
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): May 2, 2007

TRANSOCEAN INC.

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

333-75899
(Commission
File Number)

66-0582307
(I.R.S. Employer
Identification No.)

4 Greenway Plaza
Houston, Texas 77046
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(713) 232-7500**
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 Results of Operations and Financial Condition.

Our press release dated May 2, 2007, concerning first quarter 2007 financial results, furnished as Exhibit 99.1 to this report, is incorporated by reference herein. The press release contains certain measures (discussed below) which may be deemed “non-GAAP financial measures” as defined in Item 10 of Regulation S-K of the Securities Exchange Act of 1934, as amended.

In the press release, we discuss field operating income for the three months ended December 31, 2006 and March 31, 2007. Management believes field operating income is a useful measure of operating results since the measure only deducts expenses directly related to operations from revenues. The most directly comparable GAAP financial measure, operating income before general and administrative expenses, and information reconciling the GAAP and non-GAAP measures are included in the press release.

ITEM 7.01 Regulation FD Disclosure.

On May 2, 2007, Transocean Inc. (the “Company”) is posting the slide presentation furnished as Exhibit 99.2 to this report on the Company’s website at www.deepwater.com. Exhibit 99.2 is incorporated in this Item 7.01 by reference.

The statements made herein that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, but are not limited to, statements involving prospects for the Company, expected revenues, capital expenditures, costs and results of operations, market outlook, revenue backlog for the Company and other drillers, contract opportunities and commitments, operational performance, rig demand, rig capacity, dayrates, rig reactivations, rig upgrades including upgrade projects for the Sedco 700-series semisubmersible rigs, newbuild and acquisition opportunities, uses of excess cash including stock buybacks, debt reduction, fleet marketing efforts, rig mobilizations and planned shipyard programs. 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, rig demand and capacity, drilling industry market conditions, possible delays or cancellation of drilling contracts, work stoppages, operational or other downtime, the Company’s ability to enter into and the terms of future contracts, the availability of qualified personnel, labor relations, future financial results, operating hazards, political and other uncertainties inherent in non-U.S. operations (including exchange and currency fluctuations), war, terrorism, natural disaster and cancellation or unavailability of insurance coverage, the impact of governmental laws and regulations, the adequacy of sources of liquidity, the effect of litigation and contingencies and other factors discussed in the Company’s Form 10-K for the year ended December 31, 2006 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.

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The information furnished pursuant to Items 2.02 and 7.01 of this report, including Exhibits 99.1 and 99.2, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, nor will it be incorporated by reference into any registration statement filed by Transocean Inc. under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference. The furnishing of the information in this report is not intended to, and does not, constitute a determination or admission by Transocean Inc. that the information in this report is material or complete, or that investors should consider this information before making an investment decision with respect to any security of Transocean Inc.

ITEM 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are furnished pursuant to Items 2.02 and 7.01:

<u>Exhibit Number</u>	<u>Description</u>
99.1	Transocean Inc. Press Release Reporting First Quarter 2007 Financial Results
99.2	Slide Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSOCEAN INC.

Date: May 2, 2007

By: /s/ Chipman Earle

Chipman Earle
Associate General Counsel

INDEX TO EXHIBITS

The following exhibits are furnished pursuant to Items 2.02 and 7.01:

<u>Exhibit Number</u>	<u>Description</u>
99.1	Transocean Inc. Press Release Reporting First Quarter 2007 Financial Results
99.2	Slide Presentation

Effective Tax Rate

The company's Annual Effective Tax Rate⁽²⁾ for the three months ended March 31, 2007 was 13.7%, excluding the previously mentioned impact on income before income tax related to the gain from the rig sale as well as excluding from income tax expense on various discrete items. The Effective Tax Rate⁽³⁾ of 13.3% for the first quarter of 2007 reflects the impact of the previously mentioned rig sale and a \$2 million favorable impact resulting from changes in estimates and the resolution of prior years' tax disputes in various jurisdictions. The company currently expects the effective tax rate for the remainder of 2007 to be approximately 14%, excluding the previously mentioned effects on income before tax related to the gain from the rig sale and excluding various discrete tax items.

