

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **2002-04-29** | Period of Report: **2001-12-31**
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FILER

CHILES OFFSHORE INC/NEW/

CIK: **1052667** | IRS No.: **760547408** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-K/A** | Act: **34** | File No.: **001-16005** | Film No.: **02625275**
SIC: **3533** Oil & gas field machinery & equipment

Mailing Address

11200 WESTTEIMER STE 410
HOUSTON TX 77042

Business Address

11200 WESTTEIMER STE 410
HOUSTON TX 77042-3227
7133393777

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K/A

AMENDMENT NO. 2

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended December 31, 2001

OR

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

For the transition period from _____ to _____

Commission file number (333-39418)

CHILES OFFSHORE INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

76-0656029

(State or Other Jurisdiction
of Incorporation or Organization)

(I.R.S. Employer Identification No.)

11200 Richmond Avenue, Suite 490, Houston, Texas

77082-2618

(Address of Principal Executive Offices)

(Zip Code)

(713) 339-3777

(Registrant's telephone number, including area code)

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

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Common Stock, par value \$.01 per share	American Stock Exchange

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

None

(Title of Class)

Indicate by check mark whether each of the registrants: (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 such registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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

The aggregate market value of the voting stock of the registrant held by non-affiliates as of March 21, 2002 was approximately \$404,245,493. The total number of shares of common stock issued and outstanding as of March 21, 2002 was 20,262,932.

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the registrant's last fiscal year is incorporated by reference into Items 10 through 13, Part III of this annual report on Form 10-K.

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A to the Annual Report on Form 10-K of Chiles Offshore Inc., amends and restates in its entirety Item 14 of Part IV. This Amendment No. 2 is being made solely to file herewith Exhibits 10.22 through 10.25, which Exhibits were inadvertently omitted from Chiles Offshore Inc.'s Annual Report of Form 10-K and to amend the description of Exhibit 10.22.

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) INDEX TO FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND EXHIBITS

(1) Financial Statements

See Index to Consolidated Financial Statements on F-1 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

No schedules have been included herein because the information required to be submitted has been included in the Consolidated Financial Statements or the notes thereto, or the required information is inapplicable.

(3) Exhibit Index -

Exhibit No. -----	Description -----
2.1*	Agreement and Plan of Merger, dated as of July 25, 2001, by and between Chiles Offshore Inc. and GIA2, Inc. (incorporated by reference to Exhibit 2.1 to Chiles Offshore Inc.'s Current Report on Form 8-K filed with the Commission August 9, 2001).
3.1*	Second Amended and Restated Operating Agreement of Chiles Offshore, LLC, dated as of May 1, 2000 (incorporated herein by reference to exhibit 3.1 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
3.2*	Amendment, dated as of June 14, 2000, to Second Amended and Restated Operating Agreement of Chiles Offshore LLC (incorporated herein by reference to exhibit 3.2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
3.3*	Form of Certificate of Incorporation of Chiles Offshore Inc. (incorporated herein by reference to exhibit 3.3 to Amendment No. 2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 24, 2000).
3.4*	Form of Bylaws of Chiles Offshore Inc. (incorporated herein by reference to exhibit 3.4 to Amendment No. 3 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on August 11, 2000).
3.5*	Certificate of Formation of Chiles Offshore LLC, dated as of July 31, 1997 (incorporated herein by reference to exhibit 3.5

to Amendment No. 1 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 7, 2000).

3.6* Form of Certificate of Conversion (incorporated herein by reference to exhibit 3.6 to Amendment No. 3 of the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on August 11, 2000).

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Exhibit No. -----	Description -----
3.7*	Certificate of Amendment to the Certificate of Incorporation of Chiles Offshore Inc., effective as of August 13, 2001 (incorporated herein by reference to Exhibit 3.1 to Chiles Offshore Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2001 filed with the Commission on August 14, 2001).
3.8*	Amended and Restated By-Laws of Chiles Offshore Inc., effective as of July 10, 2001 (incorporated herein by reference to Exhibit 3.2 to Chiles Offshore Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2001 filed with the Commission on August 14, 2001).
4.1*	Form of Specimen Certificate of Common Stock of Chiles Offshore Inc. (incorporated herein by reference to exhibit 4.1 to Amendment No. 2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 24, 2000).
10.1*	Platform Construction Agreement, dated April 6, 2000, by and between Keppel FELS Limited and Chiles Offshore LLC relating to the Chiles Discovery (incorporated herein by reference to exhibit 10.1 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
10.2*	Platform Construction Agreement, dated April 6, 2000, by and between AMFELS, Inc. and Chiles Offshore LLC related to the Chiles Galileo, including the Letter regarding Platform Construction Agreement, dated October 3, 2000 and related material (incorporated herein by reference to exhibit 10.2 to the Annual Report on Form 10-K for the year ended December 31, 2000).
10.3*	Master Option Agreement, dated April 6, 2000, by and among Chiles Offshore LLC, Keppel FELS Limited and AMFELS, Inc. (incorporated herein by reference to exhibit 10.3 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).

- 10.5* Commission Agreement, dated April 1, 2000, between Bassoe Offshore (USA), Inc. and Chiles Offshore LLC (incorporated herein by reference to exhibit 10.5 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
- 10.6* Commission Agreement, dated April 1, 2000, among Bassoe Offshore (USA), Inc., SEACOR SMIT Inc. and Chiles Offshore LLC (incorporated herein by reference to exhibit 10.6 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
- 10.7* Amended and Restated Management and Administrative Services Agreement, dated as of July 18, 2000, by and between SEACOR SMIT Inc. and Chiles Offshore LLC (incorporated herein by reference to exhibit 10.7 to Amendment No. 2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 24, 2000).
- 10.8*, ** Employment Agreement, dated November 1, 1997, by and between William E. Chiles and Chiles Offshore LLC (incorporated herein by reference to exhibit 10.8 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
- 10.9*, ** Extension of Term under Employment Agreement, dated November 1, 1997, between Chiles Offshore LLC and William E. Chiles (incorporated herein by reference to exhibit 10.9 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).

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10.10*, **	2000 Stock Option Plan (incorporated herein by reference to exhibit 10.10 to Amendment No. 2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 24, 2000).
10.11*, **	Severance Benefits Agreement, dated June 12, 2000, among Chiles Offshore LLC and Gabriel Padilla, William H. Hopkins, William A. Thorogood, Donald B. Gregg and George Bruce Brumley (incorporated herein by reference to exhibit 10.11 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
10.12*	Registration Rights Agreement, dated as of June 15, 2000 among Chiles Offshore LLC and the Holders named therein (incorporated

herein by reference to exhibit 10.16 to Amendment No. 2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 24, 2000).

- 10.13* Letter Agreement, dated August 5, 1997, between Chiles Offshore LLC and Bassoe Rig Partners Ltd. (incorporated herein by reference to exhibit 10.19 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on June 15, 2000).
- 10.14* Commitment Letter, dated April 4, 2000, by Keppel TatLee Bank (incorporated herein by reference to exhibit 10.20 to Amendment No. 1 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 7, 2000).
- 10.15* Agreement with Respect to Ownership of the Tonalá, dated as of July 20, 2000, by and between Chiles Offshore LLC, Perforadora Central, S.A. de C.V., Grupo Industrial Atlántida, S.A. de C.V., Patricio Alvarez Morphy, Javier Alvarez Morphy, Luis Alvarez Morphy and Enrique Chaves Quintana (incorporated herein by reference to exhibit 10.22 to Amendment No. 2 to the Registration Statement on Form S-1 (No. 333-39418) filed with the Commission on July 24, 2000).
- 10.16* Amendment No. 1 to the Chiles Offshore Inc. 2000 Stock Option Plan (incorporated herein by reference to exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ending September 30, 2000 filed with the Commission on November 14, 2000).
- 10.17* Amendment to Bareboat Charter, dated November 10, 2000, between Chiles Offshore Inc. and Perforadora Central, S.A. de C.V. (incorporated herein by reference to exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ending September 30, 2000 filed with the Commission on November 14, 2000).
- 10.18* Amendment No. 1 to Agreement with Respect to Ownership of the Tonalá, dated November 10, 2000, among Chiles Offshore Inc., Perforadora Central, S.A. de C.V., Grupo Industrial Atlántida, S.A. de C.V., Patricio Alvarez Morphy, Javier Alvarez Morphy, Luis Alvarez Morphy and Enrique Chavez Quintana (incorporated herein by reference to exhibit 10.3 to the Quarterly Report on Form 10-Q for the fiscal quarter ending September 30, 2000 filed with the Commission on November 14, 2000).
- 10.19* Amended and Restated Credit Agreement, dated as of December 7, 2000 among Chiles Offshore Inc. and Fortis Capital Corp, Nedship Bank N.V. and Den norske Bank ASA (incorporated herein by reference to exhibit 10.25 to the Annual Report on Form 10-K for the year ended December 31, 2000).

Exhibit No. -----	Description -----
10.20*	Rig Finance Agreement, dated as of November 22, 2000, by and among Chiles Discovery LLC, the financial institutions listed therein and Keppel Tatlee Bank Limited, as agent (incorporated herein by reference to exhibit 10.26 to the Annual Report on Form 10-K for the year ended December 31, 2000).
10.21*	Commitment Letter, dated December 22, 2000, by Citibank, N.A. (incorporated herein by reference to exhibit 10.27 to the Annual Report on Form 10-K for the year ended December 31, 2000)
10.22+	Contract for Hire of the Drilling Unit Chiles Coronado, effective as of July 10, 2001, between BP Trinidad and Tobago LLC and Chiles Offshore Inc.
10.23+	Drilling Contract, dated June 21, 2001, between Phillips Petroleum (91-12) Pty Ltd. ABN 73 064 963 346 and Chiles Offshore Inc.
10.24+	Separation and Release Agreement, dated January 31, 2002, between William A. Thorogood and Chiles Offshore Inc.
10.25+	Drill Pipe Rental Agreement, dated February 25, 2002, by and between Chiles Offshore Inc. and Hercules Offshore Corporation.
10.26+	Credit Agreement, dated as of October 31, 2001, between Chiles Galileo LLC, Citibank, N.A. and the other lenders set forth on the signature pages thereof.
10.27+	Trust Indenture, dated as of October 31, 2001, between Chiles Galileo LLC and U.S. Bank National Association.
10.28+	\$81,000,000 United States Government Guaranteed Export Ship Financing Note, dated October 31, 2001, by Chiles Galileo LLC.
10.29+	Security Agreement, dated October 31, 2001, between Chiles Galileo LLC and the United States of America.
10.30+	Title XI Reserve Fund and Financial Agreement, dated October 31, 2001, between Chiles Galileo LLC and the United States of America.
10.31+	Subordinated Loan Commitment, dated October 31, 2001, made by Chiles Offshore Inc. to Chiles Galileo LLC.
10.32+	Subordination Agreement dated October 31, 2001, among Chiles

Offshore Inc., Chiles Galileo LLC and the United States of America.

- 10.33+ Amendment No. 1 to Platform Construction Agreement, dated October 31, 2001, between AMFELS, Inc. and Chiles Offshore Inc.
- 10.34+ Assignment and Assumption of Construction Contract, dated October 31, 2001, among AMFELS, Inc., Chiles Offshore Inc. and Chiles Galileo LLC.
- 10.35+ Trust Indenture, dated as of November 5, 1998, between Perforadora Central, S.A. de C.V. (predecessor in interest to Chiles Coronado Inc.) and Bank One Trust Company, N.A.
- 10.36+ Security Agreement, dated as of November 5, 1998, between Perforadora Central, S.A. de C.V. (predecessor in interest to Chiles Coronado Inc.) and the United States of America.

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Exhibit No. -----	Description -----
10.37+	Amendment No. 1 to Security Agreement, dated as of January 21, 2000, between Perforadora Central, S.A. de C.V. (predecessor in interest to Chiles Coronado Inc.) and the United States of America.
10.38+	Amendment No. 2 to Security Agreement, dated as of July 30, 2001, between Chiles Coronado Inc. and the United States of America.
10.39+	Title XI Reserve Fund and Financial Agreement, dated November 5, 1998, between Perforadora Central, S.A. de C.V. (predecessor in interest to Chiles Coronado Inc.) and the United States of America.
10.40+	Amendment No. 1 to Title XI Reserve Fund and Financial Agreement, dated as of January 21, 2000, between Perforadora Central, S.A. de C.V. (predecessor in interest to Chiles Coronado Inc.) and the United States of America.
10.41+	Amendment No. 2 to Title XI Reserve Fund and Financial Agreement, dated July 30, 2001, between Chiles Coronado Inc. and the United States of America.
10.42+	Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreements, dated as of March 15, 2001, among Perforadora Central, S.A. de C.V., PC2 S.A. de C.V., the United States of America and Bank One Trust Company N.A.

- 10.43+ Intervention of Grupo Industrial Atlantida, S.A. de C.V. into Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreement, dated June 6, 2001, among Grupo Industrial Atlantida, S.A. de C.V., the United States of America and Bank One Trust Company.
- 10.44+ Intervention of GIA 2 S.A. de C.V. into the Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreements, dated as of June 6, 2001, among GIA 2 S.A. de CV, the United States of America and Bank One Trust Company N.A.
- 10.45+ Intervention of Tonalá, Inc. (now Chiles Coronado Inc.) into the Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreements, dated as of July 13, 2001, among Tonalá, Inc. the United States of America and Bank One Trust Company N.A.
- 10.46+ Release, dated July 30, 2001, between the United States of America and Bank One Trust Company, N.A.
- 21.1+ Subsidiaries of Chiles Offshore Inc.
- 23.1+ Consent of Arthur Andersen LLP.
- 99.1+ Letter from Chiles Offshore Inc. to the Securities and Exchange Commission regarding representations by Arthur Andersen LLP.

- * Incorporated herein by reference as indicated.
- ** Management contracts or compensatory plans or arrangements required to be filed as exhibits to this Annual Report on Form 10-K by Item 14 (c) of the rules governing the preparation of this Annual Report on Form 10-K.
- + Filed as an exhibit herewith.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the registrant during the quarterly period ended December 31, 2001.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Amendment to be signed on its behalf by the undersigned, thereunto duly authorized, on April 29, 2002.

CHILES OFFSHORE INC.

By: /s/ Dick Fagerstal

Dick Fagerstal
Senior Vice President, Chief Financial
Officer and Secretary

EXHIBIT INDEX

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10.15*	Agreement with Respect to Ownership of the Tonalá, dated as of July 20, 2000, by and between Chiles Offshore LLC, Perforadora Central, S.A. de C.V., Grupo Industrial Atlántida, S.A. de C.V., Patricio Alvarez Morphy, Javier Alvarez Morphy, Luis Alvarez Morphy and Enrique Chaves Quintana (incorporated herein by reference to exhibit 10.22 to Amendment No. 2 to the

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10.20*	Rig Finance Agreement, dated as of November 22, 2000, by and among Chiles Discovery LLC, the financial institutions listed therein and Keppel Tatlee Bank Limited, as agent (incorporated herein by reference to exhibit 10.26 to the Annual Report on Form 10-K for the year ended December 31, 2000).
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- 10.40+ Amendment No. 1 to Title XI Reserve Fund and Financial Agreement, dated as of January 21, 2000, between Perforadora Central, S.A. de C.V. (predecessor in interest to Chiles Coronado Inc.) and the United States of America.
- 10.41+ Amendment No. 2 to Title XI Reserve Fund and Financial Agreement, dated July 30, 2001, between Chiles Coronado Inc. and the United States of America.
- 10.42+ Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreements, dated as of March 15, 2001, among Perforadora Central, S.A. de C.V., PC2 S.A. de C.V., the United States of America and Bank One Trust Company N.A.
- 10.43+ Intervention of Grupo Industrial Atlantida, S.A. de C.V. into Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreement, dated June 6, 2001, among Grupo Industrial Atlantida, S.A. de C.V., the United States of America and Bank One Trust Company.
- 10.44+ Intervention of GIA 2 S.A. de C.V. into the Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreements, dated as of June 6, 2001, among GIA 2 S.A. de CV, the United States of America and Bank One Trust Company N.A.
- 10.45+ Intervention of Tonalá, Inc. (now Chiles Coronado Inc.) into the Master Assumption Agreement, Supplemental Indenture No. 1 and Amendment to Title XI Finance Agreements, dated as of July 13, 2001, among Tonalá, Inc. the United States of America and Bank One Trust Company N.A.
- 10.46+ Release, dated July 30, 2001, between the United States of America and Bank One Trust Company, N.A.

