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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, 1999

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 1-7746

TRANSOCEAN OFFSHORE 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, 1999, 100,574,790 ordinary shares, par value \$.01 per
share, of Transocean Offshore Inc. were outstanding.

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TRANSOCEAN OFFSHORE INC.

INDEX TO FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements of Transocean Offshore Inc. and consolidated subsidiaries 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 generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. When used herein the term "Company" means Transocean Offshore Inc., a Cayman Islands exempted company limited by shares, its consolidated subsidiaries and its predecessors, unless the context indicates otherwise.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	----- (In thousands, except per share data)			
Operating Revenues	\$204,305	\$269,002	\$746,229	\$778,892

Costs and Expenses				
Operating and maintenance	102,220	113,104	369,047	359,601
Depreciation and amortization	32,882	29,297	97,177	85,478
General and administrative	7,120	6,310	21,130	21,001

	142,222	148,711	487,354	466,080

Operating Income	62,083	120,291	258,875	312,812

Other Income (Expense), Net				
Equity in earnings of joint ventures	3,647	3,350	10,183	8,240
Interest income	612	562	1,858	2,514
Interest expense, net of amounts capitalized	(13)	(4,889)	(2,952)	(17,571)
Gain on termination of cash flow sharing agreement	-	-	-	21,290
Other, net	152	12,501	(618)	13,354

	4,398	11,524	8,471	27,827

Income Before Income Taxes	66,481	131,815	267,346	340,639
Income Taxes	19,612	38,886	78,867	100,489

Net Income	\$ 46,869	\$ 92,929	\$188,479	\$240,150
=====				
Earnings Per Share				
Basic	\$ 0.47	\$ 0.93	\$ 1.88	\$ 2.40

Diluted	\$ 0.46	\$ 0.92	\$ 1.87	\$ 2.38
=====				
Weighted Average Shares Outstanding				
Basic	100,368	100,283	100,352	100,015

Diluted	101,019	100,869	100,872	100,861

Dividends Paid Per Share	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.09
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See accompanying notes.

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

	September 30, 1999	December 31, 1998

(In thousands, except share data)		
ASSETS		
Cash and Cash Equivalents	\$ 26,363	\$ 69,453
Accounts Receivable	165,046	217,494
Deferred Income Taxes	11,584	-
Materials and Supplies	35,348	33,928
Prepayments	4,140	9,596
Costs Incurred on Drilling Services Projects in Progress	33	31,161

Total Current Assets	242,514	361,632

Property and Equipment	3,018,749	2,659,020
Less Accumulated Depreciation	611,407	530,949

Property and Equipment, net	2,407,342	2,128,071

Goodwill, net	661,798	675,243
Investments in and Advances to Joint Ventures	39,466	55,544
Other Assets	22,727	30,453

Total Assets	\$3,373,847	\$3,250,943
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	\$ 31,633	\$ 40,939
Accrued Income Taxes	110,177	58,711
Current Portion of Long-Term Debt	30,104	18,672
Deferred Income Taxes	-	1,420
Other Current Liabilities	65,435	72,679

Total Current Liabilities	237,349	192,421

Long-Term Debt	711,270	813,953
Deferred Income Taxes	235,029	229,979
Other Long-Term Liabilities	32,071	35,947

Total Long-Term Liabilities	978,370	1,079,879

Preference Shares, \$0.10 par value; 50,000,000 shares authorized, none issued and outstanding	-	-
Ordinary Shares, \$0.01 par value; 150,000,000 shares authorized, 100,574,790 shares issued and outstanding at September 30, 1999, and 104,335,127 shares issued, including shares in treasury, and 100,551,127 shares outstanding at December 31, 1998	1,044	1,043
Less Ordinary Shares in Treasury, at cost; 3,784,000 shares at December 31, 1998	-	(144,297)
Additional Paid-in Capital	1,390,960	1,535,201
Retained Earnings	766,124	586,696

Total Shareholders' Equity	2,158,128	1,978,643

Total Liabilities and Shareholders' Equity	\$3,373,847	\$3,250,943
=====		

See accompanying notes.

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

	Nine Months Ended September 30,	
	----- 1999	----- 1998
	----- (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 188,479	\$ 240,150
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	97,177	85,478
Deferred income taxes	(7,953)	39,972
Equity in earnings of joint ventures	(10,183)	(8,240)
(Gain) loss on disposal of assets	113	(16,725)
Deferred income, net	(4,906)	(6,908)
Deferred expenses, net	3,225	3,405
Other, net	8,143	5,522
Changes in operating assets and liabilities		
Accounts receivable	50,572	(47,243)
Accounts payable	(8,725)	(21,195)
Income taxes receivable/payable, net	51,466	30,101
Other current assets	34,481	(12,725)
Other current liabilities	(7,855)	(4,166)
Net Cash Provided by Operating Activities	394,034	287,426
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(365,581)	(458,012)
Proceeds from disposal of assets, net	3,148	13,316
Joint ventures and other investments	26,262	4,359
Divestiture of non-core drilling services assets	-	10,000
Other, net	39	(529)
Net Cash Used in Investing Activities	(336,132)	(430,866)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on revolving credit facility	(86,500)	129,700
Dividends paid	(9,051)	(9,030)
Repayment of notes payable	(4,615)	(4,616)
Proceeds from issuance of ordinary shares under stock-based compensation plans	889	6,678
Other, net	(1,715)	(2,836)
Net Cash Provided by (Used in) Financing Activities	(100,992)	119,896
Net Decrease in Cash and Cash Equivalents	(43,090)	(23,544)
Cash and Cash Equivalents at Beginning of Period	69,453	54,225
Cash and Cash Equivalents at End of Period	\$ 26,363	\$ 30,681

See accompanying notes.

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

NOTE 1 - GENERAL

BASIS OF CONSOLIDATION - The accompanying condensed consolidated financial statements of the Company have been prepared without audit in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. Operating results for the three and nine month periods ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. 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 consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

SUPPLEMENTARY CASH FLOW INFORMATION - Cash payments for interest and income taxes, net were \$33.9 million and \$35.4 million, respectively, for the nine months ended September 30, 1999 and \$36.8 million and \$31.5 million, respectively, for the nine months ended September 30, 1998. Non-cash financing activities for the nine months ended September 30, 1999 included \$144.3 million for the cancellation of treasury shares (see Note 6). This has been reflected in the condensed consolidated balance sheets as a decrease in Additional Paid-In Capital.

GOODWILL - Goodwill is amortized on a straight-line basis over 40 years (the period when benefits are expected to be derived). Accumulated amortization as of September 30, 1999 and December 31, 1998 totaled \$56.2 million and \$42.7 million, respectively.

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 \$12.7 million and \$34.1 million for the three and nine months ended September 30, 1999 and \$10.0 million and \$25.0 million in the corresponding periods of 1998.

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.

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. 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 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 exchange rates and interest rates, management does not anticipate that the adoption of the new statement will have a material

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

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.

NOTE 2 - UPGRADE AND EXPANSION OF DRILLING FLEET

The Company's investments in its existing fleet and previously announced fleet additions continue to require significant capital expenditures. Capital expenditures totaled \$365.6 million during the nine months ended September 30, 1999.

The following table summarizes actual and projected expenditures (including capitalized interest) for the Company's major construction projects.

(Expenditures in millions)	Discoverer Enterprise	Discoverer Spirit	Discoverer Deep Seas
Cumulative at December 31, 1998	\$ 302	\$124	\$ 106
Actual for the nine months ended September 30, 1999	110	124	79
Cumulative at September 30, 1999	412	248	185
Projected through completion	33	110	170
Projected Total Costs	\$ 445	\$358	\$ 355

NOTE 3 - DEBT

Debt is comprised of the following:

	September 30, 1999	December 31, 1998
	(In thousands)	
Revolving Credit Facility	\$233,500	\$320,000
Project Financing Agreement	186,990	186,990
8.00% Debentures, net of discount	199,263	199,243
7.45% Notes	100,000	100,000
6.90% Notes Payable	20,769	25,384
Other	852	1,008
Total Debt	741,374	832,625
Less Current Maturities	30,104	18,672
Total Long-Term Debt	\$711,270	\$813,953

Project Financing Agreement - In connection with the construction of the Discoverer Enterprise and the upgrade of the Transocean Amirante, the Company's wholly owned subsidiary, Transocean Enterprise Inc. ("TEI"), entered into a project financing agreement effective December 27, 1996 with a group of banks led by ABN AMRO Bank, N.V., as agent (the "Project Financing Agreement"). Approximately \$323 million was available in two tranches for drawdowns during the construction period. The first tranche of \$62.9 million, which was originally to be repaid upon completion of construction and acceptance of the two rigs by Amoco Production Company ("Amoco"), was repaid in October 1999, as described below. It bore an interest rate of LIBOR plus 0.35 percent. The second tranche, amounting to \$259.9 million (of which \$124.1 million

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

in borrowings were outstanding as of September 30, 1999), bears an interest rate of LIBOR plus 0.85 percent during the construction period and is convertible to term financing upon completion of construction and acceptance of the two rigs by Amoco. The amount available under the second tranche has been reduced by \$32.9 million to \$227.0 million as described below. The term financing, which is to be paid out of cash flows from the two rigs, matures over a period of five years. Amoco has contracted the Transocean Amirante for a period of up to five years and the Discoverer Enterprise for a period of five years following their respective acceptance dates. The Company expects the term financing to consist of borrowings under a lease securitization facility provided by the agent at a floating interest rate (which has been converted to a fixed rate by the interest rate swap transactions described below) plus a margin of 0.36 percent for amounts fully amortized by cash flows from the Amoco contracts and a margin of 0.62 percent for the remaining amounts, if any.