Share Buyback

During the three months ended March 31, 2007, the company repurchased and retired \$400 million of its ordinary shares, which amounted to approximately 5.2 million ordinary shares at an average purchase price of \$77.39 per share. As of April 30, 2007, the company had repurchased and retired a total of \$3.4 billion of its ordinary shares under the program, which amounted to approximately 47 million ordinary shares at an average purchase price of \$72.48 per share. The company has authority remaining to repurchase \$600 million of its ordinary shares under the program.

Conference Call Information

Transocean will conduct a teleconference call at 10:00 a.m. Eastern Time on May 2, 2007. To participate, dial 913-312-1297 and refer to confirmation code 6204914 approximately five to 10 minutes prior to the scheduled start time of the call.

In addition, the conference call will be simultaneously broadcast over the Internet in a listen-only mode and can be accessed by logging onto the company's website at www.deepwater.com and selecting "Investor Relations/News & Events/Webcasts & Presentations." A file containing four charts to be discussed during the conference call, titled "1Q07 Charts," has been posted to the company's website and can also be found by selecting "Investor Relations/News & Events/Webcasts & Presentations." The conference call may also be accessed via the Internet at www.CompanyBoardroom.com by typing in the company's New York Stock Exchange trading symbol, "RIG."

A telephonic replay of the conference call should be available after 1:00 p.m. Eastern Time on May 2, 2007 and can be accessed by dialing 719-457-0820 and referring to the passcode 6204914. Also, a replay will be available through the Internet and can be accessed by visiting either of the above-referenced Worldwide Web addresses.

Forward-Looking Disclaimer

Statements regarding our backlog, market conditions, rig demand, our share repurchase plan, prospects for our business, as well as any other statements that are not historical facts in this release, are forward-looking statements that involve certain risks, uncertainties and assumptions. These include but are not limited to operating hazards and delays, risks associated with international operations, future financial results, actions by customers and other third parties, factors affecting the supply and demand of drilling rigs, including newbuilds, reactivations and the reallocation of current rigs, factors affecting the duration of contracts including well-in-progress provisions, the actual amount of downtime, factors resulting in reduced applicable dayrates, hurricanes and other weather conditions, the future price of oil and gas and other factors detailed in the company's most recent Form 10-K and other filings with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

Transocean Inc. is the world's largest offshore drilling contractor with a fleet of 82 mobile offshore drilling units. The company's mobile offshore drilling fleet, consisting of a large number of high-specification deepwater and harsh environment drilling units, is considered one of the most modern and versatile in the world due to its emphasis on technically demanding segments of the offshore drilling business. The company's fleet consists of 33 High-

Specification Floaters (semisubmersibles and drillships), 20 Other Floaters, 25 Jackups and other assets utilized in the support of offshore drilling activities worldwide. With a current equity market capitalization in excess of \$24 billion, Transocean Inc.'s ordinary shares are traded on the New York Stock Exchange under the symbol "RIG."

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- 1 For a reconciliation of operating income before general and administrative expense to field operating income, see the accompanying schedule entitled "Non-GAAP Financial Measures and Reconciliations — Operating Income Before General and Administrative Expense to Field Operating Income."
 - 2 Annual Effective Tax Rate is defined as income tax expense excluding various discrete items (such as changes in estimates and tax on items excluded from income before income taxes) divided by income before income taxes excluding gains on sales and similar items pursuant to Financial Accounting Standards Board Interpretation No. 18. See the accompanying schedule entitled "Effective Tax Rate Analysis."
 - 3 Effective Tax Rate is defined as income tax expense divided by income before income taxes. See the accompanying schedule entitled "Effective Tax Rate Analysis."