- 21.1+ Subsidiaries of Chiles Offshore Inc.
- 23.1+ Consent of Arthur Andersen LLP.
- 99.1+ Letter from Chiles Offshore Inc. to the Securities and Exchange Commission regarding representations by Arthur Andersen LLP.

- * Incorporated herein by reference as indicated.
- ** Management contracts or compensatory plans or arrangements required to be filed as exhibits to this Annual Report on Form 10-K by Item 14 (c) of the rules governing the preparation of this Annual Report on Form 10-K.
- + Filed as an exhibit herewith.

BP TRINIDAD AND TOBAGO LLC

CONTRACT

SECTION 1

FORM OF AGREEMENT

FORM OF AGREEMENT

HIRE OF A DRILLING UNIT

This Contract (CONTRACT) between BP TRINIDAD AND TOBAGO LLC, a company incorporated in the State of Delaware and registered under the Companies Act, 1995 of the Laws of the Republic of Trinidad and Tobago (hereinafter referred to as "OPERATOR"), and CHILES OFFSHORE INC. a company incorporated in the State of Delaware (hereinafter referred to as "CONTRACTOR") is to engage the CONTRACTOR to carry out drilling services (DRILLING SERVICES) in accordance with the following terms and conditions.

OPERATOR enters into this Contract on behalf of itself and all participants in the concession area (CO-VENTURERS) but notwithstanding this fact or anything else in the CONTRACT to the contrary:

- (a) The CONTRACTOR agrees to look only to OPERATOR for the due performance of the CONTRACT and nothing herein contained shall impose any liability upon or entitle the CONTRACTOR to commence any proceedings against any of OPERATOR'S CO-VENTURERS.
- (b) OPERATOR shall be entitled to enforce the CONTRACT on behalf of its CO-VENTURERS as well as for OPERATOR and for this purpose OPERATOR and only OPERATOR may commence proceedings in its own name to enforce all obligations and liabilities of the CONTRACTOR under this CONTRACT and to make any claim which OPERATOR, its CO-VENTURERS may have against the CONTRACTOR.

1. DOCUMENTS

The CONTRACT shall comprise the following documents:

- 1.1 This Contract Agreement
- 1.2 Conditions of Contract (section 2 hereto)
- 1.3 Contractor's Insurance (section 3 hereto)
- 1.4 Statement of Requirements (section 4 hereto)
- 1.5 Rates and Charges (section 5 hereto)
- 1.6 Contractor's Personnel (section 6 hereto)
- 1.7 Specification of Contractor's Equipment (section 7 hereto)

2. DEFINITIONS

In this Agreement words and expressions shall have the same meanings as are respectively assigned to them in the Conditions of Contract.

3. THE SERVICES

The Scope of the SERVICES shall be the provision of the DRILLING UNIT and DRILLING EQUIPMENT as more fully described in SECTION 7 hereto and PERSONNEL as more fully described in SECTION 6 hereto and providing services as more fully described in SECTION 4 hereto for the drilling of WELLS as more fully described in the documents hereto.

4. OPERATOR'S REPRESENTATIVE

The OPERATOR'S REPRESENTATIVE shall be Jim Liebnitz, Manager, Well Operations

BP Trinidad and Tobago LLC
5 & 5A Queen's Park West
Port of Spain
Trinidad

Tel No. 868 623-2862
Fax No. 868 627-7878

5. CONTRACTOR'S REPRESENTATIVE

The CONTRACTOR'S REPRESENTATIVE shall be

Mr. Chris Pinkard, Vice President
Chiles Offshore Inc.
11200 Richmond Avenue, Suite 490
Houston, Texas 77082-2618
Phone: (713) 339-3777
Fax: (713) 339-3888

6. DURATION OF THE CONTRACT

6.1 Duration

Notwithstanding the date hereof the CONTRACT shall be deemed to have come into effect on the date that the DRILLING UNIT is under tight tow to Pascagoula, Mississippi to begin the Make Ready Period as further described below and shall, subject to OPERATOR'S rights of termination hereunder, continue until the third anniversary of the Commencement Date subject to any extensions pursuant to Clause 6.2 of this Section 1, and subject to extension for any period necessary to complete any WELL being drilled upon such anniversary.

6.2 Options to Extend

The OPERATOR may, at its option, extend the term of the CONTRACT by exercising up to two (2) one-year extensions, such extensions to run consecutively with the preceding CONTRACT term, subject to OPERATOR'S rights of termination hereunder. If OPERATOR elects to exercise the option for the first one-year extension of the term of the CONTRACT, OPERATOR shall give CONTRACTOR written notice of the exercise of such extension option at least six (6) months prior to the third anniversary of the Commencement Date. Upon CONTRACTOR'S receipt of such written notification, OPERATOR and CONTRACTOR shall negotiate in good faith to determine the mutually agreeable rates for the DRILLING UNIT that shall apply during such one-year extension period. If OPERATOR and CONTRACTOR reach a mutually acceptable agreement on such rates by the date three (3) months after the date of such written notice by OPERATOR of

its exercise of the extension option, the term of the CONTRACT shall be extended by one (1) year, and such agreed rates shall apply in lieu of the rates previously applicable to the CONTRACT. If OPERATOR and CONTRACTOR do not reach a mutually acceptable agreement on such rates by the date three (3) months after the date of such written notice by OPERATOR of its exercise of the extension option, then there shall be no extension of the term of this CONTRACT based on the extension options granted to OPERATOR hereunder, and CONTRACTOR shall be free to enter into agreements for the utilization of the DRILLING UNIT for periods after the expiration of the term of the CONTRACT.

If the CONTRACT term is extended by one (1) year pursuant to the foregoing provision, then OPERATOR shall retain the option to extend the term of the CONTRACT for the second one-year option period. If OPERATOR elects to exercise such option for the second one-year extension of the term of the CONTRACT, OPERATOR shall give CONTRACTOR written notice of

the exercise of such extension option at least six (6) months prior to the fourth anniversary of the Commencement Date. Upon CONTRACTOR's receipt of such written notification, OPERATOR and CONTRACTOR shall negotiate in good faith to determine the mutually agreeable rates for the DRILLING UNIT that shall apply during such one-year extension period. If OPERATOR and CONTRACTOR reach a mutually acceptable agreement on such rates by the date three (3) months after the date of such written notice by OPERATOR of its exercise of the extension option, the term of the CONTRACT shall be extended by one (1) year, and such agreed rates shall apply in lieu of the rates previously applicable to the CONTRACT. If OPERATOR and CONTRACTOR do not reach a mutually acceptable agreement on such rates by the date three (3) months after the date of such written notice by OPERATOR of its exercise of the extension option, then there shall be no extension of the term of this CONTRACT based on the second one-year extension option granted to OPERATOR hereunder, and CONTRACTOR shall be free to enter into agreements for the utilization of the DRILLING UNIT for periods after the expiration of the term of the CONTRACT.

6.3 Make Ready Period

Upon completion of the tow of the DRILLING UNIT from the last location in the U.S. Gulf of Mexico in Main Pass Block 300 to Pascagoula, Mississippi, the DRILLING UNIT will undergo certain modifications and equipment additions and changes as set forth on the attached Schedule 6.3, at the expense of CONTRACTOR. All cost for modifications and equipment additions and changes as set forth on the attached Schedule 6.3 is included in the Day Rates.

Any additions and changes requested by OPERATOR other than those listed on the attached Schedule 6.3 shall be at OPERATOR's expense, including the payment of the PROVISIONING RATE for any delay in the departure of the DRILLING UNIT from Pascagoula, Mississippi caused by such requested additions and changes, beyond fourteen (14) days from the time the DRILLING UNIT is jacked up dockside in Pascagoula, Mississippi. OPERATOR and CONTRACTOR acknowledge and agree that the drill pipe listed on the attached Schedule 6.3 is not scheduled to arrive while the DRILLING UNIT is in Pascagoula, Mississippi, and will be delivered to the DRILLING UNIT after it arrives in the CONTRACT AREA. Due to the timing of the required start of

SECTION 1
FORM OF AGREEMENT
PAGE 4 OF 5

operations in CONTRACT AREA, the DRILLING UNIT must be removed from service in the U.S. Gulf of Mexico at the end of the current program in Main Pass Block 300, and CONTRACTOR must make certain equipment purchase commitments.

Such Make Ready Period is anticipated to last fourteen (14) days from the time that the DRILLING UNIT is jacked up dockside in Pascagoula, Mississippi. If the departure of the DRILLING UNIT is delayed beyond fourteen (14) days from the start of such period due to the request of the OPERATOR for additional modifications or additional changes requested by OPERATOR, OPERATOR shall pay CONTRACTOR the PROVISIONING RATE as stated in Section 5 of the CONTRACT for such period of delay.

6. RIG AUDIT

OPERATOR shall carry out an audit of the DRILLING UNIT in Pascagoula, Mississippi. CONTRACTOR shall be required to correct any deficiencies identified during the audit, at its own costs and expenses, prior to the COMMENCEMENT DATE or as otherwise agreed between CONTRACTOR and OPERATOR. All DRILLING UNIT audit recommendations which would affect safe and efficient operations must have been carried out or the OPERATOR's REPRESENTATIVE and CONTRACTOR'S REPRESENTATIVE must have mutually agreed in writing to a schedule for completion of outstanding DRILLING UNIT audit recommendations.

7. RIG ACCEPTANCE

OPERATOR shall conduct RIG ACCEPTANCE of the DRILLING UNIT pursuant to OPERATOR's rig acceptance procedure, as soon as the DRILLING UNIT has been pinned at the LOCATION. The period commencing on the pinning of the DRILLING UNIT to the completion of the RIG ACCEPTANCE exercise shall be charged at the STANDBY RATE.

In the event that OPERATOR shall not accept the DRILLING UNIT after the completion of the RIG ACCEPTANCE exercise, the DRILLING UNIT will go on NIL Rate until the deficiencies identified during the RIG ACCEPTANCE exercise have been rectified to the satisfaction of OPERATOR.

8. REMUNERATION

In full consideration of the satisfactory performance of the Services set out in Clause 3 hereof the CONTRACTOR shall be paid as set out in SECTION 5 hereto. Such rates will be subject only to adjustments for documented changes, pursuant to Section 5, clause 5.7, in CONTRACTOR'S costs of operations in the CONTRACT AREA.

Rates of payment for any extended term, which OPERATOR elects to exercise shall be mutually agreed upon as stated in sub-clause 6.2 above.

SECTION 1
FORM OF AGREEMENT
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9. ACKNOWLEDGEMENT

Kindly confirm acceptance of the terms of this Contract by signing and returning the attached duplicate.

<TABLE>
<CAPTION>
FOR BP TRINIDAD AND TOBAGO LLC

Signed: /s/ ROBERT RILEY	Name	ROBERT RILEY
-----		-----
		(Block Capitals)
Position: ASSOCIATE PRESIDENT & CHAIRMAN	Date	8/6/01
-----	-----	-----
Signed: /s/ JIM LIEBNITZ	Name	JIM LIEBNITZ
-----		-----
		(Block Capitals)
Position: WELL OPERATIONS MANAGER	Date	8/6/01
-----	-----	-----
Signed: /s/ KATHLEEN CHARLES	Name	KATHLEEN CHARLES
-----		-----
		(Block Capitals)
Position: MANAGER, CONTRACTS	Date	8/6/01
-----	-----	-----

We confirm our acceptance of this CONTRACT.

FOR CHILES OFFSHORE INC.

Signed: /s/ WILLIAM E. CHILES	Name	WILLIAM E. CHILES
-----		-----
		(Block Capitals)
Position: CHIEF EXECUTIVE OFFICER	Date	8/6/01
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</TABLE>

SECTION 2

CONDITIONS OF CONTRACT

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CONDITIONS OF CONTRACT

CLAUSE 1. DEFINITIONS

In the CONTRACT the following words and expressions shall have the meanings assigned to them, except where the context otherwise requires.

- 1.1 "AFFILIATE" as applied to OPERATOR shall mean and include BP Trinidad and Tobago LLC and any company which is directly or indirectly controlled by BP Trinidad and Tobago LLC. "Affiliate" as applied to CONTRACTOR shall include Chiles Offshore Inc. and any company, which is directly or indirectly controlled by Chiles Offshore Inc. Control means the ownership directly or indirectly of more than fifty (50) percent of the voting rights in a company, partnership or legal entity.
- 1.2 "AGENCY" means any agency, authority, department, court, government, legislature, minister, ministry, official, or public person (whether autonomous or not) of the Republic of Trinidad and Tobago, the United States of America and any other nation, state, jurisdiction, supernational organisation or any

political subdivision of the foregoing;

- 1.3 "CERTIFICATION" shall mean the ABS Maltese Cross A-1 Self Elevating Drilling Unit.
- 1.4 The "COMMENCEMENT DATE" shall mean the date on which the DRILLING UNIT is pinned on the first LOCATION in the CONTRACT AREA and the OPERATOR provided RIG ACCEPTANCE.
- 1.5 "COMPLETION DATE" shall mean the date when the DRILLING UNIT has completed the last WELL and all OPERATOR'S MATERIAL'S and SERVICE COMPANY EQUIPMENT has been offloaded and the DRILLING UNIT has been towed to the mutually agreed on port in Trinidad.
- 1.6 "CONTRACT" shall mean all those documents forming the Contract as stated in Clause 1 of the Contract Agreement.
- 1.7 The "CONTRACT AREA" shall mean the OPERATOR'S concession areas offshore the east coast of the Republic of Trinidad and Tobago (Block 27) and any onshore area used in association therewith, or other areas agreed between the parties.
- 1.8 The "CONTRACT DEPTH" shall mean the DEPTH to which the CONTRACTOR may be required to carry out the DRILLING SERVICES.
- 1.9 The "CONTRACTOR'S EQUIPMENT" shall mean the Drilling Unit (as hereinafter defined) together with all the drilling and associated equipment listed in SECTION 7 Group 2 (hereinafter referred to as the "DRILLING EQUIPMENT") together with the CONTRACTOR'S stock of spare parts.
- 1.10 The "CONTRACTOR'S PERSONNEL" or "its PERSONNEL" shall mean the CONTRACTOR'S labour and supervisory personnel listed in SECTION 6.

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CONDITIONS OF CONTRACT
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- 1.11 "CO-VENTURERS" as applied to OPERATOR shall mean any parties to a joint venture agreement whereby the OPERATOR undertakes to act as operator for such participants of any Licence Block in which the CONTRACTOR may be required to perform the DRILLING SERVICES.
 - 1.12 "DEMOBILISATION" shall mean the period of time after the DRILLING UNIT has been moved to a mutually agreed port in Trinidad and all of OPERATOR'S and SERVICE COMPANY'S materials have been offloaded.
 - 1.13 "DEPTH" shall mean the depth of the hole as obtained by measuring the drilling string with a steel tape, using as datum the top of the Rotary Table.
 - 1.14 The "DRILLING SERVICES" shall mean the operations as defined in SECTION 4.
 - 1.15 The "DRILLING UNIT" shall mean the vessel as specified in SECTION 7 - Group 1.
 - 1.16 "EFFECTIVE DATE" shall mean the point in time that the DRILLING UNIT is under tight tow to Pascagoula, Mississippi to begin the Make Ready Period.
 - 1.17 "LAW" means any treaty, statute, law, directive, by-law, rule, order, decree, regulation, injunction, license, permit, approval, agreement or delegated legislation in each case of any Agency;
 - 1.18 "LOCATION" shall mean the location of any WELL.
 - 1.19 "MOBILISATION" shall mean the period of time from when the DRILLING UNIT is under tight tow to

Pascagoula, Mississippi, until the Make Ready Period has been completed, and until the COMMENCEMENT DATE.