The Project Financing Agreement originally required acceptance of the two drilling units by Amoco, repayment of the first tranche and conversion of the second tranche to term financing no later than December 31, 1998. Although the Transocean Amirante was accepted by Amoco and commenced operations in July 1997, the Discoverer Enterprise was not completed on this schedule due to construction delays. As a result, during December 1998, TEI amended the Project Financing Agreement to extend the outside date for acceptance of the Discoverer Enterprise, repayment of the first tranche and conversion of the second tranche to term financing from December 31, 1998 to August 31, 1999. During August 1999, the Project Financing Agreement was amended to extend the outside date previously described to October 31, 1999 so as to allow more time to complete the final testing phase of the Discoverer Enterprise.

During October 1999, the Project Financing Agreement was further amended to extend the outside date for acceptance of the Discoverer Enterprise and conversion of the second tranche to term financing from October 31, 1999 to January 31, 2000 to allow time to complete certain equipment modifications requested by Amoco during the final testing phase of the rig. In connection with this extension, TEI repaid the \$62.9 million outstanding under the first tranche of the Project Financing Agreement and two banks participating in the group withdrew. As a result, TEI repaid approximately \$15.7 million outstanding under the second tranche of the Project Financing Agreement and the total amount of undrawn commitments available was reduced by \$17.2 million, reducing the total amount available to \$227.0 million. The Company loaned TEI the necessary funds to make these repayments through borrowings under the Revolving Credit Facility.

On November 1, 1999, TEI amended the terms of its interest rate swap transactions, which effectively lock in a fixed interest rate for the term financing under the Project Financing Agreement, to change the start date to November 30, 1999. In connection with the amendment, the fixed rate TEI would pay increased from 6.8215 percent to 6.908 percent. The net unrealized loss on the interest rate swaps was approximately \$4.2 million as of September 30, 1999.

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

NOTE 4 - 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,	
	1999	1998	1999	1998
	(In thousands, except per share data)			
Net Income for basic and diluted earnings per share	\$ 46,869	\$ 92,929	\$188,479	\$240,150
=====				
Weighted-average shares for basic earnings per share	100,368	100,283	100,352	100,015
Effect of dilutive securities Employee stock options and unvested stock grants	651	586	520	846

Adjusted weighted-average shares and assumed conversions for diluted earnings per share	101,019	100,869	100,872	100,861
=====				
Basic earnings per share	\$ 0.47	\$ 0.93	\$ 1.88	\$ 2.40
=====				
Diluted earnings per share	\$ 0.46	\$ 0.92	\$ 1.87	\$ 2.38
=====				

NOTE 5 - SEGMENTS

The Company has two reportable segments: Mobile Units and Drilling Services. The Mobile Units segment primarily operates drilling rigs for customers, principally at a contractually determined price per day (dayrate). Drilling Services primarily involves providing personnel and equipment other than rigs for oil and gas exploration and production on either a dayrate or fixed price basis. For both segments, performance is evaluated based on operating income before general and administrative expenses.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands)			
OPERATING REVENUES				
Mobile Units				
U.S. Gulf of Mexico	\$ 69,807	\$ 79,480	\$256,882	\$215,736
Europe	91,158	115,905	297,929	339,012
Other Western Hemisphere	31,036	42,694	97,252	108,787
Other Eastern Hemisphere	4,953	16,958	17,602	48,224
<hr style="border-top: 1px dashed black;"/>				
Total Mobile Units	196,954	255,037	669,665	711,759
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Drilling Services	7,351	13,965	76,564	67,133
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TOTAL OPERATING REVENUES	\$204,305	\$269,002	\$746,229	\$778,892
<hr style="border-top: 3px double black;"/>				
OPERATING INCOME (LOSS) (a)				
Mobile Units				
U.S. Gulf of Mexico	\$ 36,523	\$ 49,609	\$153,597	\$129,452
Europe	18,211	43,108	66,113	119,256
Other Western Hemisphere	16,053	25,051	58,463	63,012
Other Eastern Hemisphere	1,311	10,705	2,722	26,451
Other (b)	(2,619)	(3,208)	(10,153)	(8,259)
<hr style="border-top: 1px dashed black;"/>				
Total Mobile Units	69,479	125,265	270,742	329,912
<hr style="border-top: 1px dashed black;"/>				
Drilling Services	245	1,570	10,538	4,773
<hr style="border-top: 1px dashed black;"/>				
Total Operating Income for Reportable Segments	69,724	126,835	281,280	334,685
Corporate Expenses	(7,641)	(6,544)	(22,405)	(21,873)
<hr style="border-top: 1px dashed black;"/>				
TOTAL OPERATING INCOME	62,083	120,291	258,875	312,812
<hr style="border-top: 1px dashed black;"/>				
Equity in earnings of joint ventures	3,647	3,350	10,183	8,240
Interest income	612	562	1,858	2,514
Interest expense, net of amounts capitalized	(13)	(4,889)	(2,952)	(17,571)
Gain on termination of cash flow sharing agreement	-	-	-	21,290
Other, net	152	12,501	(618)	13,354
<hr style="border-top: 1px dashed black;"/>				
OTHER INCOME (EXPENSE), NET	4,398	11,524	8,471	27,827
<hr style="border-top: 1px dashed black;"/>				
INCOME BEFORE INCOME TAXES	\$ 66,481	\$131,815	\$267,346	\$340,639
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(a) After depreciation and amortization expense.

(b) Other includes operations and engineering overhead expenses not allocated to geographic areas of operations.

TRANSOCEAN OFFSHORE INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 6 - CORPORATE REORGANIZATION

Effective May 14, 1999, the Company completed a corporate reorganization that resulted in it becoming a Cayman Islands corporation rather than a Delaware corporation ("Transocean-Delaware"), which had no material effect on the condensed consolidated financial statements of the Company. In the reorganization, each share of Transocean-Delaware's common stock was converted into one ordinary share of the Company and all treasury shares were cancelled.

NOTE 7 - PROPOSED BUSINESS COMBINATION

On July 12, 1999, the Company announced the signing of a definitive merger agreement (the "Merger Agreement") among the Company, Transocean SF Ltd., a wholly owned subsidiary of the Company ("Merger Sub"), Schlumberger Limited ("Schlumberger") and Sedco Forex Holdings Limited, a wholly owned subsidiary of Schlumberger ("Sedco Forex"). On the same date, Schlumberger and Sedco Forex separately entered into a definitive distribution agreement (the "Distribution Agreement"). Pursuant to the Merger Agreement and the Distribution Agreement, Sedco Forex, which constitutes or will constitute a substantial portion of the offshore contract drilling business of Schlumberger, will be spun off to the shareholders of Schlumberger (the "Distribution"), and promptly merged with and into Merger Sub (the "Merger"), thereby becoming a wholly-owned subsidiary of the Company. The Schlumberger shareholders will receive shares of the Company in exchange for their shares of Sedco Forex in the Merger. The Distribution and the Merger are expected to be free of U.S. federal income taxes.

Following the Distribution and the Merger, Schlumberger shareholders will own approximately 52 percent of the shares in the combined company, which will be renamed "Transocean Sedco Forex Inc." The diluted ratio of ownership in the share capital of the resulting company is fixed by the Merger Agreement and not subject to adjustment. Based on the expected outstanding diluted share count of the Company at the time of the Merger (approximately 101 million shares), Schlumberger shareholders would receive approximately 109 million shares in the combined company. Using the expected Schlumberger shares outstanding at the time of the Merger (approximately 565 million shares), Schlumberger shareholders would receive approximately one newly issued Transocean Sedco Forex share for every five Schlumberger shares held. The approximately 109 million shares expected to be issued in the Merger would be valued at approximately \$3.3 billion using the average of the closing prices of the Company's ordinary shares over the twenty consecutive trading-day period ending October 15, 1999. The Merger will be accounted for as a purchase, with Sedco Forex as the accounting acquiror.

At the effective time of the Merger, Sedco Forex will have approximately \$435 million in debt, subject to adjustment based on agreed levels of working capital and capital expenditures, among other matters, of which approximately \$340 million is expected to be indebtedness to affiliates of Schlumberger and will be required to be repaid immediately following the Merger. On October 19, 1999, the Company executed a commitment letter with a commercial bank under which the bank will underwrite a \$400 million unsecured five-year term loan facility. Proceeds made available under the facility will be used to refinance the indebtedness of Sedco Forex to Schlumberger upon completion of the Merger and for general corporate purposes. Amounts outstanding under the facility will bear interest at floating rates equal to LIBOR plus a margin equal to a percentage based on the Company's credit rating in effect from time to time or the bank's prime rate, at the Company's option, and may be prepaid at any time without premium or penalty. No principal amortization is required for the first two years of the facility. The facility will be established under

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

a credit agreement that will contain financial covenants obligating the Company to maintain a minimum interest coverage ratio and a maximum ratio of consolidated indebtedness to total capitalization and will contain other customary covenants, representations and warranties and conditions precedent.

The transactions described above have been approved, as appropriate, by the board of directors of each of the Company and Schlumberger and are expected to close by December 31, 1999, subject to the approval of the shareholders of both companies and other customary closing conditions. Shareholder meetings for the Company and Schlumberger have been set for December 10, 1999. On October 26, 1999, the Company filed a registration statement with the U. S. Securities and Exchange Commission relating to the Company's ordinary shares to be issued in the Merger. The registration statement became effective October 27, 1999.

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

The following information should be read in connection with the information contained in the Company's consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. When used herein the term "Company" means Transocean Offshore Inc., a Cayman Islands exempted company limited by shares, its consolidated subsidiaries and its predecessors, unless the context indicates otherwise.

OVERVIEW

Transocean Offshore Inc. is a leading international provider of offshore contract drilling services for oil and gas exploration, development and production. The Company owns, has partial ownership interests in or operates 30 mobile offshore drilling units. Transocean's fleet consists of seven fourth-generation semisubmersibles, thirteen second- and third-generation semisubmersibles, four drillships, including two newbuild drillships, the Discoverer Enterprise, which is currently in the final stages of commissioning and testing, and the Discoverer Spirit, which is at a U.S. Gulf Coast shipyard for outfitting with drilling equipment, and six jackup rigs. The Company also has under construction one additional Discoverer Enterprise-class drillship, to be named the Discoverer Deep Seas. The Company contracts these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill offshore wells. The Company also provides additional services, including turnkey drilling, coiled tubing drilling and well intervention and management of third-party well service activities.

