001, through the date of each payment, at 120% of the short-term Applicable Federal Rate for January, 2001, compounded semi-annually, as published by the Internal Revenue Service for purposes of Section 1274(d) of the Internal Revenue Code of 1986. The Company agrees that Executive shall continue to have the protection of Section 9 of the Employment Agreement during the term of this Agreement, and the provisions of Section 9 of the Employment Agreement are hereby incorporated by reference into this Agreement.

2. FORFEITURE OF PAYMENT.

a. Voluntary Termination. If Executive voluntarily terminates employment with the Company and all companies controlled by,

controlling or under common control with the Company (the "TSF Group"), for any reason other than Disability or Constructive Termination, prior to the first business day following January 1, 2004 (the "Expiration Date"), the Executive shall have no right to any further payments under Paragraph 1 and such unpaid installments will be forfeited.

b. Cause. If Executive's employment with the TSF Group is terminated for Cause prior to the Expiration Date, the Executive shall have no right to any further payments under Paragraph 1 and such unpaid installments will be forfeited.

3. INVOLUNTARY TERMINATION, CONSTRUCTIVE TERMINATION, DEATH AND DISABILITY. If Executive's employment is terminated prior to the Expiration Date (i) by the TSF Group for any reason other than Cause, (ii) by Executive due to a Constructive Termination, or (iii) by reason of Executive's Disability or death, the Company shall pay to Executive, within 30 days after the Date of Termination, a lump sum cash payment equal to the unpaid Principal Amount, plus accrued interest to the date of payment, as determined pursuant to Paragraph 1. The Company shall also pay any amounts due pursuant to Section 9 of the Employment Agreement.

4. EFFECT ON EMPLOYMENT AGREEMENT. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, in particular, the Employment Agreement previously entered into between the parties, and except as specifically set forth in Paragraphs 1 and 3, the Employment Agreement shall have no further force or effect.

5. CONFIDENTIAL INFORMATION. Executive shall hold in a fiduciary capacity for the benefit of the TSF Group all secret or confidential information, knowledge or data relating to the TSF Group, and their respective businesses, which shall have been obtained by Executive during Executive's employment by the TSF Group and which shall not be or become public knowledge (other than by acts by Executive or representatives of Executive in violation of this Agreement). After termination of Executive's employment with the TSF Group, Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Paragraph 5 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

6. SUCCESSORS.

a. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise

than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7. MISCELLANEOUS.

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

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

If to Executive:

Barbara S. Koucouthakis
403 Lakeside Estates Drive
Houston, TX 77042

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

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

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

d. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

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

f. Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between Executive and the Company, the employment of Executive by the Company is "at will" and Executive's employment may be terminated by either Executive or the Company at any time.

8. RELEASE. Executive hereby releases the Parent from any and all obligations arising under the Employment Agreement.

9. CERTAIN DEFINITIONS.

a. Cause. For purposes of this Agreement, "Cause" shall mean: (i) the willful and continued failure of Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or the Chief Executive Officer of the Company believes that Executive has not substantially performed Executive's duties; or (ii) the willful engaging by Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent Group. For purposes of this provision, no act or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Parent Group. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of Parent or the Company or based upon the advice of counsel for Parent or the Company shall be conclusively presumed to be done, or omitted to be done, by Executive, in good faith and in the best interests of the Parent Group. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Paragraph, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then the Parent Board shall mean the Board of Directors of the Company.

b. Notice of Termination. Any termination by the Company for Cause, or by Executive due to a Constructive Termination, shall be communicated by Notice of Termination to Executive in accordance with Paragraph 7.b. of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision of this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances

claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall not be more than thirty days after the giving of such notice). The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Constructive Termination or Cause shall not waive any right of the Company hereunder or preclude Executive or the Company from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

c. Constructive Termination. For purposes of this Agreement, "Constructive Termination" shall mean a voluntary termination of employment by Executive that occurs within 60 days after (i) a substantial diminution in Executive's position, authority, duties and responsibilities, taken as a whole, excluding for this purpose changes in office, title and/or reporting requirements which are determined by the Chief Executive Officer of Parent to be primarily attributable to reorganization of responsibilities following significant corporate events, or (ii) any reduction in Executive's base salary as in effect on the Effective Date, excluding for this purpose any across-the-board reductions that similarly affect officers of the Company.

d. Date of Termination. "Date of Termination" means (i) if Executive's employment is terminated by the TSF Group for Cause, or by Executive due to a Constructive Termination, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if Executive's employment is terminated by the TSF Group other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies Executive of such termination, (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be.

e. Disability. "Disability" means the absence of Executive from Executive's duties with the TSF Group on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representatives.

f. Disability Effective Date. "Disability Effective Date" means the 30th day after the Executive receives notice from any member of the TSF Group of his termination of employment due to Disability.

IN WITNESS WHEREOF, the parties hereto have evidenced their consent to the terms of this Agreement, as set forth below.

EXECUTIVE

/s/ BARBARA S. KOUCOUTHAKIS

Barbara S. Koucouthakis

TRANSOCEAN OFFSHORE
DEEPWATER DRILLING INC.

/s/ J. MICHAEL TALBERT

By J. Michael Talbert

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