- 1.20 "MONTH" shall mean a calendar month.
- 1.21 "OPERATOR" shall mean BP TRINIDAD AND TOBAGO LLC or any subsidiary thereof and also any reference to "OPERATOR" in this CONTRACT shall also include OPERATOR'S AFFILIATES and CO-VENTURERS.
- 1.22 "OPERATOR'S MATERIALS" shall mean the equipment, materials, services and supplies to be provided by the OPERATOR.
- 1.23 "OPERATOR'S REPRESENTATIVE" and "CONTRACTOR'S REPRESENTATIVE" shall mean those persons who are appointed as such from time to time by the OPERATOR and the CONTRACTOR respectively and whose names have been notified in writing by the appointing party to the other party.
- 1.24 "RIG ACCEPTANCE" shall mean that the OPERATOR'S REPRESENTATIVE certifies in writing on the IADC-API Official Daily Drilling Report Form that the CONTRACTOR'S EQUIPMENT is acceptable to commence the DRILLING SERVICES

SECTION 2
CONDITIONS OF CONTRACT
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- 1.25 "RIG STAFF" shall mean the Rig Manager, Assistant Rig Manager (if any), Toolpushers, Tour Pushers (if any), Drillers and Assistant Drillers of the CONTRACTOR'S PERSONNEL.
 - 1.26 The "SERVICE COMPANIES" shall mean the contractors (including their servants and agents) hired by the OPERATOR and providing miscellaneous services in conjunction with the DRILLING SERVICES.
 - 1.27 The "SUB-CONTRACTORS" shall mean the contractors approved by the OPERATOR and hired by the CONTRACTOR for any services in conjunction with the DRILLING SERVICES.
 - 1.28 "WELL" shall mean any OPERATOR'S well or drilling location (as hereinafter defined) whether already drilled, or yet to be drilled by OPERATOR in the CONTRACT AREA under the terms and conditions of the CONTRACT.
 - 1.29 "THIRD PARTY" shall for the avoidance of doubt, mean those parties excluding CONTRACTOR, SERVICE COMPANIES, OPERATOR, or SUB-CONTRACTORS.
 - 1.30 "TRINIDAD" means the Republic of Trinidad and Tobago.

Words importing the singular only also include the plural and vice versa where the context requires.

The headings in these CONDITIONS OF CONTRACT shall not be deemed to be part thereof or be taken into consideration of construction thereof or of the CONTRACT.

In the event of any conflict between this Section 2 and any of the other Sections of this CONTRACT, the provisions of this Section 2 shall prevail.

CLAUSE 2. CARRY OUT DRILLING SERVICES

The CONTRACTOR shall carry out the DRILLING SERVICES according to the specifications and instructions issued from time to time by the OPERATOR consistent with the terms of the CONTRACT.

CLAUSE 3. TERMINATION

- 3.1 Termination upon Loss of or Damage to the DRILLING

- i. The CONTRACT shall be terminated upon the total loss (as hereinafter defined) of the DRILLING UNIT, as certified by a mutually acceptable independent marine surveyor of the calibre of Noble Denton or Matthew Daniel. The surveyor shall be retained by and at the expense of the CONTRACTOR. Termination of the CONTRACT shall be at the date and time of such determination by such marine surveyor or the date of such compromised or arranged total loss.

In the context of this sub-clause 3.1(i) "total loss" shall mean an actual, constructive, compromised or arranged total loss of the DRILLING UNIT.

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CONDITIONS OF CONTRACT
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- ii. The CONTRACT shall be terminated if the DRILLING UNIT shall suffer damage that renders it incapable of continuing operations within one (1) month of suffering such damage, as certified by a mutually acceptable independent marine surveyor of the calibre of Noble Denton or Matthew Daniel. The surveyor shall be retained by and at the expense of the CONTRACTOR. Termination of the CONTRACT shall be at the date and time of such determination by such marine surveyor.

3.2 Failure to keep CONTRACTOR'S EQUIPMENT in CERTIFICATION

OPERATOR shall have the right to terminate the CONTRACT:

- (i) forthwith if the CONTRACTOR fails to comply with the requirements of sub-clause 4.2 of SECTION 4.
- (ii) by giving the CONTRACTOR seven days written notice after 10 days of expiry of CERTIFICATION if the CONTRACTOR has not commenced action to restore same.
- (iii) by giving the CONTRACTOR seven days written notice after 30 days of expiry of CERTIFICATION if the DRILLING UNIT has not been re-certified.

3.3 Termination upon expiry of the Term

Subject to the termination rights of OPERATOR, this CONTRACT shall terminate on the COMPLETION DATE, subject to the DEMOBILISATION obligations of OPERATOR. OPERATOR shall furnish towing vessels and related services, and pay the MOVING RATE to move the DRILLING UNIT to the mutually agreed port and to pay the lump-sum DEMOBILISATION CHARGE as described herein.

The OPERATOR shall be relieved from its obligation to pay the DEMOBILISATION CHARGE if the DRILLING UNIT is under contract to a third party to commence work for such third party in the waters of Trinidad and Tobago, or if a third party is paying for mobilization of the DRILLING UNIT from the waters of Trinidad and Tobago. In such event, the CONTRACT shall terminate when the OPERATOR's and SERVICE COMPANY's materials are offloaded and the DRILLING UNIT is under tight tow to the third party location. In such event, CONTRACTOR shall furnish towing vessels and related services to take the DRILLING UNIT to its new location.

3.4 Termination Without Cause

Commencing six (6) months from the COMMENCEMENT DATE, OPERATOR may terminate the CONTRACT without cause after six (6) month's written notice to CONTRACTOR. Should OPERATOR terminate the CONTRACT without cause, and not pursuant to Clause 3.1 or 3.2 of hereof or the default of the CONTRACTOR with regard to unsatisfactory performance, failure to provide equipment, breach of CONTRACT, requisition, liquidation or insolvency, all as described in clause 5 hereof, or force majeure as described in clause 10 hereof, the OPERATOR will reimburse the CONTRACTOR as follows:

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The DEMOBILIZATION CHARGE (if applicable), plus 60% of the OPERATING RATE for the remaining balance of the term of the CONTRACT that has not been utilised, and the unamortized portion of the Make Ready additions and changes described on Schedule 6.3, based on the "BP Amortized Amount" set forth on Schedule 6.3. The CONTRACT shall terminate upon CONTRACTOR's receipt of payment of such amounts from OPERATOR.

For example, if OPERATOR gives written notice to CONTRACTOR eighteen (18) months after the COMMENCEMENT DATE that the CONTRACT will terminate twenty-four (24) months after the COMMENCEMENT DATE, then the OPERATOR would pay to CONTRACTOR (i) \$2,800,000 for the DEMOBILIZATION CHARGE, (ii) \$15,987,000 (60% of the OPERATING RATE of \$73,000 for the then remaining 365 days of the term of the CONTRACT), and (iii) \$551,008 for OPERATOR's share of the unamortized amount of the Make Ready additions pursuant to Schedule 6.3 (such amounts are exclusive of any applicable VAT payable by OPERATOR).

CLAUSE 4.

ACCESS TO LOCATIONS

The OPERATOR shall secure for the CONTRACTOR and its SUB-CONTRACTORS rights of access to and from LOCATIONS. The OPERATOR shall use its best endeavours to advise the CONTRACTOR of any limitations, restriction or conditions, which may affect such access, and the CONTRACTOR shall abide by such limitations, restrictions and conditions as aforesaid.

OPERATOR shall be responsible for selecting, marking and clearing drilling LOCATIONS, for providing proper and sufficient certificates, permits or permission necessary to enter upon and operate on the LOCATIONS, and for notifying CONTRACTOR of any impediments or hazards to operations at each LOCATION or within the anchor pattern, including, without limitation, any pipelines, cables, boulders, mud filled depressions or faulty bottom conditions in the area. OPERATOR also shall provide CONTRACTOR with soil and sea bottom condition surveys at each LOCATION adequate to satisfy CONTRACTOR's marine surveyor. In the event the DRILLING UNIT is used over a platform, all surveys to determine the structural integrity of the platform will be the responsibility of OPERATOR.

Should seabed conditions be unsatisfactory to properly support or moor the DRILLING UNIT upon arrival at the LOCATION, OPERATOR shall continue to pay CONTRACTOR the STANDBY RATE set forth in Schedule 5.1 to Section 5 of this CONTRACT, until seabed conditions are ultimately remedied. All expenses associated with improvements to the seabed and repositioning of the DRILLING UNIT at the LOCATION shall be for OPERATOR's account.

Notwithstanding any other provision of this CONTRACT, except in the event of CONTRACTOR'S negligence, should

there be obstructions at or within the area of the LOCATION, including the anchor pattern, or faulty bottom conditions, which have not been identified by OPERATOR and these obstructions or faulty bottom conditions damage CONTRACTOR'S EQUIPMENT, or CONTRACTOR'S EQUIPMENT damages these obstructions, or

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CONDITIONS OF CONTRACT
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if seabed conditions prove unsatisfactory to properly support or moor the DRILLING UNIT during operations hereunder, OPERATOR will be responsible for and indemnify and hold harmless CONTRACTOR for all resulting damages, including, without limitation, payment of the STANDBY RATE during required repairs, but OPERATOR will receive credit for any physical damage insurance proceeds received by CONTRACTOR as a result of any damage to the DRILLING UNIT

CLAUSE 5. OPTIONAL RIGHTS OF THE OPERATOR IN THE EVENT OF DEFAULT BY THE CONTRACTOR

5.1 Unsatisfactory performance by the CONTRACTOR

In the event that the OPERATOR is dissatisfied with the performance of the CONTRACTOR hereunder on account of sustained, unreasonably slow progress or for demonstrated incompetency as a result of causes reasonably within the CONTRACTOR'S control, including, without limitation, time lost from lack of crews, stores, or poorly maintained equipment, or failure to observe safe operating practices, the OPERATOR shall notify the CONTRACTOR in writing with specificity as to the cause of its dissatisfaction. Should the CONTRACTOR fail to demonstrate to the OPERATOR'S satisfaction that it has taken measures to remedy the matters so specified within a period of not more than seven (7) days, the OPERATOR shall have the right to terminate the CONTRACT upon completion of the current operation then being performed at the time of receipt of the notification of dissatisfaction as aforesaid. In the case of events requiring replacement of parts or equipment, CONTRACTOR shall be allowed a reasonable time for transit of materials and clearances through customs, subject to OPERATOR'S payment obligations pursuant to Clause 5.3 of Section 5. No further payments shall be due to the CONTRACTOR other than those outstanding for work done prior to the said termination and the DEMOBILISATION CHARGE.

5.2 CONTRACTOR'S failure to perform its obligations or to provide the CONTRACTOR'S EQUIPMENT

In the event of the CONTRACTOR'S continuous failure to perform any of its obligations or to provide any of the CONTRACTOR'S EQUIPMENT or in the event that the CONTRACTOR fails to demonstrate that the CONTRACTOR'S EQUIPMENT is capable of meeting the manufacturer's rating for such equipment for sustained operations, in each case so as to jeopardize the integrity of the well bore or which results in unreasonably slow progress, the OPERATOR shall notify the CONTRACTOR in writing specifying the deficiencies of CONTRACTOR'S performance or such CONTRACTOR'S EQUIPMENT which the CONTRACTOR has so failed to provide or for which CONTRACTOR has failed to demonstrate that such CONTRACTOR'S EQUIPMENT is capable of meeting the manufacturer's rating for such equipment for sustained operations, and immediately thereafter the OPERATOR shall have the right to exercise one of the following options:-

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SECTION 2
CONDITIONS OF CONTRACT

- (a) To shutdown such operations until such time as the CONTRACTOR shall have made good the deficiencies in the said equipment whether as to provision or to performance.

For any such period of shutdown the OPERATOR shall pay the CONTRACTOR:

- (i) at the REPAIR RATE in accordance with SECTION 5 hereof provided the shutdown is due to an abnormal failure of a component of CONTRACTOR'S EQUIPMENT. An abnormal failure is defined as being a failure, which is not due to a lack of proper maintenance, by the CONTRACTOR.
- (ii) at NIL rate if the shutdown is due to lack of proper maintenance by the CONTRACTOR.

In all such instances referred to in (i) and (ii) above the OPERATOR shall have the exclusive right to terminate the CONTRACT any time after a shutdown period has exceeded twenty-one (21) days.

In such event the OPERATOR shall not be liable for any further payments to the CONTRACTOR, other than those outstanding for work done prior to the said termination and the DEMOBILISATION CHARGE.

- (b) To hire from the nearest available source satisfactory to the OPERATOR all such equipment as may be required to complete essential operations:

- (i) arising out of the CONTRACTOR'S failure so to provide the DRILLING EQUIPMENT or any part thereof, until the CONTRACTOR shall have provided as aforesaid, or
- (ii) arising out of any sustained failure of the DRILLING EQUIPMENT or any part thereof that CONTRACTOR cannot demonstrate that it can meet manufacturer's specifications for sustained operations, until the CONTRACTOR can demonstrate to the OPERATOR that the said equipment or part thereof can meet the said manufacturer's specifications for sustained operations.

All costs incurred by the OPERATOR in hiring and transporting such equipment shall be a debt due to the OPERATOR from the CONTRACTOR and shall be deducted from any monies due to the CONTRACTOR from the OPERATOR.

5.3 Breach of the CONTRACT by the CONTRACTOR

Subject to other provisions in the CONTRACT, in the event of a material breach by the CONTRACTOR of any of the terms and conditions of the CONTRACT, the OPERATOR shall have the right to give written notice to the CONTRACTOR specifying such breach and calling upon the CONTRACTOR to remedy the breach forthwith and the CONTRACTOR shall not be entitled to payment for work

performed in making good the breach. If after receipt of such notice the CONTRACTOR does not remedy such breach within a reasonable period (which period the OPERATOR shall advise in the aforesaid written notice and which shall take into account the nature of the breach), but in no event less than ten (10) days, then the OPERATOR may at its own option adopt one of the following provisions:

- (i) terminate the CONTRACT as soon as is practicable on expiry of the said period. After such termination the OPERATOR shall not be liable for any payments to the CONTRACTOR other than those outstanding for work done prior to the said termination and the DEMOBILISATION CHARGE.
- (ii) in the event the OPERATOR does not wish to terminate pursuant to (i) above, OPERATOR may instruct the CONTRACTOR to shut down the CONTRACTOR'S EQUIPMENT and the OPERATOR shall pay the CONTRACTOR at SHUTDOWN WITH CREW RATE for such period as OPERATOR requires from the date of such shutdown and thereafter apply the provisions of (i) of this sub-clause.

CLAUSE 6.

LIABILITIES AND INDEMNITIES

6.1 The CONTRACTOR'S EQUIPMENT

- (a) The CONTRACTOR shall indemnify the OPERATOR and the SERVICE COMPANIES and hold the OPERATOR and the SERVICE COMPANIES harmless from and against any and all liability for loss, damage or destruction of the CONTRACTOR'S EQUIPMENT whether arising out of the CONTRACT or in tort, and against all claims, demands, proceedings and causes of action resulting therefrom, regardless of how such loss, damage or destruction occurs, notwithstanding that such loss or damage as aforesaid may have been due to the negligence of the OPERATOR or its SERVICE COMPANIES and its or their personnel or agents excepting only CONTRACTOR'S EQUIPMENT below the rotary table as stated in sub-clause 6.1(b) below.
- (b) The OPERATOR shall assume liability at all times during the DRILLING SERVICES for loss of or damage to the CONTRACTOR'S equipment below the rotary table except fair wear and tear. Notwithstanding anything in the CONTRACT to the contrary, the OPERATOR shall reimburse the CONTRACTOR for the replacement cost less depreciation of any such equipment so lost, and in respect of equipment so damaged whichever shall be the lesser of the replacement on-site cost less depreciation or the repair cost, provided that such equipment and the operation during which or as a result of which the said equipment has been lost or damaged as aforesaid has been approved by the OPERATOR'S REPRESENTATIVE prior to such operation and unless such loss or damage is due to the negligence and/or default of the CONTRACTOR, its SUB-CONTRACTORS or the PERSONNEL or agents of the CONTRACTOR in conducting the operation at that time.