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07-18

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

	Three months ended March 31,	
	2007	2006
Operating Revenues		
Contract drilling revenues	\$ 1,273	\$ 779
Other revenues	55	38
	1,328	817
Costs and Expenses		
Operating and maintenance	568	475
Depreciation	100	102
General and administrative	26	20
	694	597
Gain from disposal of assets, net	23	64
Operating Income	657	284
Other Income (Expense), net		
Interest income	5	5
Interest expense, net of amounts capitalized	(37)	(24)
Other, net	13	1
	(19)	(18)
Income Before Income Taxes	638	266
Income Tax Expense	85	60
Net Income	\$ 553	\$ 206
Earnings Per Share		
Basic	\$ 1.90	\$ 0.63
Diluted	\$ 1.84	\$ 0.61
Weighted Average Shares Outstanding		
Basic	290	325
Diluted	302	337

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

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Cash and Cash Equivalents	\$ 502	\$ 467
Accounts Receivable, net of allowance for doubtful accounts of \$24 and \$26 at March 31, 2007 and December 31, 2006, respectively	1,085	946
Materials and Supplies, net of allowance for obsolescence of \$21 and \$19 at March 31, 2007 and December 31, 2006, respectively	168	160
Deferred Income Taxes, net	16	16
Other Current Assets	48	67
Total Current Assets	1,819	1,656
Property and Equipment	10,866	10,539
Less Accumulated Depreciation	3,298	3,213
Property and Equipment, net	7,568	7,326
Goodwill	2,195	2,195
Other Assets	301	299
Total Assets	\$ 11,883	\$ 11,476
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	\$ 354	\$ 477
Accrued Income Taxes	136	98
Debt Due Within One Year	—	95
Other Current Liabilities	469	369
Total Current Liabilities	959	1,039
Long-Term Debt	3,484	3,200
Deferred Income Taxes, net	52	54
Other Long-Term Liabilities	508	343
Total Long-Term Liabilities	4,044	3,597
Commitments and Contingencies		
Minority Interest	2	4
Preference Shares, \$0.10 par value; 50,000,000 shares authorized, none issued and outstanding	—	—
Ordinary Shares, \$0.01 par value; 800,000,000 shares authorized, 288,053,348 and 292,454,457 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	3	3
Additional Paid-in Capital	7,675	8,044
Accumulated Other Comprehensive Loss	(30)	(30)
Accumulated Deficit	(770)	(1,181)
Total Shareholders' Equity	6,878	6,836
Total Liabilities and Shareholders' Equity	\$ 11,883	\$ 11,476

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

	Three months ended March 31,	
	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 553	\$ 206
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	100	102
Share-based compensation expense	10	3
Deferred income taxes	(2)	34
Net gain from disposal of assets	(23)	(64)
Deferred income, net	34	9
Deferred expenses, net	(7)	(8)
Other long-term liabilities	7	7
Other, net	(1)	1
Changes in operating assets and liabilities		
Accounts receivable	(139)	(71)
Accounts payable and other current liabilities	83	44
Income taxes receivable/payable, net	43	6
Other current assets	(4)	(1)
Net Cash Provided by Operating Activities	654	268
Cash Flows from Investing Activities		
Capital expenditures	(465)	(178)
Proceeds from disposal of assets, net	39	82
Joint ventures and other investments, net	(3)	—
Net Cash Used in Investing Activities	(429)	(96)
Cash Flows from Financing Activities		
Borrowings under the Revolving Credit Facility, net	190	—
Net proceeds from issuance of ordinary shares under share-based compensation plans	15	45
Repurchase of ordinary shares	(400)	(200)
Other, net	5	—
Net Cash Used in Financing Activities	(190)	(155)
Net Increase in Cash and Cash Equivalents	35	17
Cash and Cash Equivalents at Beginning of Period	467	445
Cash and Cash Equivalents at End of Period	\$ 502	\$ 462

Transocean Inc. and Subsidiaries
Fleet Operating Statistics

	Operating Revenues (in millions) (1)		
	Three months ended		
	March 31, 2007	December 31, 2006	March 31, 2006
Transocean Drilling Segment:			
Contract Drilling Revenues			
High-Specification Floaters:			
Ultra-Deepwater Floaters	\$ 340	\$ 304	\$ 225
Other Deepwater Floaters	260	264	172
Other High-Specification Floaters	85	66	51
Total High-Specification Floaters	685	634	448
Other Floaters	379	296	166
Jackups	194	199	143
Other Rigs	15	18	21
Subtotal	1,273	1,147	778
Other Revenues			
Client Reimbursable Revenues	38	32	25
Integrated Services and Other	17	7	14
Subtotal	55	39	39
Total Company	\$ 1,328	\$ 1,186	\$ 817