OPERATING RESULTS

Comparative data relating to the Company's operating revenues and operating income by segment and geographic area follows. In the table and related discussion below, the "Mobile Units" segment primarily consists of the results of operations for drilling rigs operated for customers, primarily at a contractually determined price per day (dayrate). The "Drilling Services" segment primarily includes results from providing personnel and equipment other than rigs for oil and gas exploration and production on either a dayrate or fixed price basis.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In thousands)			
OPERATING REVENUES				
Mobile Units				
U.S. Gulf of Mexico	\$ 69,807	\$ 79,480	\$256,882	\$215,736
Europe	91,158	115,905	297,929	339,012
Other Western Hemisphere	31,036	42,694	97,252	108,787
Other Eastern Hemisphere	4,953	16,958	17,602	48,224
Total Mobile Units	196,954	255,037	669,665	711,759
Drilling Services	7,351	13,965	76,564	67,133
TOTAL OPERATING REVENUES	\$204,305	\$269,002	\$746,229	\$778,892
OPERATING INCOME (LOSS) (a)				
Mobile Units				
U.S. Gulf of Mexico	\$ 36,523	\$ 49,609	\$153,597	\$129,452
Europe	18,211	43,108	66,113	119,256
Other Western Hemisphere	16,053	25,051	58,463	63,012
Other Eastern Hemisphere	1,311	10,705	2,722	26,451
Other (b)	(2,619)	(3,208)	(10,153)	(8,259)
Total Mobile Units	69,479	125,265	270,742	329,912
Drilling Services	245	1,570	10,538	4,773
Total Operating Income for Reportable Segments	69,724	126,835	281,280	334,685
Corporate Expenses	(7,641)	(6,544)	(22,405)	(21,873)
TOTAL OPERATING INCOME	62,083	120,291	258,875	312,812
Equity in earnings of joint ventures	3,647	3,350	10,183	8,240
Interest income	612	562	1,858	2,514
Interest expense, net of amounts capitalized	(13)	(4,889)	(2,952)	(17,571)
Gain on termination of cash flow sharing agreement	-	-	-	21,290
Other, net	152	12,501	(618)	13,354
OTHER INCOME (EXPENSE), NET	4,398	11,524	8,471	27,827
INCOME BEFORE INCOME TAXES	\$ 66,481	\$131,815	\$267,346	\$340,639

(a) After depreciation and amortization expense.

(b) Other includes operations and engineering overhead expenses not allocated to geographic areas of operations.

QUARTER ENDED SEPTEMBER 30, 1999, COMPARED TO QUARTER ENDED SEPTEMBER 30, 1998

Net income for the three months ended September 30, 1999 was \$46.9 million or \$0.46 per share, diluted, compared to \$92.9 million or \$0.92 per share, diluted, for the three months ended September 30, 1998, a decrease of \$46.0 million or \$0.46 per share, diluted. The decrease for 1999 as compared to 1998 resulted primarily from decreases in rig utilization, caused by reduced exploration and production spending levels by the Company's customers, and higher depreciation expense, partially offset by lower operating and maintenance costs and lower net interest expense. In addition, other income was lower for the three months ended September 30, 1999 due to the fact that the prior year period included a non-recurring \$13.2 million pre-tax gain (\$8.5 million after tax or \$0.08 per share, diluted) on the sale of certain non-core assets within the Company's Drilling Services business segment and surplus drilling components.

Revenues were \$204.3 million for the three months ended September 30, 1999 compared to \$269.0 million for the three months ended September 30, 1998, a decrease of \$64.7 million or 24.1 percent. Operating income was \$62.1 million for the three months ended September 30, 1999 compared to \$120.3 million for the three months ended September 30, 1998, a decrease of \$58.2 million or 48.4 percent. The decrease in revenues for the three months ended September 30, 1999 resulted from decreased utilization and average dayrates compared to the three months ended September 30, 1998, while the decrease in operating income resulted primarily from decreased utilization and average dayrates, as well as higher depreciation expense, partially offset by lower operating and maintenance costs.

Revenues and operating income from Mobile Units decreased for the three months ended September 30, 1999 compared to the three months ended September 30, 1998. Fleetwide rig utilization decreased to 80 percent for the three months ended September 30, 1999 from 98 percent for the three months ended September 30, 1998, reflecting the fact that seven rigs were idle for all or part of the third quarter of 1999. The average dayrate for the Company's semisubmersible drilling rigs and drillships was approximately \$116,200 for the three months ended September 30, 1999 compared to approximately \$124,800 for the three months ended September 30, 1998, a decrease of 6.9 percent. The average dayrate for the Company's six jackup rigs decreased 50.0 percent as compared to the prior year quarter.

In the U.S. Gulf of Mexico, the decrease in revenues and operating income resulted primarily from one rig that had worked in the region the entire third quarter of 1998 relocating to Other Western Hemisphere during the third quarter of 1999, and from lower average dayrates earned. These decreases were partially offset by the results of two rigs working in the region that had only worked in the region a portion of the three months ended September 30, 1998. In Europe, the decreases in revenues and operating income resulted from decreased utilization due to four rigs, which worked the entire three months ended September 30, 1998, being idle for all or part of the three months ended September 30, 1999, as well as lower average dayrates compared to the prior year period. In Other Western Hemisphere, the decrease in revenues and operating income resulted from one rig working in the U.S. Gulf of Mexico during the three months ended September 30, 1999 that had worked in the region a portion of the three months ended September 30, 1998, and from one semisubmersible being idle in the U.S. Gulf of Mexico that had worked in the region the entire three months ended September 30, 1998. These negative variances were partially offset by the results of one rig working in the region a portion of the three months ended September 30, 1999 that had worked in the U.S. Gulf of Mexico during the prior year period, as well as an increase in average dayrates during the three months ended September 30, 1999. In Other Eastern Hemisphere, the decrease in revenues and operating income resulted from lower average dayrates and utilization. Two jackup rigs that had worked the entire three months ended September 30, 1998 were idle the entire three months ended September 30, 1999.

Revenues and operating income from Drilling Services decreased for the three months ended September 30, 1999 compared to the three months ended September 30, 1998. This decrease is primarily the result of a lower level of activity in Europe and no drilling services activity in Mexico and India during the three months ended September 30, 1999.

Depreciation and amortization expense increased by \$3.6 million for the three months ended September 30, 1999 over the three months ended September 30, 1998. The increase was primarily due to additional depreciation resulting from the capitalization of property and equipment associated with the Company's completed major upgrade and construction projects.

Other income, net decreased to \$4.4 million for the three months ended September 30, 1999 compared to \$11.5 million for the three months ended September 30, 1998. The prior year period included a \$13.2 million pre-tax gain on the sale of certain non-core assets within its Drilling Services business segment and surplus drilling equipment. Net interest expense decreased by \$4.9 million for the three months ended September 30, 1999 compared to the three months ended September 30, 1998 primarily due to the increased capitalization of interest on the Company's construction projects.

Income tax expense decreased by \$19.3 million primarily due to lower pre-tax earnings for the three months ended September 30, 1999 compared to the three months ended September 30, 1998. The Company's effective tax rate remained the same for the three months ended September 30, 1999 compared to the three months ended September 30, 1998, and was lower than the U.S. statutory rate primarily due to the permanent reinvestment of earnings of certain foreign operations.

NINE MONTHS ENDED SEPTEMBER 30, 1999, COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Net income for the nine months ended September 30, 1999 was \$188.5 million or \$1.87 per share, diluted, compared to \$240.2 million or \$2.38 per share, diluted, for the nine months ended September 30, 1998, a decrease of \$51.7 million or \$0.51 per share, diluted. The decrease for the nine months ended September 30, 1999 resulted primarily from a decrease in rig utilization caused by reduced exploration and production spending levels by the Company's customers, higher operating and maintenance costs and higher depreciation expense, partially offset by lower net interest expense. In the nine months ended September 30, 1998, the Company recognized a non-recurring \$21.3 million pre-tax gain (\$13.8 million after tax or \$0.14 per share, diluted) on the termination of a cash flow sharing agreement with Global Marine Inc. ("Global Marine") and a non-recurring \$13.2 million pre-tax gain (\$8.6 million after tax or \$0.08 per share, diluted) on the sale of certain non-core assets within the Company's Drilling Services business segment and surplus drilling components.

Revenues were \$746.2 million for the nine months ended September 30, 1999, compared to \$778.9 million for the nine months ended September 30, 1998, a decrease of \$32.7 million or 4.2 percent. Operating income was \$258.9 million for the nine months ended September 30, 1999 compared to \$312.8 million for the nine months ended September 30, 1998, a decrease of \$53.9 million or 17.2 percent. The decrease in revenues for the nine months ended September 30, 1999 resulted primarily from decreased utilization from the nine months ended September 30, 1998, partially offset by higher revenues from the turnkey drilling services operations in Mexico, which were completed in the second quarter of 1999. The decrease in operating income for the nine months ended September 30, 1999 resulted primarily from decreased utilization, as well as, higher operating and maintenance costs and higher depreciation and amortization expense.

Revenues and operating income from Mobile Units decreased for the nine months ended September 30, 1999, compared to the nine months ended September 30, 1998. The Company's fleetwide rig utilization

decreased to 84 percent for the nine months ended September 30, 1999 from 98 percent for the nine months ended September 30, 1998. Partially offsetting these decreases, the average dayrate for the Company's semisubmersible drilling rigs and drillships was approximately \$125,600 for the nine months ended September 30, 1999, compared to approximately \$118,200 for the nine months ended September 30, 1998, an increase of 6.3 percent. In addition, one rig worked in the nine months ended September 30, 1999 that had been in the shipyard undergoing a conversion during the majority of the prior year period.