Depreciation shall be calculated monthly from the original purchase date and price at one (1) percent per month, but not to exceed 50% of the current replacement cost.
Reimbursement

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shall be reduced by any amount recovered by
CONTRACTOR through insurance, which
CONTRACTOR shall diligently seek to recover.

6.2 The OPERATOR'S MATERIALS

- (a) The CONTRACTOR shall take all reasonable precautions (including but not limited to the making out of loading notes) to protect and save from loss or damage items of the OPERATOR'S MATERIALS and materials of the SERVICE COMPANIES while in the custody of the CONTRACTOR. Subject to sub clause 6.2(b) below when no longer required for operations hereunder the CONTRACTOR shall return to the OPERATOR after use such of the said OPERATOR'S MATERIALS as have not been properly consumed, in the same condition as when handed to the CONTRACTOR fair wear and tear excepted.
- (b) The CONTRACTOR shall not be liable to the OPERATOR for any loss of or damage to items of the OPERATOR'S MATERIALS except that caused by the negligence or default of the CONTRACTOR its personnel or agents or the SUB-CONTRACTORS or their personnel or agents, while in the custody of the CONTRACTOR.

6.3 Personnel and Property

- (a) Subject always to subclauses 6.5(a), 6.5(b)(ii) and (iii), and 6.5(c), the CONTRACTOR shall indemnify the OPERATOR and hold the OPERATOR harmless from and against any and all liability for sickness, injury or death of any THIRD PARTY person or the loss of or damage to any THIRD PARTY property and against all claims, demands, proceedings and causes of action resulting therefrom due to any negligent act or default on the part of the CONTRACTOR, its SUB-CONTRACTORS or its or their personnel or agents in the performance of any of its obligations hereunder or otherwise arising in connection with the CONTRACT.
- (b) The CONTRACTOR shall indemnify the OPERATOR and the SERVICE COMPANIES and hold the OPERATOR and the SERVICE COMPANIES harmless from and against any and all liability for loss of or damage to property of or in the possession and control of the CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S personnel and against any and all liability for sickness, injury or death to any of the CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S personnel arising out of the CONTRACT or in tort and against all claims, demands, proceedings and causes of action resulting therefrom notwithstanding that such loss or damage to such property or sickness, injury or death to the personnel as aforesaid may have been due to the negligence or default of the OPERATOR or its personnel or agents or the SERVICE COMPANIES or their personnel or agents.
- (c) The OPERATOR shall indemnify the CONTRACTOR and hold the CONTRACTOR harmless from and against any and all liability for loss of or damage to property of or in the possession and control of the OPERATOR'S personnel or SERVICE COMPANY personnel and against any and all liability for sickness, injury, or death to any of the OPERATOR'S personnel or SERVICE COMPANY personnel arising out of the CONTRACT or in tort and against all claims, demands, proceedings and causes of action resulting

therefrom notwithstanding that such loss or damage to such property or sickness, injury or death to the personnel as aforesaid may have been due to the negligence or default of the CONTRACTOR or its PERSONNEL or agents or the SUB-CONTRACTORS or their personnel or agents or the SERVICE COMPANIES or their personnel or agents..

- (d) The OPERATOR shall indemnify the CONTRACTOR and hold the CONTRACTOR harmless from and against any and all liability for sickness, injury or death of any THIRD PARTY person or the loss of or damage to any THIRD PARTY property and against all claims, demands, proceedings and causes of action resulting therefrom due to any negligent act or default on the part of the OPERATOR, its SERVICE COMPANIES, or its or their personnel or agents in the performance of any of its obligations hereunder or otherwise arising in connection with the CONTRACT.

6.4 Loss of or Damage to the Hole

In the event that the hole should be lost or damaged arising out of operations hereunder due to the negligence of the CONTRACTOR, its personnel or agents then the OPERATOR may instruct the CONTRACTOR either to drill a new hole to the depth at which the said loss or damage occurred or to re-drill such section of the damaged hole in both instances at the REDRILLING RATE and in accordance with the terms of the CONTRACT. Except for the foregoing obligation of CONTRACTOR, and notwithstanding anything else in this CONTRACT to the contrary, CONTRACTOR shall not be liable for damage to or loss of the WELL.

6.5 Underground Damage and Control of Blowout and Pollution

(a) Reservoir Damage

Notwithstanding anything in the CONTRACT to the contrary, the OPERATOR shall indemnify and hold the CONTRACTOR harmless against any damage to or destruction of or loss or impairment of any property right in or to oil, gas or other mineral substance or water if at the time of the act or omission causing such damage, destruction, loss or impairment the said substance had not been reduced to physical possession above the surface of the sea-bed, and for any loss or damage to any formation strata or reservoir beneath the seabed resulting from operations under the CONTRACT. The CONTRACTOR shall not make any payment due hereunder without prior approval from the OPERATOR.

(b) Pollution

- (i) Notwithstanding anything in the CONTRACT to the contrary, the CONTRACTOR shall assume all responsibility for, including control and removal of, and hold the OPERATOR harmless from, loss or damage originating from the DRILLING UNIT arising from pollution or contamination from, by way of example,

spills of fuels, drilling fluids (except as provide for under Clause 6.5 (b) (iii), lubricants, motor oils, pipe dope, paints, solvents, ballast, bilge and garbage wholly in the CONTRACTOR'S or its SUB-CONTRACTOR'S possession and control.

- (ii) Except as provided in (i) of this sub-clause, and notwithstanding anything in the CONTRACT to the contrary, the OPERATOR shall assume all responsibility for pollution, including control and removal of pollution or contamination, which may result from fire, blowout, cratering, seepage, or any other uncontrolled flow of oil, gas, wastes or other substance from any WELL arising out of the CONTRACT, or which may emanate from any platform, pipeline or other equipment or facility owned or operated by the OPERATOR, and the OPERATOR shall indemnify and hold harmless the CONTRACTOR from and against any and all claims, demands, proceedings and causes of action from any party under this CONTRACT or any THIRD PARTY (including, without limitation, any AGENCY) resulting from or connected with the above.
 - (iii) The OPERATOR shall further assume all responsibility for any pollution or contamination arising from the use or disposal of oil emulsion, oil based or chemically treated drilling fluids, contaminated cuttings and cavings, lost circulation materials and fluids as well as the furnishing, transportation and disposal or containerisation of any materials when such are required unless caused by the negligence of the CONTRACTOR, or its SUB-CONTRACTORS or its or their personnel or agents.
 - (iv) The CONTRACTOR shall immediately notify the OPERATOR of all instances of pollution arising out of operations hereunder and confirm such notification in writing or by e-mail to the OPERATOR within twelve (12) hours of the event.
- (c) Notwithstanding anything in this CONTRACT to the contrary, OPERATOR shall be solely responsible for, and indemnify and hold harmless CONTRACTOR from and against, all costs of regaining control of any wild well.

6.6 Sunken Property

When required by law or governmental authority or when CONTRACTOR'S sunken property interferes with present or future operations of the OPERATOR, the CONTRACTOR shall at its own expense raise and remove the DRILLING UNIT and any property of the CONTRACTOR or its SUB-CONTRACTORS which may sink in the course of operations hereunder or otherwise deal with it in accordance with the OPERATOR'S direction. In the event that the CONTRACTOR does not carry out these obligations the OPERATOR may buoy and light the sunken DRILLING UNIT or property and may remove it (without prejudice to the OPERATOR'S rights) and in such event CONTRACTOR shall refund to the OPERATOR all costs so incurred. The fact that the sunken DRILLING UNIT or property is insured or has been declared a total loss shall not absolve the CONTRACTOR from its obligations to raise and/or remove same. This CLAUSE shall remain binding on the CONTRACTOR and OPERATOR notwithstanding the termination of the CONTRACT for any reason.

6.7 Consequential Damages

Notwithstanding any other provision in the CONTRACT in no event shall the CONTRACTOR, SERVICE COMPANIES or OPERATOR or its CO-VENTURERS in the CONTRACT AREA be liable one to the other for any consequential damages which may be suffered by any or all parties in connection with the performance of or otherwise arising under the CONTRACT notwithstanding that such consequential damages may have been due to the negligence of any of the parties aforesaid. Consequential damages shall mean, but not by way of limitation, loss of profits, loss of production or business interruption.

6.8 Notwithstanding anything to the contrary contained in sub clauses 6.1 to 6.7 inclusive, it is clearly understood between all parties that the CONTRACTOR only provides the above indemnities in respect of SERVICE COMPANIES and likewise OPERATOR only provides indemnities in respect of SERVICE COMPANIES on the express understanding that SERVICE COMPANIES provide reciprocal indemnities to CONTRACTOR as contained in the SERVICE COMPANIES contracts with OPERATOR.

6.9 The rights of CONTRACTOR and of OPERATOR under this Clause 6 shall extend to their respective Affiliates and employees and employees of their respective Affiliates.

6.10 The rights and obligations under this Clause 6 shall continue notwithstanding the completion or termination of the work under this CONTRACT.

CLAUSE.7. CONTRACTOR'S INSURANCES

7.1 The CONTRACTOR shall take out and maintain appropriate first class insurance with respect to its liabilities assumed and indemnities given under the CONTRACT and as specifically required in SECTION 3 hereof. All such policies shall contain waivers of rights of subrogation against the OPERATOR, its CO-VENTURERS, AFFILIATES and the SERVICE COMPANIES.

The CONTRACTOR shall give the OPERATOR thirty days written notice of any proposed material change in any policy.

7.2 The CONTRACTOR shall extend to the OPERATOR, its CO-VENTURERS and the SERVICE COMPANIES the benefit of any Hull and Machinery insurance cover, which may exist under the CONTRACTOR'S insurance provisions.

7.3 If the CONTRACTOR shall fail to effect and keep in force any of the Insurances referred to herein, then the OPERATOR may effect and keep the same in force and pay such premium as may be necessary for that purpose and from time to time deduct the amount so paid by the OPERATOR as aforesaid from any monies due or which may become due to the CONTRACTOR or recover the same as a debt due from the CONTRACTOR.

7.4 CONTRACTOR shall require its SUB-CONTRACTORS to obtain, maintain and keep in force during the time in which they are engaged in performing any work

hereunder, insurance coverage acceptable to CONTRACTOR and furnish CONTRACTOR acceptable evidence of such insurance. CONTRACTOR shall require all insurance policies carried by the SUB-CONTRACTOR to contained endorsements waiving insurer's rights of subrogation against the OPERATOR, its CO-VENTURERS, AFFILIATES and the SERVICE COMPANIES.

- 8.1 CONTRACTOR shall be responsible for, and shall hold OPERATOR harmless from the reporting, filing and payment of any taxes (wherever and whenever arising), duties, charges or fees (and any related fines, penalties, or interest) imposed (except as provided in Section 8.2 herein) directly or indirectly on CONTRACTOR or its SUB-CONTRACTORS, shareholder(s), employees, agents or servants as a result of CONTRACTOR's performance under this CONTRACT in all jurisdictions. OPERATOR may withhold from sums otherwise due CONTRACTOR under this Contract any taxes or amounts required by applicable law to be withheld and paid to the appropriate taxing authorities and, OPERATOR shall provide CONTRACTOR with all receipts evidencing the payment to such authorities of the taxes or amounts so withheld.
- 8.2 The payments provided for pursuant to Section 5 are exclusive of any value added taxes or sales/service taxes which may be imposed on such payments by the taxing authorities having jurisdiction. Subject to OPERATOR's right to verify that CONTRACTOR and its SUB-CONTRACTORS are registered in accordance with the appropriate section of the Trinidad and Tobago Value Added Tax Act; and the right to verify that such taxes apply to the payments made hereunder, and subject to OPERATOR's right to verify CONTRACTOR's payment of such taxes to the appropriate taxing authorities, OPERATOR shall pay CONTRACTOR the amount of such taxes upon receipt of invoice, including the amount of such taxes, which invoice is issued in compliance with the applicable tax laws. CONTRACTOR shall use its best efforts to avail itself of any and all exemptions from and/or reductions of such taxes.
- 8.3 CONTRACTOR shall comply and shall use reasonable efforts to ensure that all SUB-CONTRACTORS comply, with all legal contractual and administrative requirements in relation to their status and presence in Trinidad, including, without limitation, registration for corporation tax and value added tax purposes. For the avoidance of doubt, CONTRACTOR will be registered for corporation tax and value added tax under the appropriate sections of the Government of the Republic of Trinidad and Tobago Income Tax Act and/or Corporation Tax Act and Value Added Tax Act for the duration of this CONTRACT and will provide OPERATOR satisfactory evidence to that effect. CONTRACTOR shall indemnify and hold harmless OPERATOR for any failure by it or its SUB-CONTRACTORS to comply with the requirements of this clause.
- 8.4 For all personnel of CONTRACTOR and its SUB-CONTRACTORS, and all local personnel directly employed by CONTRACTOR and its SUB-CONTRACTORS in Trinidad in connection with CONTRACTOR's performance under this Contract, personal income tax obligations, including withholding tax, shall be the responsibility of CONTRACTOR. CONTRACTOR shall indemnify and hold OPERATOR harmless from any failure by it or its SUB-CONTRACTORS to calculate and collect this income tax and pay it directly to the applicable authorities. In no instance shall such personnel be considered to be employees of OPERATOR.

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- 8.5 Any fines, interest, penalties or other costs incurred by CONTRACTOR or its agents, employees or SUB-CONTRACTORS for non-compliance by CONTRACTOR, its agents, employees or SUB-CONTRACTORS with the requirement of any LAWS shall be the sole responsibility of CONTRACTOR.
 - 8.6 CONTRACTOR shall indemnify OPERATOR against any and all costs including fines, interest, penalties and

reasonable legal costs suffered or incurred by OPERATOR and resulting from CONTRACTOR's failure to comply with relevant taxation and import or custom duty requirements.

8.7 CONTRACTOR shall be liable for and shall indemnify and hold harmless OPERATOR against any taxes, duties, levies, charges, and/or fees assessed in connection with the importation, sale or disposition of assets of CONTRACTOR, or assets of any SUB-CONTRACTOR and for the failure to export such previously imported assets or the assets of any SUB-CONTRACTOR following the conclusion of the work to be performed under this Contract. OPERATOR shall not be liable and OPERATOR shall not reimburse CONTRACTOR for any third party fees or charges in connection with such importation or exportation.

8.8 CONTRACTOR acknowledges that it is aware that OPERATOR is anticipated to obtain a Minister's License under the Customs Act of the laws of the Republic of Trinidad and Tobago, which will provide for exemption from import duties in Trinidad in relation to imports associated with OPERATOR's offshore petroleum and exploration operations. CONTRACTOR undertakes to comply fully and to procure the compliance of all SUB-CONTRACTORS with all legal, contractual and administrative requirements of OPERATOR and any AGENCY and to provide accurate and timely information to enable OPERATOR to fully benefit from such exemption in connection with any imports associated with or linked to CONTRACTOR's performance under this Contract. CONTRACTOR shall indemnify and hold harmless OPERATOR for any failure by CONTRACTOR or its SUB-CONTRACTORS to comply with such requirements, which results in any imposition of import duties, penalties, interest or fines in respect of such imports.

CLAUSE 9.