	Average Dayrates (1)		
	Three months ended		
	March 31, 2007	December 31, 2006	March 31, 2006
Transocean Drilling Segment:			
High-Specification Floaters:			
Ultra-Deepwater Floaters	\$301,400	\$275,300	\$209,000
Other Deepwater Floaters	\$235,800	\$230,400	\$154,000
Other High-Specification Floaters	\$238,800	\$187,400	\$158,800
Total High-Specification Floaters	\$264,800	\$243,600	\$178,200
Other Floaters	\$223,700	\$178,400	\$110,000
Jackups	\$104,600	\$ 97,000	\$ 70,300
Other Rigs	\$ 50,300	\$ 48,200	\$ 47,300
Total Drilling Fleet	\$198,000	\$171,700	\$119,600

	Utilization (1)		
	Three Months Ended		
	March 31, 2007	December 31, 2006	March 31, 2006
Transocean Drilling Segment:			
High-Specification Floaters:			
Ultra Deepwater Floaters	97%	92%	92%
Other Deepwater Floaters	77%	78%	83%
Other High-Specification Floaters	99%	97%	89%
Total High-Specification Floaters	87%	86%	87%
Other Floaters	94%	90%	73%
Jackups	83%	89%	91%
Other Rigs	100%	99%	58%
Total Drilling Fleet	88%	89%	82%

(1) Average daily revenue is defined as contract drilling revenue earned per revenue earning day in the period. A revenue earning day is defined as a day for which a rig earns dayrate after commencement of operations. Utilization is defined as the total actual number of revenue earning days in the period as a percentage of the total number of calendar days in the period for all drilling rigs in our fleet.

Transocean Inc. and Subsidiaries
Non-GAAP Financial Measures and Reconciliations

**Operating Income Before General and Administrative Expense to
Field Operating Income**
(In millions)

	Three Months Ended		
	March 31, 2007	December 31, 2006	March 31, 2006
Transocean Drilling Segment			
Operating revenue	\$ 1,328	\$ 1,186	\$ 817
Operating and maintenance expense	568	570	475
Depreciation	100	98	102
(Gain) loss from disposal of assets, net	(23)	(183)	(64)
Operating income before general and administrative expense	683	701	304
Add back (subtract): Depreciation	100	98	102
(Gain) loss from disposal of assets, net	(23)	(183)	(64)
Field operating income	<u>760</u>	<u>\$ 616</u>	<u>\$ \$342</u>

Transocean Inc. and Subsidiaries
Effective Tax Rate Analysis
(In millions)

	<u>Three Months Ended</u>			<u>Twelve Months Ended</u>
	<u>March 31, 2007</u>	<u>Dec. 31 2006</u>	<u>March 31, 2006</u>	<u>Dec. 31 2006</u>
Income (Loss) before Income Taxes and Minority Interest	\$ 638	\$ 693	\$ 266	\$ 1,607
Add back (subtract):				
Gain on sale of assets	(23)	(191)	(65)	(410)
Income from TODCO tax sharing agreement	—	(51)	—	(51)
Adjusted Income before Income Taxes	\$ 615	\$ 451	\$ 201	\$ 1,146
Income Tax Expense	\$ 85	\$ 72	\$ 60	\$ 222
Add back (subtract):				
Gain on sale of assets	(3)	1	(22)	(24)
Changes in estimates (1)	2	17	(3)	14
Adjusted Income Tax Expense (2)	\$ 84	\$ 90	\$ 35	\$ 212
Effective Tax Rate (3)	13.3%	10.4%	22.7%	13.8%
Annual Effective Tax Rate (4)	13.7%	20.0%	17.6%	18.5%

- (1) Our estimates change as we file tax returns, settle disputes with tax authorities or become aware of other events and include changes in deferred taxes, valuation allowances on deferred taxes and other tax liabilities.
- (2) The three months ended December 31, 2006 include \$7 million of additional tax expense (benefit) reflecting the catch-up effect of an increase (decrease) in the annual effective tax rate.
- (3) Effective Tax Rate is income tax expense divided by income before income taxes.
- (4) Annual Effective Tax Rate is income tax expense excluding various discrete items (such as changes in estimates and tax on items excluded from income before income taxes) divided by income before income taxes excluding gains on sales and similar items pursuant to Financial Accounting Standards Board Interpretation No. 18.