In the U.S. Gulf of Mexico, the increase in revenues and operating income for the nine months ended September 30, 1999, resulted primarily from including the results of one rig that was in the shipyard undergoing a conversion during the majority of the nine months ended September 30, 1998 and the results of an additional rig for the entire nine months ended September 30, 1999, compared to a portion for the nine months ended September 30, 1998. In Europe, decreases in revenues and operating income resulted from decreased utilization due to five rigs being idle a portion of the nine months ended September 30, 1999, as well as higher downtime and maintenance expenses on two rigs that each underwent a scheduled classification survey in the nine months ended September 30, 1999. These rigs worked the entire nine months ended September 30, 1998. In Other Western Hemisphere, the decrease in revenues and operating income resulted primarily from the fact that one semisubmersible that had worked in the region during a portion of the nine months ended September 30, 1998 was working in the U.S. Gulf of Mexico during the entire nine months ended September 30, 1999. These negative variances were partially offset by an increase in the average dayrate over the prior year period and the inclusion of the results of one rig for a portion of the nine months ended September 30, 1999 that had worked in the U.S. Gulf of Mexico during the entire nine months ended September 30, 1998. In Other Eastern Hemisphere, the significant decrease in revenues and operating income resulted from lower average dayrates and utilization. Two rigs that had worked the majority of the nine months ended September 30, 1998 were idle for all or a portion of the nine months ended September 30, 1999.

Revenues and operating income from Drilling Services increased for the nine months ended September 30, 1999, compared to the nine months ended September 30, 1998. This increase primarily reflects higher revenues and operating income from turnkey and subsequent daywork operations associated with the turnkey drilling project in Mexico, which was completed in the second quarter of 1999.

Depreciation and amortization expense increased by \$11.7 million for the nine months ended September 30, 1999, compared to the nine months ended September 30, 1998. The increase was primarily due to additional depreciation resulting from the capitalization of property and equipment associated with the Company's completed major upgrade and construction projects.

Other income, net decreased to \$8.5 million for the nine months ended September 30, 1999, compared to \$27.9 million for the nine months ended September 30, 1998. Net interest expense decreased significantly for the nine months ended September 30, 1999 compared to the nine months ended September 30, 1998 primarily due to the increased capitalization of interest on the Company's construction projects. The nine months ended September 30, 1998 included a \$21.3 million pre-tax gain on the termination of a cash flow sharing agreement with Global Marine and a \$13.2 million pre-tax gain on the sale of certain non-core assets within the Company's Drilling Services business segment and surplus drilling components.

Income tax expense decreased by \$21.6 million primarily due to lower pre-tax earnings for the nine months ended September 30, 1999, compared to the nine months ended September 30, 1998. The Company's effective tax rate remained the same for the nine months ended September 30, 1999 compared to the nine months ended September 30, 1998 and was lower than the U.S. statutory rate primarily due to the permanent reinvestment of earnings of certain foreign operations.

MARKET OUTLOOK

Rig utilization for the third quarter 1999 averaged 80 percent (versus 81 percent, second quarter 1999) fleetwide and 86 percent (versus 87 percent, second quarter 1999) for the Company's 20 fully owned and active floating drilling units. Average dayrates during the third quarter of 1999 declined to \$101,500 (versus \$111,500, second quarter 1999) fleetwide and \$116,200 (versus \$128,100, second quarter 1999) for the Company's floaters, primarily as a result of several rigs commencing lower rate contracts during the quarter. As of September 30, 1999, the Company had 68 percent of its fleet days committed for the remainder of 1999 (including the Discoverer Enterprise, which is expected to be placed in service during the fourth quarter of 1999) and 47 percent for the year 2000.

Reduced exploration and development activity by the Company's customers, resulting from the sustained period of low oil prices from late 1997 through early 1999 and industry consolidation over the same time period, continued in the third quarter despite the upturn in prices since February 1999. Rig availability has also increased as a result of expiring contracts and construction by drilling contractors of new rigs that are capable of competing with the Company's rigs. This decline in exploration and development activity and increased rig availability has created a highly competitive market for contract drilling services, with corresponding reductions in utilization and dayrates for all classes of offshore rigs.

Oil prices have rallied from lows experienced in 1998, reaching a price in excess of \$24 a barrel in September before falling back to approximately \$22 in October. This level of oil prices suggests that there could be an improving long-term fundamental outlook for the offshore drilling business. The Company has recently experienced an increase in customer inquiries in its principal market areas, but this has not yet led to meaningful increases in dayrates or rig utilization. It is expected that in the near term, customers will continue a cautious approach to exploration and development spending until these commodity price gains prove to be sustainable.

The Company's efforts to secure contracts for its drilling units becoming available due to contract expirations have been and will continue to be adversely affected by continuing market weakness. Some units have been contracted at lower rates in order to secure work and others have been stacked. As of October 31, 1999, two of the Company's jackups and three semisubmersibles were stacked. In addition to the loss of revenues associated with stacking rigs, the Company has incurred and may incur additional expenses associated with severance and related payments to rig operating personnel made redundant as a result of idled rigs.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES OF CASH

Cash flows provided by operations were \$394.0 million for the nine months ended September 30, 1999, compared to \$287.4 million for the nine months ended September 30, 1998, an increase of \$106.6 million. The increase in cash provided by operations was primarily due to increases provided by net working capital components, partially offset by lower cash flows from net income in the 1999 period compared to the 1998 period.

Cash flows used in investing activities in the first nine months of 1999 were \$336.1 million, compared to \$430.9 million in the first nine months of 1998. The Company received \$26.3 million of capital distributions in respect of an equity investment in the first nine months of 1999 compared to \$3.3 million received in the first nine months of 1998. In addition, capital expenditures decreased by \$92.4 million in the first nine

months of 1999 as compared to the first nine months of 1998. The 1998 period includes \$10.0 million in proceeds from the divestiture of certain non-core drilling services assets. Proceeds from other asset disposals were \$3.1 million in the first nine months of 1999 compared to \$13.3 million in the prior year period.

Cash flows used in financing activities were \$101.0 million in the first nine months of 1999, compared to cash flows provided by financing activities of \$119.9 million in the first nine months of 1998. The increase in cash used in financing activities was primarily due to net repayments on the revolving line of credit during the first nine months of 1999 compared to net borrowings during the first nine months of 1998.

CAPITAL EXPENDITURES

The Company's investments in its existing fleet and previously announced fleet additions continue to require significant capital expenditures. Capital expenditures totaled \$366 million during the nine months ending September 30, 1999 and are expected to be approximately \$209 million during the remainder of the year, including amounts that will be spent on the construction of the deepwater drillships Discoverer Enterprise, Discoverer Spirit and Discoverer Deep Seas.

The following table summarizes actual and projected expenditures (including capitalized interest) for the Company's major construction projects.

(Expenditures in millions)	Discoverer Enterprise	Discoverer Spirit	Discoverer Deep Seas
Cumulative at December 31, 1998	\$302	\$124	\$106
Actual for the nine months ended September 30, 1999	110	124	79
Cumulative at September 30, 1999	412	248	185
Projected - October 1, 1999 through December 31, 1999	23	76	80
Projected - 2000	10	34	90
Projected Total Costs	\$445	\$358	\$355

The amounts shown for the Discoverer Enterprise include certain costs not expected to be incurred in connection with the construction of the Discoverer Spirit and Discoverer Deep Seas, including: engineering design costs that will not be repeated because the Discoverer Spirit and Discoverer Deep Seas are the same design as the Discoverer Enterprise; lifting and other construction costs that have been contracted on a lump sum rather than a time and materials basis; incremental capitalized interest and administrative costs attributable to project delays, some of which were due to weather and other factors beyond the control of the Company; and costs and delays associated with commissioning and testing several items of drilling equipment that are based on new designs or technology. The Discoverer Enterprise is expected to be completed during the fourth quarter of 1999; the Discoverer Spirit, which is at a U. S. Gulf Coast shipyard for outfitting with drilling equipment, and the Discoverer Deep Seas are expected to be completed in the second and third quarter of 2000, respectively.

As with any major construction project that takes place over an extended period of time, the actual costs, the timing of expenditures, and the project completion date may vary from estimates based on numerous factors, including modification of the design, actual terms of awarded contracts, weather, exchange rates, shipyard labor conditions and the market demand for components and resources required for drilling unit construction. The Company intends to fund the cash requirements relating to these capital commitments through available cash balances, borrowings under the Credit Agreement referred to below and other commercial bank or

capital market financings, including potential public offerings under the Company's shelf registration statement (discussed below) and, in the case of the Discoverer Enterprise, financing under the Project Financing Agreement referred to below.

MERGERS AND ACQUISITIONS

The Company, from time to time, reviews possible mergers and acquisitions of businesses and drilling units, and may in the future make significant capital commitments for such purposes. Any such transaction could involve the payment by the Company of a substantial amount of cash and the issuance of a substantial number of ordinary shares or preference shares. The Company would expect to fund the cash requirements of any such transaction through cash balances on hand, the incurrence of additional debt, sales of assets, issuance of ordinary shares or preference shares, or a combination thereof. See "--Proposed Business Combination".

AUTHORIZED STOCK REPURCHASE

In May 1997, the Company's Board of Directors authorized the repurchase of up to \$200 million worth of its ordinary shares from time to time on the open market or in privately negotiated transactions. After purchases made during 1997, approximately \$105 million remains available under this authority. The Board of Directors, from time to time, reviews the possibility of repurchasing ordinary shares in light of prevailing share prices and the financial position of the Company.