BANKRUPTCY OR LIQUIDATION

If the CONTRACTOR shall become bankrupt or insolvent, or have a receiving order made against it, or present a petition in bankruptcy or make an arrangement with or an assignment in favour of its creditors, or shall agree to carry out the CONTRACT under a Committee of Inspection of its creditors, or commence to be wound up (not being a member's voluntary winding up for the sake of reconstruction), or shall carry on its business under a receiver for the benefit of its creditors or any of them then the OPERATOR shall be at liberty either

- (a) to suspend immediately all or any of the operations then in progress and to remove its property and the property of its SERVICE COMPANIES located on the DRILLING UNIT or in the possession of the CONTRACTOR, or
- (b) to give such receiver liquidator or any other person in whom the CONTRACT may become vested the option of carrying out the CONTRACT

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subject to his providing a guarantee in an amount to be agreed for the due and faithful performance of the CONTRACT without prejudice in either event to any right of action or remedy which shall have accrued or shall accrue thereafter to the OPERATOR, or

- (c) to terminate the CONTRACT upon the completion of the current operations then being performed. No further payments shall be due to the CONTRACTOR or its receiver other than those for work done prior to the

said termination

CLAUSE 10.

FORCE MAJEURE

No failure or omission by either party to carry out or observe any of the stipulations, conditions or obligations to be performed hereunder shall, except as herein expressly agreed to the contrary, give rise to any claim against such party or be deemed to be a breach of the CONTRACT if such failure or omission arises from an event of force majeure.

An event of force majeure shall mean expropriation or confiscation, orders of governmental authority, acts of war (declared or undeclared), insurrection, rebellion or sabotage, civil disturbances, strikes (except of the CONTRACTOR'S or SUB-CONTRACTOR'S own workforce), actions of the elements (except waiting on weather in the field) or other causes beyond the reasonable control of the parties affected thereby but specifically excluding financial distress.

If by any reason of force majeure either party shall be prevented from executing or continuing to execute the CONTRACT, the party so prevented shall forthwith give notice in writing to the other party of such prevention and the reasons therefor. Except for the obligation to pay monies due under the CONTRACT, the obligations of the parties as have been thus affected shall be suspended for the duration of such prevention.

In the event that the CONTRACTOR is unable to carry out the DRILLING SERVICES by reason of force majeure the OPERATOR shall have the right to instruct the CONTRACTOR to remain on LOCATION or to move to a new LOCATION and the appropriate rate as set out in SECTION 5 shall be payable.

In the event the OPERATOR does not exercise this right and the execution of the CONTRACT has been prevented for a period of not less than 28 days (during which period the Schedule 5.1 - FORCE MAJEURE a) Rate shall be payable by OPERATOR) then either party shall have the right to terminate the CONTRACT by giving twenty-one (21) days written notice to the other (during which period the Schedule 5.1 - FORCE MAJEURE b) Rate shall be payable by OPERATOR). Upon such notice being given the CONTRACT shall forthwith be terminated in respect of that operation or the whole of the CONTRACT according to the subject matter of the notice, but without prejudice to the claim of any party in respect of any antecedent breach thereof. In such event, OPERATOR shall pay the DEMOBILISATION FEE in accordance with the other provisions of this CONTRACT.

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CLAUSE 11.

FREEDOM FROM LIENS

Without prejudice to any other provision of the CONTRACT the CONTRACTOR shall hold harmless and indemnify the OPERATOR from and against all liens, attachments or claims by or on behalf of any of the CONTRACTOR'S suppliers, CONTRACTOR'S PERSONNEL or SUB-CONTRACTORS (or persons alleging to be suppliers, CONTRACTORS PERSONNEL or SUB-CONTRACTORS) in connection with or arising out of the CONTRACT.

CLAUSE 12.

CONTRACTOR TO MAINTAIN REPRESENTATION

For a period of not less than 2 years after the termination or completion of the CONTRACT howsoever arising the CONTRACTOR shall maintain representation in the Republic of Trinidad and Tobago through the services of a person, firm or corporation resident in the CONTRACT AREA. Such person, firm or corporation

shall be empowered to act and shall have the right to receive summonses on behalf of the CONTRACTOR in any matter having reference to the business or affairs of the CONTRACTOR and arising out of or connected with the CONTRACT. Before appointing any such person, firm or corporation the CONTRACTOR shall obtain the prior approval of the OPERATOR thereto.

CLAUSE 13. GIVING OF NOTICES AND PAYMENT OF FEES

The CONTRACTOR shall in connection with the CONTRACT give all notices and pay all fees and any other monies required to be given or paid under any Statute, Ordinance, Decree, Proclamation or any other Order or any other enactment or any regulations or By-law of any Local or other duly constituted authority having the force of law in the CONTRACT AREA and under the rules and regulations of all public bodies and public companies whose property or rights are affected or may be affected, provided always that the OPERATOR will repay or allow to the CONTRACTOR all such sums as OPERATOR'S REPRESENTATIVE shall certify to have been properly and necessarily payable and paid by the CONTRACTOR in respect of any such fees or monies the obligation for which does not exist at the date hereof, provided further that in respect of any such fees or monies the obligation for payment of which does exist at the date hereof but which ceases after the date hereof the CONTRACTOR shall repay or allow to the OPERATOR all such sums as OPERATOR'S REPRESENTATIVE shall certify are not properly payable by it or which if paid are refundable to it.

CLAUSE 14. CONFIDENTIAL INFORMATION

All information obtained by the CONTRACTOR in the course or conduct of its services hereunder shall be considered confidential and shall not be divulged by the CONTRACTOR, its personnel or agents to any person, firm or corporation other than the OPERATOR'S designated representatives. CONTRACTOR'S report shall contain only such information as is authorised for release by the OPERATOR's representative. The obligations under this clause shall continue notwithstanding the completion or termination of the work under this CONTRACT.

CLAUSE 15. PUBLICITY

The CONTRACTOR shall not publish or permit to be published either alone or in conjunction with any other person any articles, photographs or other illustrations relating to the OPERATOR'S business generally or to the work hereunder, without prior reference to and approval in writing from OPERATOR. Such consent shall only apply to each specific application and relate only to that application. The accuracy of any information, which was not supplied directly by OPERATOR, shall be the absolute responsibility of the CONTRACTOR. As an exception to the requirement for reference to and approval of OPERATOR in respect to publications or the permitting of publications of any articles, photographs or other illustrations relating to the work hereunder, CONTRACTOR shall not be obligated to make such reference and obtain such consent if such publication is required, in CONTRACTOR'S reasonable opinion, to be disclosed by applicable LAWS or stock exchange rules. In such event, CONTRACTOR shall inform OPERATOR prior to making such disclosure. The obligations of this clause shall continue notwithstanding the completion or termination of the work under this CONTRACT.

CLAUSE 16. ASSIGNMENT AND SUB-CONTRACTING

16.1 Assignment

Except to wholly-owned subsidiary of CONTRACTOR capable of performing CONTRACTOR'S obligations hereunder the CONTRACTOR shall not without the prior written consent of the OPERATOR assign the CONTRACT or any part thereof or any benefit or interest therein or thereunder. Such consent shall not be unreasonably withheld. In the event of assignment to a wholly-owned subsidiary of CONTRACTOR, CONTRACTOR shall give prior written notice of the intended assignment and CONTRACTOR shall remain primarily responsible to OPERATOR for the obligations of the assignee which pertain to this CONTRACT and shall be liable for any and all obligations set forth herein in the event that such assignee fails to fulfil any obligation imposed on the CONTRACTOR herein.

OPERATOR may assign or sub-let the whole or part of its rights, liabilities and obligations to a wholly owned subsidiary of the BP Amoco plc upon the terms and conditions as those agreed between the parties hereto without the consent of the CONTRACTOR, and to any other party with the consent of the CONTRACTOR and such consent shall not be unreasonably withheld.

16.2 Sub-Contracting

The CONTRACTOR shall not enter into any sub-contract for the whole or any part of its obligations under the CONTRACT without the prior written consent of the OPERATOR and such consent if given shall not relieve the CONTRACTOR from any liability or obligation under the CONTRACT and the CONTRACTOR shall be responsible for the acts, defaults and negligence of any SUB-CONTRACTOR, its personnel or agents as fully as if they were the acts, defaults or neglects of the CONTRACTOR, its personnel or agents.

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The CONTRACTOR shall ensure that all its sub-contracts shall include provisions to the like effect as the provisions hereof. In addition the CONTRACTOR shall ensure that the SUB-CONTRACTOR'S personnel (where applicable) are made aware of, and follow the provisions for Fire and Safety Precautions and Emergency Procedures as set out in SECTION 4.

CLAUSE 17. APPLICATION OF LAWS AND REGULATIONS

The CONTRACTOR shall comply with all laws, rules and regulations of Government or local or other authority which are effective at the date hereof or may in the future become applicable to the CONTRACTOR'S business, CONTRACTOR'S EQUIPMENT and CONTRACTOR'S PERSONNEL engaged in the operations hereunder. The CONTRACTOR shall promptly advise the OPERATOR of any such laws, rules or regulations with which it believes it is unable to comply.

The CONTRACTOR shall ensure that its PERSONNEL, SUB-CONTRACTORS and agents observe all such laws, rules and regulations and shall at the CONTRACTOR'S expense replace any CONTRACTOR'S PERSONNEL or SUB-CONTRACTOR'S personnel or agents whose conduct or behaviour may reasonably be considered by the OPERATOR to be in breach or conflict with such laws, rules or regulations.

CLAUSE 18. SERVING OF NOTICES

18.1 Any notice in writing to be given hereunder to the OPERATOR shall be sent by hand, telex, facsimile or registered post to the OPERATOR to the at the following address:

BP TRINIDAD AND TOBAGO LLC

P.O. Box 714 or by hand Queen's Park Plaza
Port of Spain 5 & 5A Queen's Park West
Trinidad, West Indies Port of Spain, Trinidad

Attention: THE CONTRACTS MANAGER

Telephone: (868) 623-2862

Fax: (868) 627-7878

- 18.2 Any notice in writing to be given hereunder to the CONTRACTOR shall be sent to it by hand, telex, facsimile or registered post at its address stated in the CONTRACT or some address in the CONTRACT AREA stated by it to be in lieu thereof for the purpose of this sub-clause.

Chiles Offshore Inc.
11200 Richmond Avenue, Suite 490
Houston, Texas 77082-2618
Attention: Mr. Chris Pinkard, Vice President

Telephone: (713) 339-3777
Fax: (713) 339-3888

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- 18.3 Any such notice given by facsimile shall be deemed to have been received and shall take effect at the expiration of 24 (twenty-four) hours after the sending.

CLAUSE 19. VARIATION AND WAIVER

No variation or waiver of any obligation hereunder shall be valid or effective unless confirmed in writing in the case of a variation by all parties and in the case of a waiver then by the party towards whom the obligation shall have been undertaken.

CLAUSE 20. INDEPENDENT CONTRACTOR RELATIONSHIP

- 20.1 In the performance of the DRILLING SERVICES the CONTRACTOR shall be an independent Contractor with the authority to control and direct the performance thereof, but the DRILLING SERVICES shall be subject to the approval of the OPERATOR and be subject to a general right of inspection and any necessary supervision thereof which the OPERATOR may choose to exercise if necessary to secure the satisfactory completion thereof.
- 20.2 The actual performance and superintendence of the DRILLING SERVICES hereunder shall be by the CONTRACTOR but the OPERATOR REPRESENTATIVE shall at all times have access to all parts of the DRILLING UNIT for the purpose of inspecting the CONTRACTOR'S EQUIPMENT or observing tests or inspecting the DRILLING SERVICES in order to judge whether in the OPERATOR'S opinion the CONTRACTOR'S EQUIPMENT is complete and in an efficient operating condition and whether the DRILLING SERVICES are being performed by the CONTRACTOR in accordance with the provisions of this CONTRACT. In addition, operations shall be carried out at the request and in accordance with the instructions of the OPERATOR'S REPRESENTATIVE who shall inform the CONTRACTOR'S REPRESENTATIVE of the end result desired from any operation, but the CONTRACTOR shall have the entire responsibility for the proper and timely execution thereof.
- 20.3 The CONTRACTOR shall give all reasonable assistance to the OPERATOR'S REPRESENTATIVE in the performance of his duties. However, the presence of and/or inspection and/or supervision by the OPERATOR'S REPRESENTATIVE hereunder shall not relieve the CONTRACTOR of any of its obligations or responsibilities hereunder.

The CONTRACTOR shall save harmless and indemnify the OPERATOR from and against all claims proceedings and liabilities for or on account of infringement or alleged infringement of any patent rights design trade mark or name or other protected right of any THIRD PARTY arising in connection with the use of any CONTRACTOR furnished equipment machinery materials or process and shall defend at its sole expense any and all such proceedings to which both parties are defendants. Both the CONTRACTOR and the OPERATOR shall at all times have the right to be represented respectively by their own counsel and to participate in the defence of any such proceedings if both shall be made parties defendant thereto. The CONTRACTOR

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shall give notice in writing forthwith to the OPERATOR of any such claims and proceedings as aforesaid and shall supply the OPERATOR with all information and documents in connection therewith as the OPERATOR may reasonably require.

The OPERATOR shall save harmless and indemnify the CONTRACTOR from and against all claims, proceedings and liabilities for or on account of infringement or alleged infringement of any patent rights, design, trade mark or name or other protected right of any THIRD PARTY arising in connection with the use of any OPERATOR or SERVICE COMPANY furnished equipment, machinery, materials or process and shall defend at its sole expense any and all such proceedings to which both parties are defendants. Both the OPERATOR and the CONTRACTOR shall at all times have the right to be represented respectively by their own counsel and to participate in the defence of any such proceedings if both shall be made parties defendant thereto. The OPERATOR shall give notice in writing forthwith to the CONTRACTOR of any such claims and proceedings as aforesaid and shall supply the CONTRACTOR with all information and documents in connection therewith as the CONTRACTOR may reasonably require.

PERMITS AND LICENCES

- 22.1 CONTRACTOR shall be responsible for obtaining and maintaining all authorisations, permits and licenses necessary for the Work, which may be obtained in the name of CONTRACTOR, its SUB-CONTRACTORS, its vendors, and their respective employees. OPERATOR shall provide reasonable assistance to CONTRACTOR in that endeavour, if asked by CONTRACTOR.
- 22.2 CONTRACTOR shall be responsible for obtaining all the necessary visas, customs clearances or other government authorisations required for moving CONTRACTOR's PERSONNEL or its SUB-CONTRACTORS' personnel into and out of the country having jurisdiction over the CONTRACT AREA, including without limitation work permits and tax exit certificates for such personnel. OPERATOR shall, if asked by CONTRACTOR, assist CONTRACTOR in obtaining such work permits. OPERATOR does not warrant that the authority having jurisdiction over work permits will issue any work permit.

APPLICABLE LAW

The CONTRACT shall be governed by and construed in accordance with the laws of the Republic of Trinidad and Tobago .

ARBITRATION

If any dispute or difference of any kind whatsoever shall arise between the parties hereto in connection

with or arising out of the CONTRACT or any interpretation thereof which cannot be resolved by agreement between the parties hereto the same shall be determined in accordance with the Arbitration Act Chap. 5:01 of the laws of the Republic of Trinidad and Tobago. Arbitration proceedings shall take place in Trinidad unless otherwise agreed by the parties.

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CONDITIONS OF CONTRACT
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CLAUSE 25. EXCLUSION OF PREVIOUS CORRESPONDENCE

All previous correspondence, negotiations, representations, explanations, statements, promises or guarantees whether oral or written are hereby excluded from the CONTRACT.

CLAUSE 26. AUDIT

The OPERATOR shall have the right to audit during normal business hours the relevant books and accounts of the CONTRACTOR at its address herein in relation to reimbursable items paid for by OPERATOR under the CONTRACT at any time until the expiry of twenty-four months following the settlement of the final account. Any incorrect payments made by OPERATOR shall be adjusted in accordance with the findings of the said audit. The CONTRACTOR shall make all relevant books and accounts available and give the auditors all reasonable assistance and ensure that its SUB-CONTRACTORS comply with such provisions.

CLAUSE 27. SEVERABILITY

If any provision of this CONTRACT or any application thereof shall be determined to be invalid or unenforceable such invalidity or unenforceability shall not affect remaining provision of this CONTRACT and remaining provisions shall continue in full force and effect.