Transocean Inc. Reports
First Quarter 2007 Results

Conference Call Participants:



Robert L. Long
Chief Executive Officer



Jean P. Cahuzac
President



Steven L. Newman
EVP, COO



Gregory L. Cauthen
SVP, CFO



David J. Mullen
SVP, Marketing & Planning



John H. Briscoe
Director, Investor Relations

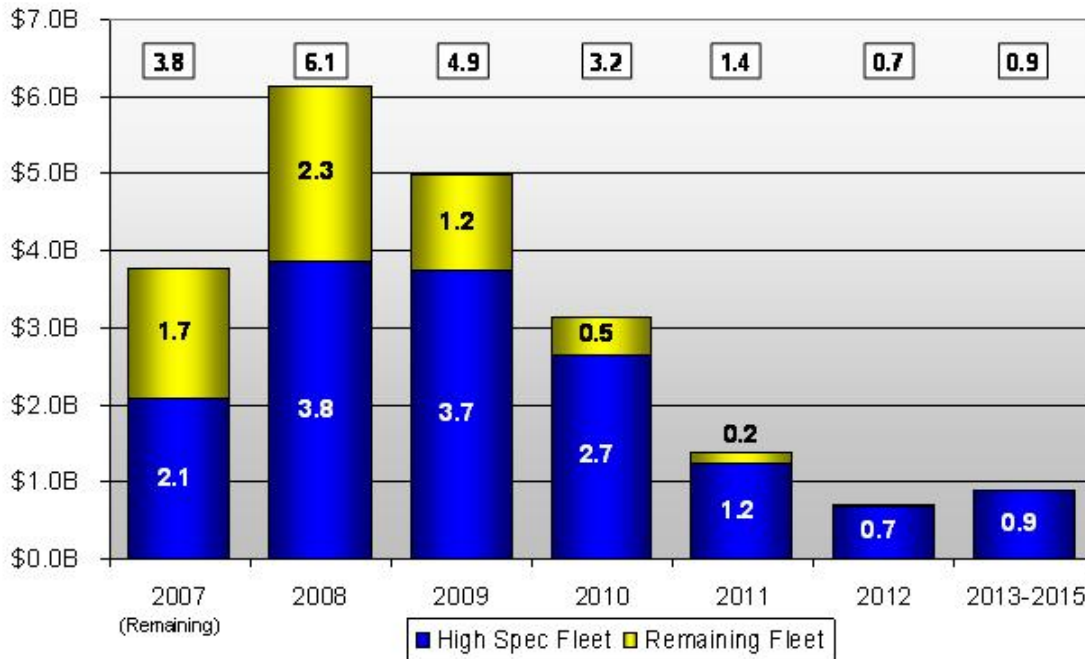
Forward-Looking Statement

The statements described in this presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements which could be made include, but are not limited to, statements involving contract commencements, contract option exercises, revenues expenses, results of operations, commodity prices, customer drilling programs, supply and demand, utilization rates, dayrates, contract backlog, planned shipyard projects and rig mobilizations and their effects, newbuild projects and opportunities, the upgrade projects for the *Sedco 700*-series semisubmersible rigs, other major upgrades, the potential purchase of an interest in a joint venture with Pacific Drilling and joint venture terms, contract awards, drillship delivery dates, expected downtime, insurance proceeds, future activity in the deepwater, mid-water and the jackup market sectors, market outlook for our various geographical operating sectors, capacity constraints for ultra-deepwater rigs and other rig classes, effects of new rigs on the market, income related to any payments to be received under the TODCO tax sharing agreement, uses of excess cash, including ordinary share repurchases, the timing and funding of share repurchases, issuance of new debt, debt reduction, planned asset sales, timing of asset sales, proceeds from asset sales, our effective tax rate, changes in tax laws, tax assessments, our other expectations with regard to market outlook, operations in international markets, the level of expected capital expenditures, results and effects of legal proceedings and governmental audits and assessments, adequacy of insurance, liabilities for tax issues, including those associated with our activities in Brazil, Norway and the United States, liquidity, cash flows from operations, adequacy of cash flow for our obligations, effects of accounting changes, adoption of accounting policies, pension plan and other postretirement benefit plan contributions, benefit payments and the timing and cost of completion of capital projects. Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to, those described under "Item 1A. Risk Factors" included in our Form 10-Q for the quarterly period ended March 31, 2007 and in our Annual Report on Form 10-K for the year ended December 31, 2006 and in the company's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to the company or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements. All non-GAAP financial measure reconciliations to the most comparative GAAP measure are displayed in quantitative schedules on the company's web site at www.deepwater.com/fw/main/Non_GAAP_Financial_Measures-132.html.

Chart #1: Contract Backlog by Years

(Unaudited)

Total Contract Backlog (1) = \$21.0 Billion

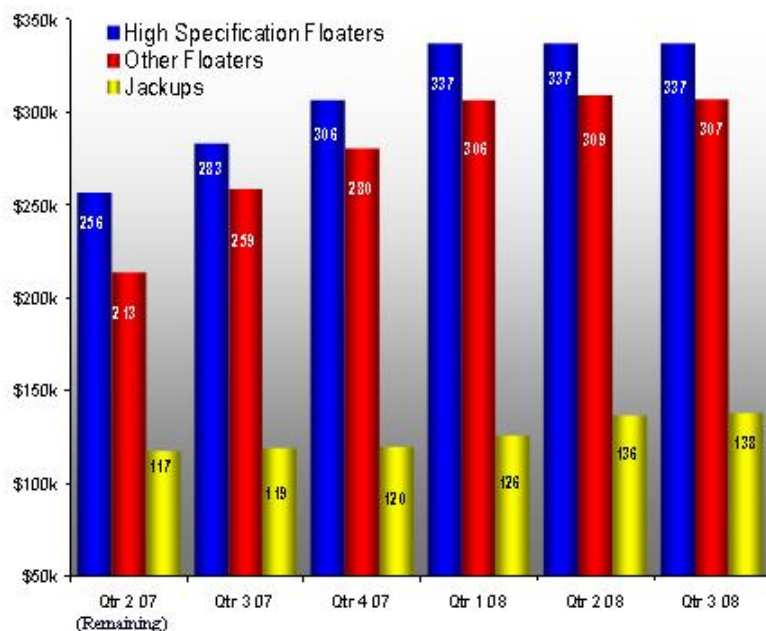


(?) Calculated by multiplying the contracted operating dayrate by the firm contract period from May 1st, 2007 forward. Reflects firm commitments represented by signed contracts. Contract backlog excludes revenues from mobilization, demobilization, contract preparation, integrated services and customer reimbursables. Our backlog calculation assumes that we receive the full contractual dayrate, which could be higher than the actual Dayrate that we receive because of a number of factors (rig downtime, suspension of operations, etc....) including some beyond our control.



Chart #2: Average Contracted Dayrate by Rig Type

Qtr 2 2007 through Qtr 3 2008
(Unaudited)



Definitions

Average Dayrate The weighted average contract dayrate for each rig type based on current backlog from the company's most recent Fleet Status Update Report as of May 1st, 2007. Includes firm contracts only.

High Specification Floaters The High-Specification Floaters category is a consolidation of the Ultra-Deepwater Floaters, Other High-Specification Floaters and Other Deepwater Floaters as described below.

Ultra-Deepwater Floaters have high-pressure mud pumps and a water depth capability of 7,500 feet or greater.

Other High-Specification Floaters were built in the mid to late 1980s, are capable of drilling in harsh environments and have greater displacement than previously constructed rigs resulting in larger variable load capacity, more useable deck space and better motion characteristics.