DEBT

Project Financing Agreement - In connection with the construction of the Discoverer Enterprise and the upgrade of Transocean Amirante, the Company's wholly owned subsidiary, Transocean Enterprise Inc. ("TEI"), entered into a project financing agreement effective December 27, 1996 with a group of banks led by ABN AMRO Bank, N.V., as agent (the "Project Financing Agreement"). Approximately \$323 million was available in two tranches for drawdowns during the construction period. The first tranche of \$62.9 million, which was originally to be repaid upon completion of construction and acceptance of the two rigs by Amoco Production Company ("Amoco"), was repaid in October 1999, as described below. It bore an interest rate of LIBOR plus 0.35 percent. The second tranche, amounting to \$259.9 million (of which \$124.1 million in borrowings were outstanding as of September 30, 1999), bears an interest rate of LIBOR plus 0.85 percent during the construction period and is convertible to term financing upon completion of construction and acceptance of the two rigs by Amoco. The amount available under the second tranche has been reduced by \$32.9 million to \$227.0 million as described below. The term financing, which is to be paid out of cash flows from the two rigs, matures over a period of five years. Amoco has contracted the Transocean Amirante for a period of up to five years and the Discoverer Enterprise for a period of five years following their respective acceptance dates. The Company expects the term financing to consist of borrowings under a lease securitization facility provided by the agent at a floating interest rate (which has been converted to a fixed rate by the interest rate swap transactions described below) plus a margin of 0.36 percent for amounts fully amortized by cash flows from the Amoco contracts and a margin of 0.62 percent for the remaining amounts, if any.

The Project Financing Agreement originally required acceptance of the two drilling units by Amoco, repayment of the first tranche and conversion of the second tranche to term financing no later than December 31, 1998. Although the Transocean Amirante was accepted by Amoco and commenced operations in July 1997, the Discoverer Enterprise was not completed on this schedule due to construction delays. As a result, during December 1998, TEI amended the Project Financing Agreement to extend the outside date for

acceptance of the Discoverer Enterprise, repayment of the first tranche and conversion of the second tranche to term financing from December 31, 1998 to August 31, 1999. During August 1999, the Project Financing Agreement was amended to extend the outside date previously described to October 31, 1999 so as to allow more time to complete the final testing phase of the Discoverer Enterprise.

During October 1999, the Project Financing Agreement was further amended to extend the outside date for acceptance of the Discoverer Enterprise and conversion of the second tranche to term financing from October 31, 1999 to January 31, 2000 to allow time to complete certain equipment modifications requested by Amoco during the final testing phase of the rig. In connection with this extension, TEI repaid the \$62.9 million outstanding under the first tranche of the Project Financing Agreement and two banks participating in the group withdrew. As a result, TEI repaid approximately \$15.7 million outstanding under the second tranche of the Project Financing Agreement and the total amount of undrawn commitments available was reduced by \$17.2 million, reducing the total amount available to \$227.0 million. The Company loaned TEI the necessary funds to make these repayments through borrowings under the Revolving Credit Facility.

On November 1, 1999, TEI amended the terms of its interest rate swap transactions, which effectively lock in a fixed interest rate for the term financing under the Project Financing Agreement, to change the start date to November 30, 1999. In connection with the amendment, the fixed rate TEI would pay increased from 6.8215 percent to 6.908 percent. The net unrealized loss on the interest rate swaps was approximately \$4.2 million as of September 30, 1999.

Credit Agreement - The Company entered into a credit agreement dated as of July 30, 1996 with a group of banks led by ABN AMRO Bank, N.V. (the "Credit Agreement"). The Credit Agreement, as subsequently amended, provides for borrowing by the Company under a revolving credit facility in the amount of \$540 million (the "Revolving Credit Facility"). Loans under the Credit Agreement bear interest, at the option of the Company, at a base rate or LIBOR plus a margin (0.25 percent at September 30, 1999) that varies depending on the Company's funded debt to total capital ratio or its public senior unsecured debt rating. The Credit Agreement requires compliance with various restrictive covenants, including an interest coverage ratio, which could limit the Company's ability to pay dividends in the future. The Credit Agreement has a maturity date of July 2002. As of September 30, 1999, approximately \$306.0 million was available for borrowings under the Revolving Credit Facility.

LETTERS OF CREDIT

The Company had letters of credit outstanding at September 30, 1999 totaling \$37.5 million, including \$28.4 million relating to a legal dispute with Kvaerner Installasjon a.s. See Part II. Item 1. Legal Proceedings. The remaining \$9.1 million guarantees various insurance and contract bidding activities.

SHELF REGISTRATION

The Company has a \$450 million shelf registration statement on Form S-3 for the proposed offering from time to time of senior or subordinated debt securities, preference shares, ordinary shares and warrants to purchase debt securities, preference shares, ordinary shares or other securities.

DERIVATIVE INSTRUMENTS

The Company enters 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 current 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, 1999 and 1998, the Company did not have any foreign exchange derivative instruments not qualifying as hedges.

The Company uses 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, 1999, the net unrealized loss on open interest rate swaps was approximately \$4.2 million.

SOURCES OF LIQUIDITY

The Company believes that its cash and cash equivalents, cash generated from operations, borrowings available under its Credit Agreement, Project Financing 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. 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 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 exchange rates and interest rates, management does not anticipate that the adoption of the new statement will have a significant effect on the results of operations or the financial position of the Company. The Company will adopt SFAS 133 as of January 1, 2001.

CORPORATE REORGANIZATION

On May 13, 1999, the shareholders approved a corporate reorganization that resulted in the Company becoming a Cayman Islands corporation rather than a Delaware corporation. In the reorganization, which was effected May 14, 1999, (i) Transocean Offshore Inc., a Delaware corporation ("Transocean-Delaware"), merged with and into Transocean Offshore (Texas) Inc., a Texas corporation ("Transocean-Texas"), (ii) following such merger, Transocean-Texas converted to and registered by way of continuation as a Cayman Islands exempted company limited by shares named "Transocean Offshore Inc." and (iii) following such conversion and continuation, the Company contributed a significant portion of its assets to a newly formed Delaware subsidiary. The Company believes the reorganization will give it greater flexibility in seeking to lower its worldwide effective corporate income tax rate and allow it to restructure its business to improve operational efficiencies, including improved worldwide cash management. In addition, the Company anticipates that the reorganization may increase its access to international capital markets, broaden its

investor base by making its securities more attractive to non-U.S. investors and may result in a more favorable corporate structure for expansion of its current business through creation of foreign joint ventures and future acquisition opportunities. In the reorganization, each share of Transocean-Delaware's common stock was converted into one ordinary share of the Company. The shares of the Company are listed on the New York Stock Exchange under "RIG," the same symbol under which the Transocean-Delaware common stock was previously listed.

PROPOSED BUSINESS COMBINATION

On July 12, 1999, the Company announced the signing of a definitive merger agreement (the "Merger Agreement") among the Company, Transocean SF Ltd., a wholly owned subsidiary of the Company ("Merger Sub"), Schlumberger Limited ("Schlumberger") and Sedco Forex Holdings Limited, a wholly owned subsidiary of Schlumberger ("Sedco Forex"). On the same date, Schlumberger and Sedco Forex separately entered into a definitive distribution agreement (the "Distribution Agreement"). Pursuant to the Merger Agreement and the Distribution Agreement, Sedco Forex, which constitutes or will constitute a substantial portion of the offshore contract drilling business of Schlumberger, will be spun off to the shareholders of Schlumberger (the "Distribution"), and promptly merged with and into Merger Sub (the "Merger"), thereby becoming a wholly-owned subsidiary of the Company. The Schlumberger shareholders will receive shares of the Company in exchange for their shares of Sedco Forex in the Merger. The Distribution and the Merger are expected to be free of U.S. federal income taxes.

Following the Distribution and the Merger, Schlumberger shareholders will own approximately 52 percent of the shares in the combined company, which will be renamed "Transocean Sedco Forex Inc." The diluted ratio of ownership in the share capital of the resulting company is fixed by the Merger Agreement and not subject to adjustment. Based on the expected outstanding diluted share count of the Company at the time of the Merger (approximately 101 million shares), Schlumberger shareholders would receive approximately 109 million shares in the combined company. Using the expected Schlumberger shares outstanding at the time of the Merger (approximately 565 million shares), Schlumberger shareholders would receive approximately one newly issued Transocean Sedco Forex share for every five Schlumberger shares held. The approximately 109 million shares expected to be issued in the Merger would be valued at approximately \$3.3 billion using the average of the closing prices of the Company's ordinary shares over the twenty consecutive trading-day period ending October 15, 1999. The Merger will be accounted for as a purchase, with Sedco Forex as the accounting acquiror.

At the effective time of the Merger, Sedco Forex will have approximately \$435 million in debt, subject to adjustment based on agreed levels of working capital and capital expenditures, among other matters, of which approximately \$340 million is expected to be indebtedness to affiliates of Schlumberger and will be required to be repaid immediately following the Merger. On October 19, 1999, the Company executed a commitment letter with a commercial bank under which the bank will underwrite a \$400 million unsecured five-year term loan facility. Proceeds made available under the facility will be used to refinance the indebtedness of Sedco Forex to Schlumberger upon completion of the Merger and for general corporate purposes. Amounts outstanding under the facility will bear interest at floating rates equal to LIBOR plus a margin equal to a percentage based on the Company's credit rating in effect from time to time or the bank's prime rate, at the Company's option, and may be prepaid at any time without premium or penalty. No principal amortization is required for the first two years of the facility. The facility will be established under a credit agreement that will contain financial covenants obligating the Company to maintain a minimum interest coverage ratio and a maximum ratio of consolidated indebtedness to total capitalization and will contain other customary covenants, representations and warranties and conditions precedent.

The transactions described above have been approved, as appropriate, by the board of directors of each of the Company and Schlumberger and are expected to close by December 31, 1999, subject to the approval of the shareholders of both companies and other customary closing conditions. Shareholder meetings for the Company and Schlumberger have been set for December 10, 1999. On October 26, 1999, the Company filed a registration statement with the U.S. Securities and Exchange Commission relating to the Company's ordinary shares to be issued in the Merger. The registration statement became effective October 27, 1999.

YEAR 2000 ISSUE

The Company has instituted a plan to address the Year 2000 issue for its computer systems, microprocessors, operational and control systems and other significant computer-based devices and applications. It is possible that certain of these systems will not be able to process dates beginning in the year 2000, as many such systems are based on storing two digits to identify a particular year rather than a full four digits and are not designed to take into account the start of a new century. In addition, like every other business enterprise, the Company is at risk from year 2000 failures on the part of its major business counterparts, including suppliers and service providers, as well as potential failures in public and private infrastructure services, including electricity, water, gas, transportation and communications.