CLAUSE 28. MORTGAGE OF THE RIG

THIS CONTRACT IS SUBJECT TO EACH OF THE RIGHTS AND REMEDIES OF THE SECRETARY OF TRANSPORTATION OF THE UNITED STATES OF AMERICA, AND HAS BEEN ASSIGNED TO THE SECRETARY UNDER A SECURITY AGREEMENT AND MORTGAGE, EACH EXECUTED BY THE CONTRACTOR AS SHIPOWNER IN FAVOR OF THE SECRETARY WITH RESPECT TO THE DRILLING UNIT. OPERATOR ACKNOWLEDGES THAT CONTRACTOR IS REQUIRED TO PROVIDE MARAD WITH A COPY OF THIS CONTRACT WITHIN TEN (10) DAYS OF ITS EXECUTION.

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SECTION 3

CONTRACTOR'S INSURANCE

It is the intention that the OPERATOR and all Contractors working together to undertake the drilling operations should carry out their work in accordance with good oilfield and/or industry practice. It is recognised, however, that accidents and damage may from time to time occur. Such risks are to be covered in the following manner:-

1. PERSONNEL

1.1. Employers' Liability or similar, including the local legal coverage in the CONTRACT AREA or any other jurisdiction, for which CONTRACTOR is obliged to pay benefits and including, but not limited to for example, Maritime Employer's Liability to provide transportation, maintenance and cure. Employer's Liability limit shall be in accordance with any applicable legislation but not less than US\$2,000,000 each incident per person.

The underwriter shall, in addition, waive all rights of Subrogation against the other parties involved in the drilling operations.

2. EQUIPMENT

2.1. For equipment other than vessels:
All risks insurance with policy limits equal to the market value of the CONTRACTOR'S equipment.

2.2. For Vessels:

(a) Hull and Machinery Insurance (extended to cover all risks including Collision Liability) with policy limits equal to the replacement value of the vessels having a deductible not greater than US\$250,000 each or 10% of the replacement value which ever is the lesser each and every loss.

(b) Protection and Indemnity Insurance with policy limits equal to the replacement value of the vessels.

2.3. For Fixed and Rotary Wing Aircraft

Hull insurance for the current or replacement value of each aircraft and covering any accident or damage thereto, howsoever caused.

2.4. Wreck and Debris:

Wreck and debris removal insurance coverage on the CONTRACTOR'S EQUIPMENT, vessels or aircraft as appropriate as per terms of sub clause 6.6 of SECTION 2 (Conditions of Contract).

2.5. War risk insurance coverage on the CONTRACTOR'S EQUIPMENT, vessels or aircraft as appropriate covered by the CONTRACT, if necessary.

SECTION 3
CONTRACTOR'S INSURANCE
PAGE 2 OF 2

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CONTRACTOR'S EQUIPMENT, vessels or aircraft as appropriate covered by the CONTRACT, if necessary.

The underwriters shall, in addition, waive all rights of Subrogation against the other parties involved in the drilling operations and name OPERATOR and its SERVICE COMPANIES as Additional Assureds.

3. THIRD PARTY

Each Contractor shall carry:-

Comprehensive General Liability Insurance, including premises, operations, independent contractors, contractual and collision liability for any written agreement and coverage for the operation of the CONTRACTOR'S EQUIPMENT, vessels or aircraft as appropriate covered by the CONTRACT.

Bodily Injury US \$10,000,000 any one occurrence
Property Damage US \$10,000,000 any one occurrence

In addition for aircraft, aircraft Third Party Legal Liability including passenger, baggage and cargo (in the names of CONTRACTOR and OPERATOR) up to a combined

single limit of US\$80,000,000 (eighty million US Dollars) any one accident or occurrence, each aircraft.

The underwriters shall, in addition, waive all rights of Subrogation against the other parties involved in the drilling operations.

4.

AUTOMOBILES

Comprehensive Automobile Liability Insurance covering all owned, hired and non-owned automotive equipment, including compliance with all local legislation on automobile insurance in the state or country in which the automotive equipment is being used.

The underwriters shall, in addition, waive all rights of Subrogation against the other parties involved in the drilling operations.

5.

CERTIFICATES OF INSURANCE

Before commencing performance of this CONTRACT, CONTRACTOR shall furnish OPERATOR with Certificates of Insurance indicating:

5.1. kinds and amounts of insurance as required.

5.2. insurance company and companies carrying the aforesaid coverage.

5.3. effective and expiry dates of policies.

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SECTION 4

STATEMENT OF REQUIREMENTS

CONTENTS

1. OBLIGATIONS OF THE CONTRACTOR
 2. WORK TO BE PERFORMED BY THE CONTRACTOR
 3. FACILITIES TO BE PROVIDED BY CONTRACTOR
 4. THE CONTRACTOR'S EQUIPMENT
 5. SAFETY
 6. CONTRACTOR'S OTHER OBLIGATIONS
 7. RESPONSIBILITIES OF THE OPERATOR
- ATTACHMENT 1 - CHECK LIST OF RESPONSIBILITIES
- ATTACHMENT 2 - REPORTING

STATEMENT OF REQUIREMENTS

CLAUSE

1

OBLIGATIONS OF THE CONTRACTOR

The CONTRACTOR shall carry out the DRILLING SERVICES and perform all its obligations under the CONTRACT with due diligence and care, in a good and workmanlike manner, in accordance with good drilling practices, without undue delays and in conformity in all respects with the terms and conditions of the CONTRACT.

CONTRACTOR shall be solely responsible for the operation of the DRILLING UNIT including, without limitation, supervising moving operations and the

positioning of the DRILLING UNIT on LOCATIONS as required by OPERATOR, subject to Clause 4 of SECTION 2 of this CONTRACT, as well as such operations on board the DRILLING UNIT as may be necessary for the safety of the DRILLING UNIT.

CLAUSE 2 WORK TO BE PERFORMED BY THE CONTRACTOR

Consistent with the provisions of this CONTRACT, the CONTRACTOR shall:

2.1 Drilling

Drill vertically or directionally, complete, suspend, plug and abandon or workover WELLS and carry out such other drilling operations on WELLS in accordance with the drilling and other programmes issued by or instructions given by the OPERATOR from time to time. The DEPTHS specified in such programmes are predictions and may be subject to change by the OPERATOR.

The maximum depth shall not exceed 24,607 ft.

2.2 Casing and Tubing

Run strings of casing, liner and tubing (hereinafter referred to as "Tubulars") as specified in the WELL programmes issued by the OPERATOR from time to time. The CONTRACTOR shall store, handle, run and land with such Tubulars in accordance with the OPERATOR'S procedures.

2.3 Recovery of Tubulars

Whenever so requested by the OPERATOR endeavour to recover strings of Tubulars from a WELL.

2.4 Depth Measurement

Keep an accurate measurement of the DEPTH in feet and record such DEPTHS on OPERATOR'S daily drilling report and on IADC-API Daily Drilling Report Forms. OPERATOR shall have the right at any time to require CONTRACTOR

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STATEMENT OF REQUIREMENTS
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to make check measurements of the DEPTH in such manner as OPERATOR may specify.

Measure and make diagram sketch of all tubulars going into the hole with Inner Diameter and Outer Diameter and the fishing neck. Check to be made if fishing tools available to suit all sizes run in hole.

2.5 Specialised Operations

Whenever so instructed by OPERATOR permit and assist SERVICE COMPANIES to carry out cementation, formation testing, stimulation, logging, diamond drilling, turbine drilling, coring, directional drilling, inspection and making up and/or pressure testing of tubulars or any other specialised operation.

2.6 Pressure Testing

Carry out pressure testing of wellheads, casing strings, blow-out prevention equipment, casing cement jobs and other equipment specified by the OPERATOR in accordance with the procedures prescribed from time to time by the OPERATOR. The

results of all such tests shall be noted on said OPERATOR'S Daily Drilling Report and on IADC-API Daily Drilling Report Forms. Provide charted recordings.

2.7 Drilling Fluid

Make, condition and control drilling fluid in accordance with mud programmes issued from time to time by the OPERATOR, under the supervision of or in accordance with instructions given by the OPERATOR.

2.8 Cores

Whenever required to do so by the OPERATOR'S REPRESENTATIVE to provide assistance in carrying out coring operations as required by the OPERATOR.

2.9 WELL Deviation Surveys

Make deviation surveys with instruments listed in SECTION 7 whenever the OPERATOR may so require.

2.10 Care and Use of Tubulars

- (a) properly handle, store and tally all Tubulars while in the CONTRACTOR'S possession.
- (b) retain thread protectors on all Tubulars until instructed by OPERATOR to remove for cleaning and lubricating with API approved thread cleaning and thread lubricating compounds provided prior to running in the hole.

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STATEMENT OF REQUIREMENTS
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- (c) check Tubular drift diameters with mandrels provided by OPERATOR or CONTRACTOR whenever so instructed by the OPERATOR and report any rejected joints in the IADC report.
- (d) employ "Klampon" or equivalent Tubular thread protector provided by OPERATOR when handling Tubulars between the rack and the rig floor.

2.11 On LOCATION Inspection of OPERATOR'S MATERIALS

Inspect visually for defects all OPERATOR'S MATERIALS before using them and notify the OPERATOR of any such defects apparent therein.

Also verify the quantities and shortfall, if any, and pay attention to certification and inspection records (e.g. MSDS sheets for chemicals).

2.12 Work Period

Operate the DRILLING UNIT on the basis of a 24 (twenty-four) hour day and a 7 (seven) day week without shutdown for holidays unless otherwise instructed by OPERATOR or unless required so to do in order to comply with the laws and regulations of the government or properly authorised local authority having jurisdiction over the

CONTRACT AREA.

Crew change periods shall be in accordance with Schedule 6.1 of SECTION 6 hereto.

2.13 Handling and Storage of OPERATOR'S MATERIALS and SERVICE COMPANY materials

Whenever required by the OPERATOR (who shall not so require unreasonably, taking account of constraints of weather, availability of CONTRACTOR'S PERSONNEL, capacity of CONTRACTOR'S EQUIPMENT and space or weight limitations on the DRILLING UNIT) take on board in Trinidad or such other location designated by OPERATOR or unload OPERATOR'S MATERIALS and SERVICE COMPANY materials from OPERATOR'S work boats onto the DRILLING UNIT and store and handle OPERATOR'S MATERIALS and SERVICE COMPANY materials thereon.

Whenever so required by OPERATOR (who shall not so require unreasonably as aforesaid) unload OPERATOR'S MATERIALS and SERVICE COMPANY materials from the DRILLING UNIT onto OPERATOR'S work boats or in Trinidad or such other location designated by OPERATOR.

It is the responsibility of the CONTRACTOR to store and maintain records of such storage of all items of equipment and material loaded onto the DRILLING UNIT.

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STATEMENT OF REQUIREMENTS
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2.14 Documentation for OPERATOR'S MATERIALS and SERVICE COMPANY materials

Acknowledge receipt and despatch of OPERATOR'S MATERIALS and SERVICE COMPANY materials in accordance with instructions laid down by OPERATOR from time to time. The CONTRACTOR shall exercise appropriate care towards all such materials and equipment, which have been left in its possession for safe storage by OPERATOR and SERVICE COMPANIES.

2.15 Materials and Logistics Support

CONTRACTOR shall employ a fully qualified and experienced Materials/Logistics Supervisor who shall be approved by OPERATOR and shall be permanently based in Trinidad and shall be available at all times to arrange and supervise all CONTRACTOR'S EQUIPMENT and PERSONNEL movements. The Materials/Logistics Supervisor shall maintain day to day liaison with OPERATOR'S Base Manager in Trinidad in order that efficient and timely scheduling, loading and unloading of supply vessels and helicopter operations is maximised.

CONTRACTOR shall at all times comply with OPERATOR'S instructions and requirements with regard to all materials and logistics operations including the import and export of EQUIPMENT, materials and supplies together with the movement of PERSONNEL. Such instructions, as aforesaid, shall be supplied to CONTRACTOR in writing and may be modified from time to time at OPERATOR'S discretion.

CLAUSE 3 FACILITIES AND SERVICES TO BE PROVIDED BY CONTRACTOR

Unless otherwise stated the CONTRACTOR shall at its cost and expense furnish all facilities and services

necessary for the proper performance of its contractual obligations including but not by way of limitation:

- 3.1 Accommodation and messing for its PERSONNEL on the DRILLING UNIT to standard reasonably acceptable to OPERATOR.
- 3.2 Accommodation and messing for OPERATOR'S personnel, its trainees, its SERVICE COMPANIES' personnel on the DRILLING UNIT to the same standard provided by the CONTRACTOR for its PERSONNEL.
- 3.3 One room on the DRILLING UNIT shall be used exclusively as an infirmary and shall be designed and equipped to standards reasonably acceptable to OPERATOR together with adequate medical supplies. OPERATOR shall evacuate any casualties among the CONTRACTOR'S PERSONNEL on the DRILLING UNIT and the CONTRACTOR shall reimburse the OPERATOR there for up to the limit of the CONTRACTOR'S insurance. CONTRACTOR shall be entirely liable at its cost for any subsequent medical treatment.
- 3.4 CONTRACTOR shall provide paramedics to work a 28/28 rotation on board the DRILLING UNIT. Such paramedics shall be hired by CONTRACTOR

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STATEMENT OF REQUIREMENTS
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and paid for by the OPERATOR. During the term of this CONTRACT, CONTRACTOR shall use its best efforts to train a national to assume the role of paramedic, with the intent to build local capability and replace the expatriate paramedic with a national paramedic.

- 3.5 OPERATOR shall have the right to inspect such accommodation, messing and medical facilities at any time. The CONTRACTOR shall comply with OPERATOR's standard procedures in respect of safety and hygiene as the OPERATOR may issue from time to time.
- 3.6 CONTRACTOR shall provide two (2) Safety and Training Coordinators (STC) to work a 28/28 rotation on board the DRILLING UNIT. Such STC shall be hired by and paid for by the CONTRACTOR.
- 3.7 OPERATOR requires and CONTRACTOR shall provide free of charge suitable space and general support services, including but not limited to, communication equipment (telephone) and DRILLING UNIT Alarm system, air, water and electricity for the SERVICE CONTRACTOR'S equipment and installations as listed above.

CLAUSE 4 THE CONTRACTOR'S EQUIPMENT

The CONTRACTOR shall:

- 4.1 at the COMMENCEMENT DATE make the CONTRACTOR'S EQUIPMENT available to OPERATOR at the first LOCATION in the CONTRACT AREA.
- 4.2 prior to the COMMENCEMENT DATE give written evidence to the OPERATOR that the DRILLING UNIT has proper CERTIFICATION.
- 4.3 ensure that Classification and the said CERTIFICATION is maintained at CONTRACTOR'S

cost and expense throughout the duration of the CONTRACT and any extensions thereto.

In the event that during the continuance of the CONTRACT the said CERTIFICATION lapses then the CONTRACTOR shall use its best endeavours to have the DRILLING UNIT re-certified by the said Authorities for the remainder of the period of CONTRACT by means of on-site inspection, tests and trials (by the said Authorities) at a time or times agreed with the OPERATOR.

- 4.4 use its best endeavours to implement without delay, but after consultation with the OPERATOR, any alteration, replacement or other change to the DRILLING UNIT that may be required by any statute, ordinance, decree, proclamation or any other order or enactment or regulation or by-law of any local or duly constituted authority having the force of law in the CONTRACT AREA. All costs incurred by the CONTRACTOR in implementing such alterations as aforesaid shall be to its account.

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STATEMENT OF REQUIREMENTS
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- 4.5 give the OPERATOR an undertaking that at the COMMENCEMENT DATE, CONTRACTOR does not have knowledge of any damage or defects of the DRILLING UNIT and associated equipment, which would necessitate repairs to the DRILLING UNIT during the continuance of the CONTRACT.

- 4.6 upon request of OPERATOR, make available to OPERATOR all or any of the following:

- (a) the environmental design criteria of the DRILLING UNIT.
- (b) all records of surveys, repairs and modifications of a structural nature that have been made to the DRILLING UNIT since it was first launched.
- (c) of the current and past official Marine Log Books pertaining to the DRILLING UNIT, records of Inclining Test Results of the DRILLING UNIT and any other records which have been made which report on the structural integrity and stability history of the DRILLING UNIT.
- (d) authorisation from the CONTRACTOR to the Classification Society by whom the DRILLING UNIT is classified to enable the said Society to release to OPERATOR such details or information concerning the DRILLING UNIT as OPERATOR may request and which is available in the records of the said Society.