The Other Deepwater Floaters include the remaining semi-submersible rigs and drillships that have a water depth capacity of at least 4,500 feet.

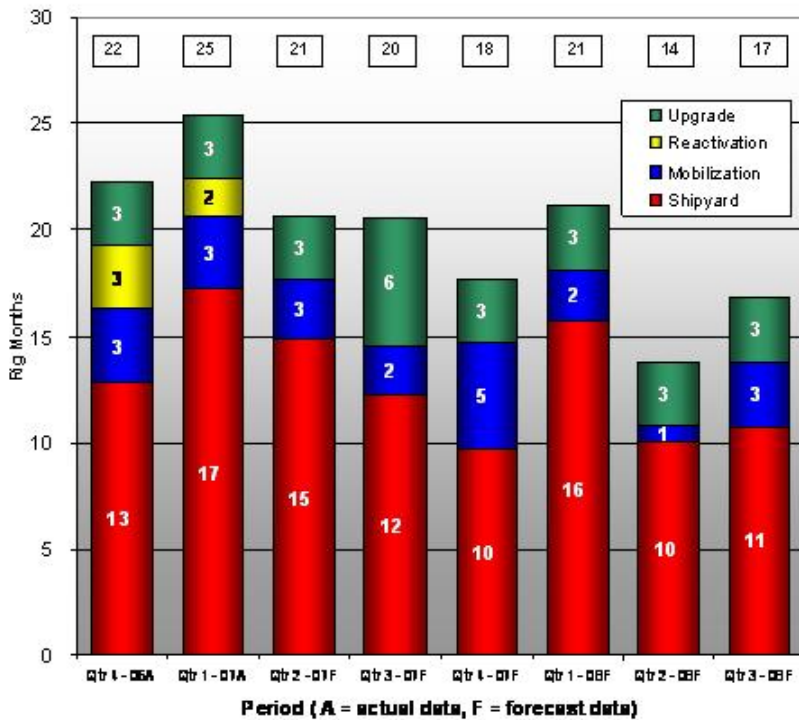
Other Floaters The Other Floaters category is generally comprised of those non-high-specification floaters with a water depth capacity of less than 4,500 feet.

Jackups The Jackups category consists of our jackup fleet.

Chart #3: Out of Service Rig Months

Qtr 4 2006 through Qtr 3 2008

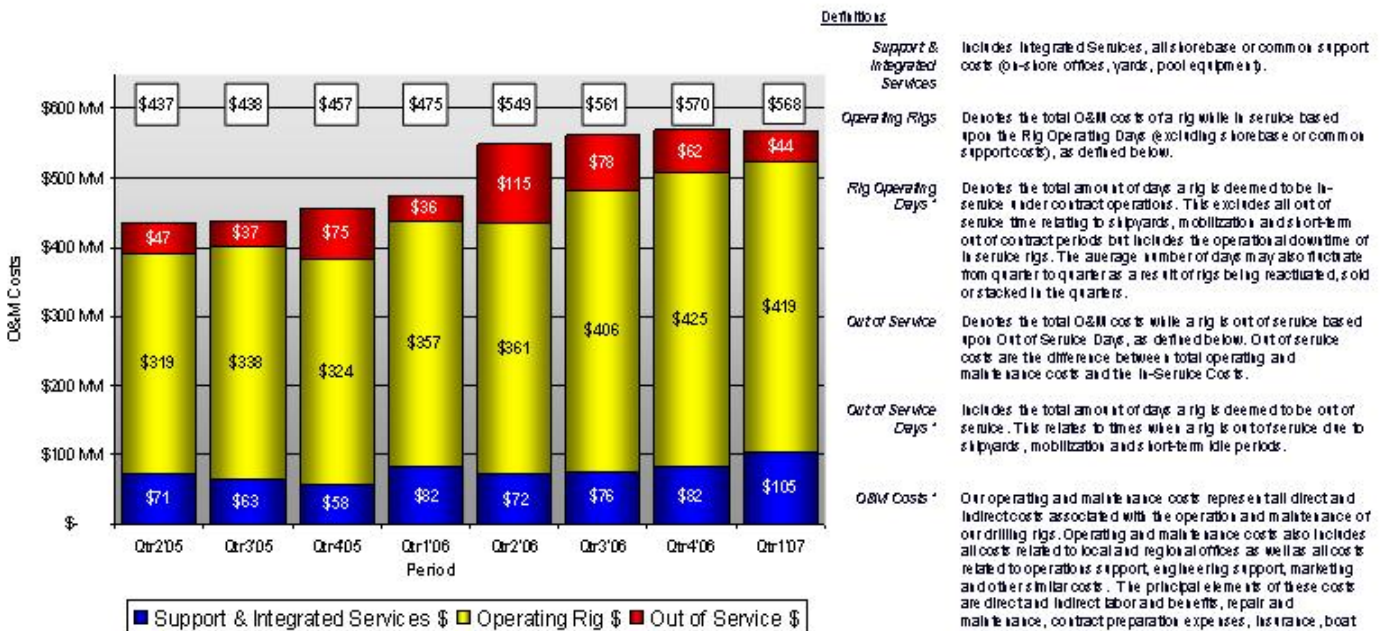
(Unaudited)