The Company's Year 2000 plan focuses on Year 2000 compliance in two distinct areas--(i) rig-based operational systems and control devices and (ii) all other business, financial and engineering systems, including third-party systems upon which the Company may rely. The Company's efforts are directed towards areas that are reasonably within its control. The plan is being implemented under the direction of senior management by the Company's information systems and technology personnel and operations personnel with appropriate expertise. The five phases of the Company's plan--inventory, assessment, remediation, testing and verification, and contingency planning--are in varying stages of completion, and ultimate completion of the plan is expected by December 31, 1999.

Inventory - The Company conducted a survey of computer systems, computer-controlled equipment, control systems, and electronic devices, including equipment with embedded microprocessors, onboard each rig to identify those systems and devices to be reviewed for Year 2000 compliance. With respect to business, financial and engineering systems, the Company surveyed all of its internal hardware and software systems worldwide. Key third-party businesses whose year 2000 failures would most significantly impact the Company were identified. The inventory phase is substantially complete.

Assessment - Once each at-risk system or device was identified, users were asked to assess how critical the system or device is to the safety and operations of the Company. For rig-based systems, the Company has requested letters of compliance from its third-party vendors and suppliers for all at-risk items identified in the survey and, in addition, is conducting its own tests where possible to verify compliance. With respect to business, financial and engineering systems, letters of compliance have been requested from all vendors of standard systems, and the Company is conducting tests of selected systems to provide an enhanced degree of confidence for Year 2000 compliance. The assessment phase is substantially complete. Compliance information has been obtained from the Company's third-party vendors and suppliers for a majority of the identified systems or devices.

Remediation - Critical systems and devices identified by the survey that are likely to be affected by the Year 2000 issue are in the process of being modified or replaced. A number of these systems and devices had already been identified for renewal or replacement in connection with the Company's ongoing maintenance programs. In some cases, systems or equipment are covered by warranties, while other vendors are providing software upgrades at minimal costs. The Company believes its Year 2000 compliance plan has adequately

identified and addressed Year 2000 issues with respect to critical operational and safety systems and devices. With respect to business, financial and engineering systems, replacement or modification of known non-compliant systems has commenced. The remediation phase is approximately 95 percent complete with respect to rig-based systems, applications and devices and is approximately 90 percent complete with respect to business, financial and engineering systems. The Company's remediation phase is substantially complete except for the replacement of the maintenance/purchasing/inventory system on certain rigs. To the extent that certain of these rigs are not operating in the fourth quarter of 1999, or are not anticipated to operate in the first quarter of 2000, the Company may choose to delay the replacement of this system until such rigs are returned to service. Any such delay is not expected to have a material impact on the results of operations of the Company.

Testing and Verification - The testing and verification phase includes establishing a test environment, performing systems testing (with third parties if necessary) and verifying the results. The verification process entails having experienced personnel review test results, computer screens and printouts against pre-established criteria to ensure system or device compliance. In the case of program logic chips, access to internal programs is frequently not possible; however, a review of program diagrams is completed to determine if any date or time dependency exists. All internal systems and devices identified as critical operational and safety systems and devices, along with critical business hardware and software systems are being tested. With respect to rig-based systems, the Company has instituted an ongoing compliance procedure that starts with the results of the initial survey followed by analysis, vendor participation, corrective action, testing and continuous reappraisal. Testing and verification is currently underway and is expected to continue throughout 1999. The Company has received compliance information and has successfully completed testing of its corporate and field-based accounting software systems. The Company has initiated written and telephonic communications with key third-party businesses as well as public and private providers of infrastructure services to ascertain and evaluate their efforts in addressing Year 2000 compliance. Although there have been no indications that such third-party providers have significant Year 2000 compliance issues, there can be no assurance that such companies will not experience compliance problems.

Contingency Planning - The Company has developed or, in some cases, is still in the process of developing specific contingency plans for critical operational and business systems and devices in the event of Year 2000-related disruptions. The Company's rig-based operations manuals also include documented policies and procedures in the event of an emergency or equipment failure. The effect of significant Year 2000 disruptions with direct suppliers of materials and supplies needed for ongoing rig operations is being considered. An overall corporate contingency plan will be compiled with input from both operations personnel and information systems and technology personnel and is expected to be completed during November, 1999.

The Company believes that the reasonably likely worst case scenario is that there will be some localized disruptions of systems that will affect individual business and operations processes, facilities or suppliers for a short time rather than systemic or long-term problems affecting its business operations as a whole. The Company's drilling units are composed of many stand-alone systems provided by a wide diversity of manufacturers. As such, the Company believes the risk of a failure that would affect the functionality or safety of the fleet is minimal, and the Company does not believe that the Year 2000 issue will have a significant effect on the operations of its drilling units.

The Company's contingency planning efforts are being designed to identify systems or other aspects of its business or that of its suppliers that it believes would be most likely to experience Year 2000 problems, as well as those business operations in which a localized disruption could have the potential for causing a wider

problem by interrupting the flow of materials or data. Because there is uncertainty as to which activities may be affected and the exact nature of the problems that may arise, the contingency planning efforts will focus on minimizing the scope and duration of any disruptions by having sufficient personnel and other resources in place to permit a flexible response to specific problems as they may arise.

Costs - The Company has expended approximately \$1.1 million through September 30, 1999 and expects additional expenditures of approximately \$0.8 million to complete implementation of its Year 2000 plan, some of which will be capitalized. The Company does not separately track the internal costs of employees who are not working full-time on the Company's Year 2000 plan.

Although the Company's failure to implement fully its Year 2000 compliance plan or the occurrence of an unexpected Year 2000 problem could result in the disruption of normal business activities or operations and have a material adverse effect on the Company's results of operations, liquidity or financial condition, based upon the work performed to date and the anticipated completion of the plan during December 1999, the Company does not believe that such matters will have a material adverse effect. During the remainder of 1999, the Company will continue its efforts described above to address potential disruptions in areas where the Company's operations rely on third parties. In particular, the Company's operations in international locations could be at a greater risk of being adversely affected by the failure of third-party businesses to adequately address the Year 2000 problem. While such failure could affect the operations of the Company, either directly or indirectly, in a significant manner, the Company cannot estimate either the likelihood or the potential cost of such failures.

The nature and focus of the Company's efforts to address the Year 2000 problem may be revised periodically as interim goals are achieved or new issues are identified.

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," "estimates," "expects," "predicts," or "projects" a particular result or course of events, or that such result or course of events "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, liquidity requirements, financial arrangements, the timing of completion of capital projects, the Company's plans and expectations with regard to Year 2000 issues, the Company's expectations with regard to market outlook, the proposed merger with Sedco Forex, and the anticipated effects of the reorganization of the Company as a Cayman Islands corporation. 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, development and production (particularly in deepwater and harsh-environment regions), exploration success by producers, worldwide demand for oil and gas, oil and gas prices, work stoppages by shipyard workers, competition and market conditions in the offshore contract drilling industry, delays or cost overruns on construction projects, the ability to enter into and the terms of future contracts, risks inherent in turnkey contracts, the availability of qualified personnel, labor relations and wage negotiations with unions, operating hazards, political and other uncertainties inherent in foreign 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, the success of the Company in implementing its Year 2000 compliance plan, the failure of financial and other service providers to be Year 2000 compliant on a timely basis, the closing of the merger with Sedco Forex and

other factors discussed in this quarterly report and in the Company's 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Debt--Project Financing Agreement" and "--Liquidity and Capital Resources--Derivative Instruments."

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has certain claims pending involving a dispute of work performance by and amounts owed to the Kvaerner shipyard in Norway and contested tax assessments by the municipality of Rio de Janeiro, Brazil. These matters have been previously discussed and reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. 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 (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 27, 1999 included in Transocean's Registration Statement on Form S-4 (Registration No. 333-89727))
*2.2	Distribution Agreement (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus dated October 27, 1999 included in Transocean's Registration Statement on Form S-4 (Registration No. 333-89727))
4.1	Second Amendment to Secured Credit Agreement dated as of August 13, 1999 among Transocean Enterprise Inc., the Lenders party thereto, ABN AMRO Bank N.V., as Agent, and the Co-Agents listed therein.
4.4	Third Amendment to Secured Credit Agreement dated as of October 22, 1999 among Transocean Enterprise Inc., the Lenders party thereto, ABN AMRO Bank, N.V., as Agent, and the Co-Agents listed therein.
27.1	Financial Data Schedule.

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* Incorporated by reference as indicated.

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on July 27, 1999 reporting under Item 5. thereof the signing of a definitive merger agreement among the Company, Transocean SF Ltd., a wholly owned subsidiary of the Company, Schlumberger Limited and Sedco Forex Holdings Limited, a wholly owned subsidiary of Schlumberger, and the signing of a definitive distribution agreement by Schlumberger and Sedco Forex and including as an exhibit the press release relating thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 12, 1999.

TRANSOCEAN OFFSHORE INC.

By: /s/ Robert L. Long

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

By: /s/ Barbara S. Koucouthakis

Barbara S. Koucouthakis
Vice President and Controller
(Principal Accounting Officer)

SECOND AMENDMENT TO SECURED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO SECURED CREDIT AGREEMENT (this "Amendment") dated as of August 13, 1999, is by and among Transocean Enterprise Inc., a Delaware corporation (the "Borrower"), the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), ABN AMRO Bank N.V. ("ABN AMRO"), a Netherlands chartered bank, as agent for the Lenders (in such capacity, the "Agent"), and Australia and New Zealand Banking Group Limited, Bank of Montreal, The Bank of Nova Scotia, Atlanta Agency, The Bank of Tokyo-Mitsubishi, Ltd., Houston Agency and Westdeutsche Landesbank Girozentrale, as co-agents for the Lenders (in such capacity, collectively, the "Co-Agents").