- 4.7 during the continuance of the CONTRACT maintain and repair the DRILLING EQUIPMENT to ensure that its performance meets the specifications quoted by the manufacturers and that the quantities of the said EQUIPMENT are maintained.

- 4.8 whenever so requested by the OPERATOR permit and give every assistance for an inspection of the CONTRACTOR'S EQUIPMENT to be carried out by the OPERATOR or its SERVICE COMPANY.

The OPERATOR shall have the right to reject all or any of the CONTRACTOR'S EQUIPMENT so inspected and take such action, as it deems fit, pursuant to its rights and remedies described in clause 5.2 of Section 2 in regard to CONTRACTOR'S EQUIPMENT. The cost of inspection (if any) of the CONTRACTOR'S EQUIPMENT rejected shall be a debt due to the OPERATOR from the CONTRACTOR.

4.9 prior to the COMMENCEMENT DATE arrange at its cost and expense for the CONTRACTOR'S in-hole equipment to be inspected by an independent tubular inspection service company approved by OPERATOR and make the certificates of inspection available to the OPERATOR. The OPERATOR shall have the right to reject any defective in-hole equipment so inspected and the CONTRACTOR shall at its cost and expense repair or replace such rejected items to the DS-1 appropriate standard, (DS 1 Level 4 for drill pipe and DS 1 Level 3 - 5 for drill collars and heavy weight drill pipe).

4.10 Arrange thereafter at the cost and expense of the parties as provided in Attachment 1 to Section 4, for all items of the CONTRACTOR'S in-hole equipment to be inspected by an independent tubular

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STATEMENT OF REQUIREMENTS
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inspection company, approved by the OPERATOR, at times to be agreed with the OPERATOR'S REPRESENTATIVE and at intervals as follows:

- (a) Top Drive, saver subs and Bottom Hole Assembly, comprising drill collars, Hevi-Wate drill pipe and substitutes, at intervals of one WELL or more frequently as found to be necessary by the parties;
- (b) Drill pipe and pup joints prior to each WELL.

In the event of drill string failure during the aforesaid intervals the CONTRACTOR shall arrange at its cost and expense for an inspection to be made, as aforesaid, as soon as possible thereafter, at a time to be agreed with the OPERATOR'S REPRESENTATIVE. As a consequence of the inspection, the CONTRACTOR shall:

EITHER

- (i) repair or replace, at its cost and expense, items rejected as consequence of such inspection. If in the opinion of the OPERATOR'S REPRESENTATIVE the rejection of any item of the CONTRACTOR'S in-hole equipment jeopardizes the integrity of the well bore or results in unreasonably slow progress, then the provisions of clause 5.2 of SECTION 2 (the Conditions of Contract) shall apply.

OR

- (ii) in the event that the CONTRACTOR can demonstrate, by reference to records or to the report of an OPERATOR approved independent

company, that the rejection of any item of the drill string was caused by either the published performance limits of the drill string having been exceeded or by having been exposed to the deleterious effects of H2S and/or gases or liquids, during the performance of operations under this CONTRACT, then the CONTRACTOR shall repair or replace items rejected and the OPERATOR shall reimburse the CONTRACTOR for the cost of any additional inspection carried out in accordance with the foregoing and for the costs of repair or replacement of any item rejected in accordance with this sub-clause.

For the purpose of this sub-clause, "inspection" shall include full inspection to T H Hill DS-1 Level 4 for drill pipe and DS-1 Level 3 - 5 for drill collars and heavy weight drill pipe. Drill collar connections (over 5" and including tools and subs) to incorporate stress relief features either stress relief grooves to API 7 and API RP 7G or the "Drilco bore back box".

The CONTRACTOR shall make the certificates and reports of all such inspections available to the OPERATOR.

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STATEMENT OF REQUIREMENTS
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- 4.11 At intervals of not longer than 6 (six) MONTHS arrange for magnetic particle inspection of its tongs, elevators, balls, upper string connections and other lifting equipment to be carried out at its cost and expense by an independent inspection company approved by the OPERATOR. The CONTRACTOR shall make all such inspection reports available to the OPERATOR and shall replace or repair at its cost and expense any item so rejected.
- 4.12 Whenever so requested by the OPERATOR'S REPRESENTATIVE in writing after the COMMENCEMENT DATE, and subject to the allocation between OPERATOR and CONTRACTOR of the costs and expenses being agreed to by the parties, supply and deliver to and operate all such further equipment, materials or modifications to the CONTRACTOR'S EQUIPMENT as the OPERATOR'S REPRESENTATIVE may require, which shall then be listed in SECTION 7 hereof and thereafter be deemed to be part of the CONTRACTOR'S EQUIPMENT.
- 4.13 Maintain on board the DRILLING UNIT at all times the following quantities and sizes of shale shaker screens:

SCALPER SHAKERS:	MIN.	MAX.
12 mesh square single layer	15	30
20 mesh oblong single layer	20	40
40 mesh oblong single layer	20	40
60 mesh oblong single layer	20	40
80 mesh oblong single layer	20	40
LINEAR SHAKERS:		
38 mesh Diamondback Plus	20	40
50 mesh Diamondback Plus	20	40

84 mesh Diamondback Plus	20	40
110 mesh Diamondback Plus	20	40
140 mesh Diamondback Plus	20	40
175 mesh Diamondback Plus	20	40
210 mesh Diamondback Plus	20	40

4.14 Importation and Exportation of CONTRACTOR'S EQUIPMENT and materials

CONTRACTOR shall comply with OPERATOR's policy on the importation of machinery, equipment and materials to be used in OPERATOR's operations under this CONTRACT as stated in Schedule 4.1.hereeto.

CLAUSE 5 SAFETY

5.1 Safety Precautions and Emergency Procedures

(a) The CONTRACTOR shall ensure that an organisation with defined authority and responsibility for all matters associated with the safety of the DRILLING UNIT and the DRILLING EQUIPMENT and the safety, health and welfare of the CONTRACTOR'S

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STATEMENT OF REQUIREMENTS
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PERSONNEL is maintained throughout the duration of the CONTRACT within the CONTRACT AREA. The CONTRACTOR shall appoint and clearly display on board the DRILLING UNIT the name of the person who is in overall charge of the DRILLING UNIT and who shall also be responsible for all matters related to the safety, health, welfare and environment associated with the CONTRACTOR'S PERSONNEL, the DRILLING UNIT and its activities.

The procedures for making any change in the person in overall charge as aforesaid shall be clearly set out in the CONTRACTOR'S Operating Procedures and any change so made shall be recorded in the logbook of the DRILLING UNIT and the name of the person in overall charge so replaced shall immediately be removed from the place where it was clearly displayed as aforesaid and the name of the new person so appointed shall be substituted.

(b) To the extent that they are neither inconsistent with nor less stringent than the CONTRACTOR'S rules, policies and procedures pertaining to the safety of CONTRACTOR'S PERSONNEL and the CONTRACTOR'S EQUIPMENT, the CONTRACTOR shall observe OPERATOR'S Safety regulations and comply with rules, regulations, and codes relating to equipment, personnel, communications, supply, transportation and safety practices as specified by the government bodies and institutions exercising jurisdiction in the CONTRACT AREA. The CONTRACTOR shall use its best efforts to obtain, if not provided by OPERATOR, and read and understand such rules and regulations as aforesaid.

5.2 Blowout and Fire Hazards

(a) The CONTRACTOR shall maintain certification of well control equipment and shall maintain said equipment in good operating condition during operations hereunder, and shall use all reasonable means to prevent fire or blowout and to protect the WELL. The

CONTRACTOR shall deploy the blowout prevention equipment as instructed by the OPERATOR on all strings of casing during the DRILLING SERVICES and shall keep and maintain such equipment in good operating condition. The CONTRACTOR shall examine and test all blowout prevention devices in accordance with OPERATOR'S instructions and OPERATOR'S approved test procedures.

Test results shall be noted on the relevant test report sheets in addition to the IADC-API Daily Drilling Report Form.

The BOP stack and rubbers shall be inspected by an independent third party or supplier prior to the COMMENCEMENT DATE. In the event that the inspection is satisfactory the BOP shall be tested to close on a 3 1/2" drill pipe effectively. If the test is satisfactory the BOP shall be deemed to be accepted. If it fails the test then the replacement parts are to CONTRACTOR'S account.

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STATEMENT OF REQUIREMENTS
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In the event that BOP is used for non-routine work during the CONTRACT, i.e. well control, stripping through, then OPERATOR shall pay for replacement consumable parts as necessary.

- (b) In the event of kick, blowout or fire in any WELL, or if any WELL gets out of control in any manner, the OPERATOR'S REPRESENTATIVE shall have the right to assume complete control and supervise the work required to regain full control of the WELL. During such period the CONTRACTOR shall use its best endeavours to make its PERSONNEL and services available at the WELL; if the CONTRACTOR'S PERSONNEL are not available during any such period when the OPERATOR has assumed control the applicable Daily Rate specified herein shall be reduced by OPERATOR to reflect any savings made by the CONTRACTOR.

In the event that a WELL being drilled hereunder shall blowout or crater, it is understood and agreed that the OPERATOR shall bear the entire cost and expense of killing the WELL or otherwise bringing it under control. Subject to the foregoing, all rights and indemnities otherwise granted herein shall remain unaffected.

5.3 Safety Management

- (a) The CONTRACTOR shall carry out the DRILLING SERVICES and all other activities hereunder in a workmanlike manner with due regard for safety and shall comply with CONTRACTOR'S Safety Management Systems and OPERATOR'S bridging document. CONTRACTOR shall make available to the OPERATOR whenever the OPERATOR may so request, full documentation to include, but not by way of limitation, the following standards, instructions, procedures and records:

- CONTRACTOR'S Safety Regulations,
- Operating Procedures Manuals (detailing the operating limits of the DRILLING UNIT)
- Emergency Procedures Manual,

- Accident Reporting Procedure,
- Work Permit Procedures,
- records of drills, exercises and safety meetings
- JSAs, Risk Assessments, ASAs, pre-Tour and Toolbox meetings.

- (b) The CONTRACTOR shall designate persons who shall be responsible for the operation, maintenance and training of its PERSONNEL in the use of the fire control and safety equipment listed in Group 1 Section 'O' of Section 7 hereto and to this end shall arrange for exercises in DRILLING UNIT firefighting and evacuation to be carried out fortnightly by its PERSONNEL on

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board the DRILLING UNIT and lifeboat drills to be carried out by all persons on board the DRILLING UNIT at weekly intervals.

Additionally the CONTRACTOR shall ensure that all its PERSONNEL are issued with the OPERATOR'S instructions on safety issued from time to time and shall use its best endeavours to ensure that its PERSONNEL comply with such instructions. CONTRACTOR'S PERSONNEL shall meet weekly on the DRILLING UNIT to discuss the matters relating to safety and at which meetings the OPERATOR'S REPRESENTATIVE and SERVICE COMPANY personnel will attend.

The CONTRACTOR shall make available to the OPERATOR minutes of all such meetings.

- (c) In the event that the CONTRACTOR'S standards, instructions or procedures in matters of safety do not exist or are inadequate or are in any such way not reasonably acceptable to the OPERATOR, then the OPERATOR may from time to time issue such standards, instructions or procedures as aforesaid which the CONTRACTOR shall observe and follow.
- (d) The CONTRACTOR shall also provide OPERATOR with copies of documents concerning the operational safety of the DRILLING UNIT including but not by way of limitation accident reports, near-miss incidents and permits to work.
- (e) The CONTRACTOR shall maintain an accurate daily "persons-on-board" list and next of kin details for all its PERSONNEL and maintain the list both on the DRILLING UNIT and at a shore base agreed between the parties hereto.
- (f) The CONTRACTOR shall provide the OPERATOR with a copy of the CONTRACTORS Emergency Procedures Manual listing the responsibilities and procedures in case of emergency incidents.

5.4 Safety Policies and Reporting

CONTRACTOR agrees to keep open fires and stoves out of the derrick and tool houses adjacent to derrick floor and to prohibit and enforce its policy against its employees smoking on the rig floor, under the

substructure, mud pit area, and other areas designated by the OPERATOR'S REPRESENTATIVE as "No Smoking" areas during the performance of any work hereunder. Smoking is prohibited in all areas of the DRILLING UNIT save the area on the DRILLING UNIT designated as a Smoking area.

CONTRACTOR ALSO AGREES TO CONFORM TO RECOMMENDATION ON ACCIDENT PREVENTION AND SAFE PRACTICES OF THE INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS (IADC) AND OPERATOR'S SAFETY REQUIREMENTS.

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SECTION 4
STATEMENT OF REQUIREMENTS
PAGE 12 OF 16

CONTRACTOR shall report all injuries, property and equipment damage caused by accident immediately to OPERATOR'S REPRESENTATIVE on board. Within twenty-four (24) hours of occurrence of the accident CONTRACTOR shall provide a written report for the OPERATOR'S HSE Manager. A complete accident investigation report will be submitted within forty-eight (48) hours of the occurrence.

CONTRACTOR acknowledges it is the policy of the OPERATOR to achieve and maintain a safe working environment free from the influence of alcohol and illicit drugs in order to assure the safety and protection of its employees, non employees, operations, assets and the localities in which it functions. CONTRACTOR will enforce its Drug and Alcohol Policy with respect to CONTRACTOR'S PERSONNEL and the personnel of its SUB-CONTRACTORS, which shall include provision that the possession, use, distribution or sale of illicit drugs or controlled substances in the work place is prohibited and that such personnel are forbidden from being under the influence of alcohol while on CONTRACTOR owned, leased or operated premises. CONTRACTOR agrees to conduct periodic searches and testing for such substances. The personnel of the OPERATOR and the SERVICE COMPANIES shall be subject to the OPERATOR'S Drug and Alcohol Policy.

CONTRACTOR shall submit the following information on its safety performance each month:

1. Total man hours worked (month/YTD)
2. Total lost time accidents (month/YTD)
3. Total lost time days (month/YTD)
4. Total recordable accidents (month/YTD)
5. Total first aid cases (month/YTD)

CLAUSE 6 CONTRACTOR'S OTHER OBLIGATIONS

6.1 CONTRACTOR not to start DRILLING SERVICES without Permission

The CONTRACTOR shall not at any LOCATION commence any DRILLING SERVICES until the OPERATOR'S REPRESENTATIVE has certified in writing on the IADC Report Form that the CONTRACTOR'S EQUIPMENT is acceptable and ready to commence the said SERVICES.

6.2 Training & Secondment of Nominees of OPERATOR by CONTRACTOR

The CONTRACTOR hereby undertakes to accept for training on board the DRILLING UNIT such number of nominees of OPERATOR as the OPERATOR may request from time to time and the CONTRACTOR shall train such nominees as aforesaid in accordance with such conditions and in such categories as the OPERATOR may prescribe.

The OPERATOR shall not so request more than five such local personnel or nominees on board at any one time.

6.3 CONTRACTOR not to entice

The CONTRACTOR shall not at any time or in any manner nor for any purpose whatsoever entice either directly or indirectly any person employed by the OPERATOR or in the employment of any SERVICE COMPANY.

6.4 Moving Operations

Before any moving operations are undertaken the CONTRACTOR shall consult with the OPERATOR upon weather and other information available at the time but, notwithstanding Clause 4 of Section 2 of this CONTRACT, the responsibility for the decision to commence moving operations shall be the CONTRACTOR'S. Towing vessels provided by the OPERATOR shall be subject to approval of the CONTRACTOR. The OPERATOR shall provide to the CONTRACTOR if so requested the conditions of the charter party for such towing operations.