Definitions

- Rig Months** Time expressed in months that each rig has been, or is forecast to be Out of Service as reflected in the company's Fleet Status Update Report as of May 1st, 2007. Also includes Out of Service time of less than 14 days that is not disclosed in the Fleet Status Update report.
- Out of Service** Time when a rig is not available to earn an operating dayrate due to shipyards, contract preparation, mobilization, reactivation or upgrades.
- Mobilization** Includes mobilization and demobilization to and from operating contracts and other activities such as shipyards.
- Reactivation** Rig time described as "reactivation", relating to the *CK. Rhein, Jr.*, which was previously cold stacked.
- Upgrade** Rig time described as "upgrade" includes the *Sedco 702* and *Sedco 706* which are undergoing or forecast to undergo a shipyard project to enhance the operational capabilities of the rig.
- Shipyard** Rig time described as "shipyard" refers to periods during which a rig is out of service as a result of other planned shipyards, surveys, repairs, regulatory inspections or other planned service or work on the rig excluding reactivations and upgrades.

Chart #4: Operating & Maintenance (O&M) Costs Trends (Unaudited)



Note: We revised our definition for "Rig Operating Days" and "Out-of-Service Days" to now include days of contractual downtime in the "Rig Operating Days" category. As a result, the split between In-Service costs and Out-of-Service costs for prior periods is different than was previously reported.

Definitions

Support & Integrated Services Includes Integrated Services, all storebase or common support costs (e.g. store offices, yards, pool equipment).

Operating Rigs Denotes the total O&M costs on a rig while in service based upon the Rig Operating Days (excluding storebase or common support costs), as defined below.

Rig Operating Days* Denotes the total amount of days a rig is deemed to be in-service under contract operations. This excludes all out of service time relating to shipyards, mobilization and short-term out of contract periods but includes the operational downtime of in-service rigs. The average number of days may also fluctuate from quarter to quarter as a result of rigs being reactuated, sold or stacked in the quarters.

Out of Service Denotes the total O&M costs while a rig is out of service based upon Out of Service Days, as defined below. Out of service costs are the difference between a total operating and maintenance costs and the In-Service Costs.

Out of Service Days* Includes the total amount of days a rig is deemed to be out of service. This relates to times when a rig is out of service due to shipyards, mobilization and short-term idle periods.

O&M Costs* Our operating and maintenance costs represent all direct and indirect costs associated with the operation and maintenance of our drilling rigs. Operating and maintenance costs also includes all costs related to local and regional offices as well as all costs related to operations support, engineering support, marketing and other similar costs. The principal elements of these costs are direct and indirect labor and benefits, repair and maintenance, contract preparation expenses, insurance, boat and helicopter rentals, professional and technical fees, freight costs, communications, customs duties, tool rentals and services, fuel and water, general taxes and licenses. Labor, repair and maintenance costs, insurance premiums, personal injury losses and drilling rig casualty losses represent the most significant components of our operating and maintenance costs.