WITNESSETH

WHEREAS, the Borrower, the Lenders, the Agent and the Co-Agents have entered into that certain Secured Credit Agreement dated as of January 17, 1997, as amended by First Amendment to Secured Credit Agreement dated December 21, 1998 (such agreement, as amended, "Credit Agreement"), pursuant to which the Lenders have made and agreed to make Loans to the Borrower; and

WHEREAS, the Borrower, the Lenders, the Agent and the Co-Agents desire to amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Agent and the Co-Agents hereby agree as follows:

1. AMENDMENTS TO CREDIT AGREEMENT. (a) Section 1.1 of the Credit Agreement is hereby amended by amending:

(i) the definitions of "Acceptance Date", "Conversion Date" and "Maturity Date" by deleting "August 31, 1999" in each such definition and inserting "October 31, 1999" in lieu thereof; and

(ii) the definition of "Guarantor" to read as follows:

"Guarantor" means Transocean Offshore Inc., a Cayman Islands exempted company, as successor by merger and conversion to Transocean Offshore Inc., a Delaware corporation.

(b) Clause (z) of Section 2.7(c)(i) of the Credit Agreement is hereby amended to read as follows: "(z) any change in the Conversion Date from October 31, 1999."

(c) Section 3.1(a) of the Credit Agreement is hereby amended by deleting "December 31, 1998" in such Section and inserting "October 31, 1999" in lieu thereof.

(d) Each of Sections 4.2(ii) and 6.18(c) of the Credit Agreement is hereby amended by deleting "August 31, 1999" in such Sections and inserting "October 31, 1999" in lieu thereof.

2. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. To induce the Lenders, the Agent and the Co-Agents to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, that its representations and warranties contained in the Credit Agreement are true and correct in all material respects (except to the extent such representations and warranties are not so true and correct in all material respects as a result of the transactions expressly permitted under the Credit Agreement or under the other Credit Documents, or relate solely to an earlier date) and additionally represents and warrants as follows:

(i) The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations under this Amendment and the Credit Agreement, as amended hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action of the Borrower and do not and will not contravene in any material respect any provision of applicable law or contravene or conflict with any provision of the certificate of incorporation, bylaws or any material agreements binding upon the Borrower, and the execution and delivery by the Borrower of this Amendment have received all necessary governmental approvals or other consents (if any shall be required);

(ii) This Amendment and the Credit Agreement, as amended hereby, are legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles;

(iii) There are no actions, suits, proceedings or counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries which purports to affect the legality, validity or enforceability of this Amendment, the Credit Agreement, as amended hereby, or any other Credit Document; and

(iv) No Default or Event of Default has occurred and is continuing (after giving effect to this Amendment).

3. REAFFIRMATION OF CREDIT AGREEMENT. This amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement in the Credit Agreement and the other Credit Documents (excluding this Amendment) shall hereafter be deemed to refer to the Credit Agreement, as amended hereby. The parties hereto hereby undertake, in good faith, to amend any other Credit Documents necessary so as to reflect the agreements of the parties set forth in this Amendment.

4. DEFINED TERMS. Terms used but not defined herein when defined in the Credit Agreement shall have the same meanings herein unless the context otherwise requires.

5. CONDITIONS PRECEDENT TO EFFECTIVENESS OF AMENDMENT. The effectiveness of this Amendment is subject to receipt by the Agent of the following documents, all in form and substance reasonably satisfactory to the Agent:

(i) Transocean Performance Guaranty. Ratification by Transocean of its obligations under the Second Amended and Restated Transocean Performance Guaranty in substantially the form of Exhibit A; and

(ii) Other Documents. Such other documents as the Agent may reasonably request.

6. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) This Amendment and the other Credit Documents, and the rights and duties of the parties hereto and thereto, shall be construed in accordance with and governed by the internal laws of the state of New York.

(b) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AMENDMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE CO-AGENTS, THE LENDERS OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY AND ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT

PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AMENDMENT AND THE OTHER CREDIT DOCUMENTS.

(c) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AMENDMENT, THE CREDIT AGREEMENT, ANY OTHER CREDIT DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AMENDMENT, THE CREDIT AGREEMENT, ANY OTHER CREDIT DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

7. Counterparts. This Amendment may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same agreement.

8. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9. Headings. Section headings used in this Amendment are for reference only and shall not affect the construction of this Amendment.

10. NOTICE OF ENTIRE AGREEMENT. This Amendment, together with the other Credit Documents, constitute the entire understanding among the Borrower, the Lenders, the Agent and the Co-Agents and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents. THIS WRITTEN AMENDMENT, TOGETHER WITH THE OTHER CREDIT DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have entered into this Second Amendment to Secured Credit Agreement as of the date first written above.

BORROWER:

TRANSOCEAN ENTERPRISE INC.,
a Delaware corporation

By: /s/ Brian C. Voegele

Name: Brian C. Voegele

Title: Vice President - Finance

LENDERS:

ABN AMRO BANK N.V., as Agent, Collateral
Agent and as a Lender

By: /s/ Stuart Murray

Name: Stuart Murray

Title: Vice President

By: /s/ Charles W. Randall

Name: Charles W. Randall

Title: Vice President

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED, as Co-Agent and as a Lender

By: /s/ Claude Devillers

Name: Claude Devillers

Title: Director - Oil and Gas Americas

BANK OF MONTREAL, as Co-Agent and as a Lender

By: /s/ Mary Lee Latta

Name: Mary Lee Latta

Title: Director - Bank of Montreal

THE BANK OF NOVA SCOTIA, ATLANTA
AGENCY, as Co-Agent and as a Lender

By: /s/ F.C.H. Ashby

Name: F.C.H. Ashby

Title: Senior Manager - Loan Operations

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY, as Co-agent and as a Lender

By: /s/ Michael Heiss

Name: Michael Heiss

Title: Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE,
as Co-Agent and as a Lender

By: /s/ Jonathan Berman

Name: Jonathan Berman

Title: Managing Director

By: /s/ Cheryl A. Solometo

Name: Cheryl A. Solometo

Title: Managing Director

BAYERISCHE HYPO-UND VEREINSBANK AG,
New York Branch, as a Lender

By: /s/ Pamela J. Gillons

Name: Pamela J. Gillons

Title: Associate Director

By: /s/ Steven Atwell

Name: Steven Atwell

Title: Director

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Ki Allen

Name: Ki Allen

Title: Vice President

SUNTRUST BANK, ATLANTA, as a Lender

By: /s/ John A. Fields, Jr.

Name: John A. Fields, Jr.

Title: Vice President

By: /s/ Steven J. Newby

Name: Steven J. Newby

Title: Assistant Vice President

DEUTSCHE BANK AG IN HAMBURG, as a Lender

By: /s/ Ehrhardt

Name: Ehrhardt

Title: Senior Vice President

By: /s/ L. Peter Flug

Name: L. Peter Flug

Title: Legal Counsel

THE FIRST NATIONAL BANK OF CHICAGO, as a Lender

By: /s/ Karen A. Patterson

Name: Karen A. Patterson

Title: Authorized Officer

THE BANK OF NEW YORK, as a Lender

By: /s/ Peter Keller

Name: Peter Keller

Title: Vice President

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK, AG, as Lender

By: /s/ Mark K. Connelly

Name: Mark K. Connelly

Title: Vice President

By: /s/ Lynne McCarthy

Name: Lynne McCarthy

Title: Assistant Vice President

ROYAL BANK OF CANADA, as a Lender

By: /s/ Linda M. Stephens

Name: Linda M. Stephens

Title: Senior Manager

KBC BANK, N.V., as a Lender

By: /s/ Robert Snauffer

Name: Robert Snauffer

Title: First Vice President

By: /s/ Declan Meagher

Name: Declan Meagher

Title: First Vice President

THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: /s/ Scott Barton

Name: Scott Barton

Title: Vice President

THIRD AMENDMENT TO SECURED CREDIT AGREEMENT

THIS THIRD AMENDMENT TO SECURED CREDIT AGREEMENT (this "Amendment") dated as of October 22, 1999, is by and among Transocean Enterprise Inc., a Delaware corporation (the "Borrower"), the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), ABN AMRO Bank N.V. ("ABN AMRO"), a Netherlands chartered bank, as agent for the Lenders (in such capacity, the "Agent"), and Australia and New Zealand Banking Group Limited, Bank of Montreal, The Bank of Nova Scotia, Atlanta Agency, The Bank of Tokyo-Mitsubishi, Ltd., Houston Agency and Westdeutsche Landesbank Girozentrale, as co-agents for the Lenders (in such capacity, collectively, the "Co-Agents").

WITNESSETH

WHEREAS, the Borrower, the Lenders, the Agent and the Co-Agents have entered into that certain Secured Credit Agreement dated as of January 17, 1997, as amended by First Amendment to Secured Credit Agreement dated December 21, 1998, as amended by Second Amendment to Secured Credit Agreement dated August 13, 1999 (such agreement, as amended, "Credit Agreement"), pursuant to which the Lenders have made and agreed to make Loans to the Borrower; and

WHEREAS, the Borrower, the Lenders, the Agent and the Co-Agents desire to amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower, the Lenders, the Agent and the Co-Agents hereby agree as follows:

1. AMENDMENTS TO CREDIT AGREEMENT.

(a) Section 1.1 of the Credit Agreement is hereby amended by amending the definitions of "Acceptance Date", "Conversion Date" and "Maturity Date" by deleting "October 31, 1999" in each such definition and inserting "January 31, 2000" in lieu thereof; and

(b) Clause (z) of Section 2.7(c)(i) of the Credit Agreement is hereby amended to read as follows: "(z) any change in the Conversion Date from January 31, 2000."

(c) Section 3.1(a) of the Credit Agreement is hereby amended by deleting "October 31, 1999" in such Section and inserting "January 31, 2000" in lieu thereof.

(d) Each of Sections 4.2(ii) and 6.18(c) of the Credit Agreement is hereby amended by deleting "October 31, 1999" in such Sections and inserting "January 31, 2000" in lieu thereof.

(e) Section 3.1(c) is hereby added, which reads in its entirety as follows:

(c) Conversion Fees. If, as of December 31, 1999, the Conversion Date has not occurred, then the Borrower shall pay to the

Agent, for the account of each Lender, a fee equal to .025% of the Commitment of such Lender.

2. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. To induce the Lenders, the Agent and the Co-Agents to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, that its representations and warranties contained in the Credit Agreement are true and correct in all material respects (except to the extent such representations and warranties are not so true and correct in all material respects as a result of the transactions expressly permitted under the Credit Agreement or under the other Credit Documents, or relate solely to an earlier date) and additionally represents and warrants as follows:

(i) The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations under this Amendment and the Credit Agreement, as amended hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action of the Borrower and do not and will not contravene in any material respect any provision of applicable law or contravene or conflict with any provision of the certificate of incorporation, bylaws or any material agreements binding upon the Borrower, and the execution and delivery by the Borrower of this Amendment have received all necessary governmental approvals or other consents (if any shall be required);

(ii) This Amendment and the Credit Agreement, as amended hereby, are legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles;

(iii) There are no actions, suits, proceedings or counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries which purports to affect the legality, validity or enforceability of this Amendment, the Credit Agreement, as amended hereby, or any other Credit Document; and

(iv) No Default or Event of Default has occurred and is continuing (after giving effect to this Amendment).

3. REAFFIRMATION OF CREDIT AGREEMENT. This amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement in the Credit Agreement and the other Credit Documents (excluding this Amendment) shall hereafter be deemed to refer to the Credit Agreement, as amended hereby. The parties hereto hereby undertake, in good faith, to amend any other Credit Documents necessary so as to reflect the agreements of the parties set forth in this Amendment.

4. DEFINED TERMS. Terms used but not defined herein when defined in the Credit Agreement shall have the same meanings herein unless the context otherwise requires.

5. CONDITIONS PRECEDENT TO EFFECTIVENESS OF AMENDMENT. The effectiveness of this Amendment is subject to receipt by the Agent of the following documents, all in form and substance reasonably satisfactory to the Agent:

(i) Transocean Performance Guaranty. Ratification by Transocean of its obligations under the Second Amended and Restated Transocean Performance Guaranty in substantially the form of Exhibit A;

(ii) Payment of Amendment Fee. Payment by the Borrower to the Agent, for the account of each Lender, of an amendment fee equal to .025% of the Commitment of such Lenders; and

(iii) Other Documents. Such other documents as the Agent may reasonably request.

6. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) This Amendment and the other Credit Documents, and the rights and duties of the parties hereto and thereto, shall be construed in accordance with and governed by the internal laws of the state of New York.

(b) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AMENDMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE CO-AGENTS, THE LENDERS OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY AND ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY

COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AMENDMENT AND THE OTHER CREDIT DOCUMENTS.

(c) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AMENDMENT, THE CREDIT AGREEMENT, ANY OTHER CREDIT DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AMENDMENT, THE CREDIT AGREEMENT, ANY OTHER CREDIT DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

7. COUNTERPARTS. This Amendment may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same agreement.

8. SEVERABILITY. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9. HEADINGS. Section headings used in this Amendment are for reference only and shall not affect the construction of this Amendment.

10. NOTICE OF ENTIRE AGREEMENT. This Amendment, together with the other Credit Documents, constitute the entire understanding among the Borrower, the Lenders, the Agent and the Co-Agents and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents. THIS WRITTEN AMENDMENT, TOGETHER WITH THE OTHER CREDIT DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have entered into this Third Amendment to Secured Credit Agreement as of the date first written above.

BORROWER:

TRANSOCEAN ENTERPRISE INC.,
a Delaware corporation

By: /s/ Brian C. Voegele

Name: Brian C. Voegele

Title: Vice President - Finance

LENDERS:

ABN AMRO BANK N.V., as Agent, Collateral
Agent and as a Lender

By: /s/ Stuart Murray

Name: Stuart Murray

Title: Vice President

By: /s/ Michael A. Tribolet

Name: Michael A. Tribolet

Title: Senior Vice President

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED, as Co-Agent and as a Lender

By: /s/ Claude Devillers

Name: Claude Devillers

Title: Director - Oil and Gas Americas

THE BANK OF NOVA SCOTIA, ATLANTA
AGENCY, as Co-Agent and as a Lender

By: /s/ F.C.H. Ashby

Name: F.C.H. Ashby

Title: Senior Manager - Loan Operations

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY, as Co-agent and as a Lender

By: /s/ Michael G. Meiss

Name: Michael G. Meiss

Title: Vice President and Manager

WESTDEUTSCHE LANDESBANK GIROZENTRALE,
as Co-Agent and as a Lender

By: /s/ Jonathan Berman

Name: Jonathan Berman

Title: Managing Director

By: /s/ Michael D. Peist

Name: Michael D. Peist

Title: Vice President

BAYERISCHE HYPO-UND VEREINSBANK AG,
New York Branch, as a Lender

By: /s/ Steven Atwell

Name: Steven Atwell

Title: Director

By: /s/ Pamela J. Gillons

Name: Pamela J. Gillons

Title: Associate Director

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Ki Allen

Name: Ki Allen

Title: Vice President

SUNTRUST BANK, ATLANTA, as a Lender

By: /s/ John A. Fields, Jr.

Name: John A. Fields, Jr.

Title: Vice President

By: /s/ Steven J. Newby

Name: Steven J. Newby

Title: Assistant Vice President

BANK ONE N.A., formerly known as
The First National Bank of Chicago, as a Lender

By: /s/ Helen A. Carr

Name: Helen A. Carr

Title: First Vice President

THE BANK OF NEW YORK, as a Lender

By: /s/ Peter Keller

Name: Peter Keller

Title: Vice President

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK, AG, as Lender

By: /s/ Mark K. Connelly

Name: Mark K. Connelly

Title: Vice President

By: /s/ Lynne McCarthy

Name: Lynne McCarthy

Title: Assistant Vice President

ROYAL BANK OF CANADA, as a Lender

By: /s/ Gil J. Benard

Name: Gil J. Benard

Title: Senior Manager

KBC BANK, N.V., as a Lender

By: /s/ Robert Snaffer

Name: Robert Snaffer

Title: First Vice President

By: /s/ Robert M. Surdam, Jr.

Name: Robert M. Surdam, Jr.

Title: Vice President

THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: /s/ Scott Barton

Name: Scott Barton

Title: Vice President

Exhibit "A"

RATIFICATION AND AMENDMENT OF SECOND AMENDED AND RESTATED
TRANSOCEAN PERFORMANCE GUARANTY

THIS RATIFICATION AND AMENDMENT OF THE SECOND AMENDED AND RESTATED TRANSOCEAN GUARANTY (this "Guaranty Ratification"), dated as of October 22, 1999, is from Transocean Offshore Inc., a Cayman Islands exempted company (the "Guarantor"), to the Lenders, as such term is defined in the Second Amended and Restated Transocean Performance Guaranty as amended by that certain Ratification of the Second Amended and Restated Transocean Guaranty dated as of August 13, 1999 (the "Guaranty"), and ABN AMRO BANK N.V., a Netherlands chartered bank, as Agent for the Lenders, and certain Co-Agents (as such term is defined in that certain Third Amendment to Secured Credit Agreement, executed as of the date hereof):

WITNESSETH:

A. Whereas, Transocean Enterprise Inc., a Delaware corporation, as Borrower, Lenders, Agent and Co-Agents have entered into that certain Third Amendment to Secured Credit Agreement as of the date hereof (the "Amendment") to, among other things, extend the time for completion of the Drillship until January 31, 2000; and

B. Whereas, it is a condition precedent to execution of the Amendment that Guarantor execute this Guaranty Ratification; and

C. Whereas, in order to induce the Lenders to execute the Amendment, Guarantor has agreed to enter into this Guaranty Ratification;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lenders to make and maintain the Loans to the Borrower pursuant to the Amendment: (i) each of the Agent and Guarantor agrees that the date "October 31, 1999" in Section 1.2(a) of the Guaranty is hereby deleted and the date "January 31, 2000" is inserted in lieu thereof, and the date "November 15, 1999" in Section 1.2(a) of the Guaranty is hereby deleted and the date "February 15, 2000" is inserted in lieu thereof, and (ii) Guarantor hereby agrees that Guarantor has received a copy of the Amendment and Guarantor's performance obligations and liabilities under the Guaranty shall remain enforceable against Guarantor in accordance with the terms of the Guaranty, subject to the effect of bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditor rights generally and equitable principles, and shall not be reduced, altered, limited, lessened or in any way affected by the execution and delivery of the Third Amendment to Secured Credit Agreement. Guarantor hereby confirms and ratifies its performance obligations and liabilities under the Guaranty in all respects.

Executed as of the date first set forth above.

Transocean Offshore Inc.

By: /s/ Brian C. Voegele

Name: Brian C. Voegele

Title: Vice President - Finance

Accepted and Agreed to:

ABN AMRO BANK N.V., as Agent

By: /s/ Stuart Murray

Name: Stuart Murray

Title: Vice President

By: /s/ Michael Tribolet

Name: Michael Tribolet

Title: Senior Vice President

9-MOS		9-MOS	
DEC-31-1999		DEC-31-1998	
JAN-01-1999		JAN-01-1998	
SEP-30-1999		SEP-30-1998	
	26,363		30,681
	0		0
	165,046		245,539
	0		0
	0		0
	242,514		341,266
	3,018,749		2,548,094
	611,407		505,214
	3,373,847		3,148,689
237,349		181,501	
	711,270		853,134
0		0	
	0		0
	1,044		1,043
3,373,847	2,157,084		1,867,445
	3,148,689		0
	0		0
	746,229		778,892
	0		0
	487,354		466,080
	0		0
	0		0
	2,952		17,571
	267,346		340,639
	78,867		100,489
188,479		240,150	
	0		0
	0		0
	0		0
	188,479		240,150
	1.88		2.40
	1.87		2.38