6.5 Inspection of CONTRACT AREA

The CONTRACTOR shall be deemed to be satisfied as to the nature of all existing harbours and means of transport or communication on the mainland of the CONTRACT AREA, and as to possible interruptions thereto and as to access to and from the CONTRACT AREA; to have made enquiries, examined and satisfied itself as to workyard sites and such depots and buildings as may be required for carrying out its obligations under the CONTRACT; to have made local and independent enquiries as to storms, prevailing winds and climatic considerations generally and other similar matters; to be satisfied as to the sources and means of obtaining adequate supplies of skilled and unskilled persons and all other things required for carrying out the CONTRACT; to have considered the possible effects on the carrying out of the CONTRACT that may be caused by the break down of communications or by reason of storms, prevailing winds and adverse climatic weather conditions which may arise at any time during the continuance of the CONTRACT within the CONTRACT AREA; to have examined the CONTRACT generally and to have obtained all necessary information on all matters whatsoever which may effect its performance thereof.

In the event that the CONTRACTOR does not satisfy itself on any of such matters as aforesaid this shall not relieve it from its obligations hereunder and shall not entitle it to any increase in any rate or charge under the CONTRACT nor to any compensation or amount whatsoever additional to such charges, and in the event of any claim under the CONTRACT or law being made by any party the CONTRACTOR shall be deemed to have so visited, examined and satisfied itself as aforesaid prior to the date hereof.

CLAUSE 7 RESPONSIBILITIES OF THE OPERATOR

The OPERATOR shall provide the following equipment, materials, supplies spare parts, services and personnel at its cost and expense unless stated otherwise.

7.1. PERSONNEL

1. The OPERATOR'S REPRESENTATIVE and persons

delegated by the OPERATOR to act on behalf of the OPERATOR'S REPRESENTATIVE from time to time.

2. The OPERATOR'S technical specialists.

7.2. SERVICES AND EQUIPMENT

1. Specialist services.
2. Emergency medical evacuation services as available (on cost recoverable basis within the scope of CONTRACTOR'S insurances at OPERATOR'S option).
- 3a. Towing and positioning services in the CONTRACT AREA between LOCATIONS.
- 3b. Towing Services to an acceptable port at the conclusion of the DRILLING SERVICES.
4. Workboat supply service for all materials and a standby/workboat service.
5. Transport for CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S personnel between OPERATOR'S designated point of embarkation on the mainland of the CONTRACT AREA and the DRILLING UNIT and between the OPERATOR'S point of embarkation in the Republic of Trinidad and Tobago and the mainland of the CONTRACT AREA for the purposes of routine crew change.

In the event that crew changes are delayed for reasons of weather or non-availability of helicopter or damage to DRILLING UNIT which prevents a helicopter from landing, CONTRACTOR will arrange and OPERATOR will pay reasonable overnight hotel accommodation and meal costs and substantiated overtime costs.

6. Offshore drilling permit(s).
7. Drilling site surveys, buoying and clearing of obstructions.
8. All marine and air transport of CONTRACTOR'S and OPERATOR'S items between OPERATOR'S designated marine and air supply bases and the DRILLING UNIT. OPERATOR shall select type of transport.

-
9. All cementing services.
 10. Mud engineer if required by OPERATOR (but CONTRACTOR will carry out routine mud testing and treatment).
 11. Mud logging service, if required by OPERATOR.
 12. Geological services.
 13. Directional drilling service engineer and directional drilling equipment if required by OPERATOR.
 14. Drilling water if required, except that CONTRACTOR'S water making unit can be used in cases of emergency.
 15. Bits and other downhole tools not supplied by CONTRACTOR and listed in SECTION 7.

16. Conductor pipe, casing, tubing and attachments, drive hammer, and all related handling tools.
17. Wellhead housings, casing hangers, seat protectors, pack-offs, wear bushings, corrosion cap and all associated running tools.
18. Temporary and Permanent Guide Bases
19. Cement and additives.
20. Mud chemicals and mud additives, including pallets if required by OPERATOR.
21. Diesel fuel for use on the DRILLING UNIT.
22. Well test unit and associated equipment for production testing, including Separators and other test vessels.
23. Drill pipe and drill collars, Kellys or subs other than those listed in SECTION 7.
24. Stabilizers, hole openers, reamers and centralizers other than those listed in SECTION 7.
25. Drill stem testing equipment.
26. Radio equipment other than that listed in SECTION 7.

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SECTION 4
STATEMENT OF REQUIREMENTS
PAGE 16 OF 16

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27. Loading and unloading services at supply/load out bases or heliport of all material and equipment of CONTRACTOR and OPERATOR.
28. Containers for disposal of refuse as well as transport to shore and disposal of same, except for liquid waste generated by CONTRACTOR.
29. Crude oil burner assemblies unless supplied by CONTRACTOR and listed under SECTION 7.
30. Navigation and positioning systems for siting the DRILLING UNIT.
31. Diving and ROV Services if required by OPERATOR.
32. Potable Water in excess of water provided by the desalination unit on board the DRILLING UNIT.
33. Fishing Tools.

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SCHEDULE 4.1.

CONTRACTOR shall comply with the provisions of OPERATOR's general policy on the importation of machinery, equipment, and materials by CONTRACTOR for use in OPERATOR's operations, specifically with respect to the procedure for Exemption from Customs Duty on Bills of Entry as set forth below.

PROCEDURE

EXEMPTION FROM CUSTOMS DUTY ON BILLS OF ENTRY

1. Introduction

Goods imported into Trinidad and Tobago are generally subject to customs duty at rates prescribed by tariff, and to Value Added Tax (VAT). The Customs Act (Act) provides for a total (or partial exemption as the case may be) exemption from such duty in respect of: (a) goods imported for temporary use and which are to be subsequently re-exported, and (b) such goods specified in the Third Schedule of the Act, which in any particular case are exempted by Order of the Minister responsible for Industry.

Included among the goods generally qualifying for exemption are those items of machinery, equipment, and materials for exploration and extraction of minerals, including natural gas.

2. General

In order to make use of the exemptions granted, the following procedure is to be used when machinery, equipment, or materials are being imported into Trinidad and Tobago by CONTRACTOR:

- a. In the case of items being imported for a short time to perform a particular job and then be re-exported, these items should be imported under the exemption for goods imported for temporary use.
- b. In the case of all other items being imported by CONTRACTOR (including any consumables which must be imported while operations are in progress and which are going to be used up in Trinidad and Tobago and, as far as legally possible, subsequent spare parts for equipment, machinery, etc., previously imported into Trinidad and Tobago), these items should be imported under a Minister's License. For the purpose of OPERATOR obtaining a Minister's License, CONTRACTOR must submit full details of the goods to be imported to OPERATOR well in advance of the date of importation, and the goods are not to be landed in Trinidad and Tobago unless previously authorised by OPERATOR.

If after OPERATOR has cleared CONTRACTOR's equipment and supplies into Trinidad and Tobago, CONTRACTOR desires to import additional material, equipment, supplies, tools, and other items for use in the Work, OPERATOR will endeavour to assist CONTRACTOR in such importation subject to Section 2 Clause 22 of the CONTRACT.

- c. In no circumstance whatsoever are any goods which have been imported under a Minister's License granted to OPERATOR be subchartered, loaned, sold, or otherwise disposed of to any other OPERATOR or person in Trinidad and Tobago without the prior written authorisation of the appropriate OPERATOR's Business Unit Leader. Each case will have to be discussed with Government of the Republic of Trinidad and Tobago ("GORTT") authorities to determine proper procedure.

ATTACHMENT 1

TO

SECTION 4

CHECKLIST OF RESPONSIBILITIES

JACKUP

CHECK LIST OF RESPONSIBILITIES FOR SERVICES AND MATERIALS

PROVIDED BY OPERATOR (O) AND THE CONTRACTOR (C)

<TABLE>
<CAPTION>

A. DRILLING LOCATION

	PROVIDED BY	TO ACCOUNT
<S>	<C>	<C>
1. Licences and consents to perform the operations, including suspension or abandonment.	O	O
2. LOCATION survey to include marker buoys and side scan sonar, and soil borings.	O	O
3. Rig positioning services including Satnav.	O	O
4. Insurance underwriter representatives.	C	C

B. TRANSPORTATION/HANDLING

	PROVIDED BY	TO ACCOUNT
1. Helicopter or Marine transportation including emergency transportation for all personnel between designated point of embarkation and the DRILLING UNIT.	O	O
2. Marine transportation for equipment and spare parts between the OPERATOR'S shore base and the DRILLING UNIT.	O	O
3. Transportation of CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S personnel to and from the point of embarkation designated by the OPERATOR and the CONTRACTOR'S base of operations or personnel's point of origin.	C	C
4. Immigration clearance for CONTRACTOR'S PERSONNEL and SUB-CONTRACTORS' PERSONNEL	C	C
5. In the event crew changes are delayed for reasons set out in sub-clause 7.2.5 of SECTION 4 for overnight hotel accommodation and meal costs including any overtime charges	C	O
6. Transportation of CONTRACTOR'S EQUIPMENT between the OPERATOR'S shore base or heliport and CONTRACTOR'S shore base	C	C
7. Dock and dockside facilities, labour and equipment for loading/unloading the OPERATOR'S MATERIALS or CONTRACTOR'S EQUIPMENT at the OPERATOR'S shore base (to include in storage).	O	O

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 2 OF 9

B. TRANSPORTATION/HANDLING (CONT'D)

	PROVIDED BY	TO ACCOUNT
8. Offloading facilities to transfer personnel and cargo from the OPERATOR'S supply vessel onto the DRILLING UNIT. No CONTRACTOR'S PERSONNEL or SUB-CONTRACTOR'S personnel will be to go on board the supply vessel for the purpose of loading or offloading cargo.	C	C
9. Tie up lines for mooring supply vessel to the DRILLING UNIT 4" medium lay, 120-150 ft. First set Replacement set(s)	C C	C O
10a. Floating Hoses and couplings for transfer of bulk and liquid materials between supply vessels and the DRILLING UNIT. First Set Replacement sets	C C	C O

10b.	Check valve on hoses at both ends	C	O
11.	a. Transportation and containers for disposing of waste, contaminated cuttings and fluids required.	O	O
	b. Containers for disposal of CONTRACTOR's liquid hazardous waste	C	C
12.	Qualified and competent offshore radio and computer operator for 24 hour duty (trained for MAPS)	C	C
13.	Communications equipment (including satellite communication equipment) required for use on the DRILLING UNIT for communication with OPERATOR'S shore base (OPERATOR to pay for satellite calls made by or on behalf of OPERATOR)		
	6 handheld radios with handsfree headsets	C	C
	4 handheld radios with handsfree headsets	C	O
14.	Standby Vessel	O	O
15.	Fenders for DRILLING UNIT	C	C

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 3 OF 9

C.	SHORE BASE USED BY THE CONTRACTOR		
		-----	-----
		PROVIDED BY	TO ACCOUNT
		-----	-----
1.	Office, warehouse and storage facilities CONTRACTOR'S EQUIPMENT and CONTRACTOR'S PERSONNEL	C	C
	Note: CONTRACTOR'S shore base shall be as close as possible to the OPERATOR'S shore base		
		-----	-----
D.	DRY DOCKING/CERTIFICATION		
		-----	-----
		PROVIDED BY	TO ACCOUNT
		-----	-----
1.	For time in dock for statutory testing inspections or trials (but excluding moving time)	C	C
2.	Port fees, taxes, licences, import tariffs, pilotage fees, wharfage fees canal fees and cost of similar charges including any brokerage fees in respect of CONTRACTOR'S EQUIPMENT	C	C
3.	Customs Duties, import tariffs in respect of Trinidad and Tobago Regulations	O	O
		-----	-----
E.	THIRD PARTY SERVICES		
		-----	-----
		PROVIDED BY	TO ACCOUNT
		-----	-----
1.	Diving equipment services and installation costs and R.O.V.	O	O
2.	Drill stem testing tools and services	O	O
3.	Electric well logging equipment and services	O	O
4.	Mud logging equipment and services	O	O
5.	Mud engineering services and supervision	O	O
6.	Geological/mud laboratory and test equipment	O	O
7.	Acidizing, fracturing and other specialist services	O	O
8.	Directional drilling equipment and services	O	O
9.	Cementing services using cementing unit provided on a "free placement" basis	O	O
9a	Maintenance of cementing unit if provided by CONTRACTOR	C	C
9b	Maintenance of cementing unit if provided by OPERATOR	O	O

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 4 OF 9

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E. THIRD PARTY SERVICES (CONT'D)

	PROVIDED BY	TO ACCOUNT
10. Coring Services and equipment	O	O
11. Tubing and casing running services	O	O
12. Extra welders and welding material used on welding and cutting the OPERATOR'S equipment as authorised by the OPERATOR	C	O
13. Well completion services	O	O
14. Well test equipment and services	O	O
15. Weather forecasting and reporting services	O	O
16. Specialist services and equipment not designated herein but required for the operations	O	O
17. Inspection of Top Drive, drill pipe, drill collars, other in-hole equipment as per Clause 4.10 SECTION 4.		
- Initial	C	C
- Other and Routine	C	O
18. Space, assistance and services for SERVICE COMPANY personnel and equipment	C	C

F. MATERIALS AND SUPPLIES

	PROVIDED BY	TO ACCOUNT
1. Cement and cement additives	O	O
2. Mud chemicals and completion fluids	O	O
3. Fuel for DRILLING UNIT	O	O
4. Lubes for DRILLING UNIT	C	C
5. Casing and tubing dope (to be specified by OPERATOR)	O	O

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 5 OF 9

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F. MATERIALS AND SUPPLIES (CONT'D)

	PROVIDED BY	TO ACCOUNT
6. Grease, pipe dope (friction factor 1 pipe dope) and lubricants (other than 4. above) for equipment supplied by CONTRACTOR	C	C
7. Hydraulic fluid for blow-out preventers and control unit	C	C
8. Drilling Water	O	O
9. Potable water in excess of rated production capacity of water distillation unit installed on board.	O	O
10. Drilling bits, diamond bits, and core heads	O	O
11. Shale shaker screens (Refer Section 4, Clause 4.13)	C	C

12.	Repair and replacement parts for safety joint fishing jars and fishing tools, resulting from" in-hole" damage	O	O
13.	Casing protectors for drill pipe - initial set - replacement set(s)	C C	C O
14.	BOP and riser consumables	C	O
15.	Repair kits for: float valves, kelly cocks (upper and lower) and inside BOP's	C	C
		-----	-----

G. DRILLING EQUIPMENT AND UNIT

		----- PROVIDED BY -----	----- TO ACCOUNT -----
1.	CONTRACTOR'S EQUIPMENT	C	C
2.	Fishing tools for CONTRACTOR's In Hole Equipment	O	O
3.	Tubing	O	O
4.	Tubing handling equipment	O	O
5.	3.1/2" drill pipe including drill collars and handling tools. (If specified by OPERATOR).	O	O
6.	Cementing heads	O	O

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 6 OF 9

G. DRILLING EQUIPMENT AND UNIT (CONT'D)

		----- PROVIDED BY -----	----- TO ACCOUNT -----
7.	2 sets Elevators, tongs and handling tools for 30", 20"16", 113/4", 13 3/8", 9 5/8" and 7" casing (As specified in Section 7 Part 2 only)	O	O
8.	Drilling Jars	O	O
9.	36" and 26" Hole openers c/w spare cutters	O	O
9a.	Reamers and stabilisers	O	O
10.	Drill pipe wipers	C	C
11.	Fishing tools other than those described in 2 above	O	O
12.	Casing cutters & casing spears	O	O
13.	Casing power tongs and hydraulic power unit	O	O
14.	Replacement and/or repair of any equipment when lost or damaged below the rotary table other than arising out of fair wear and tear.	C	O
15.	Mud pump fluid and power end parts and consumables Liner Sizes of 6" and 7" required	C	C
	Mud pump fluid and power end parts and consumables Liner Sizes of 5 1/2" required	C	O
16.	Spares for choke manifold	C	C
17.	Replacement of tubulars after inspection pursuant to SECTION 4 Clause 4.10 hereof	C	C
20.	Maintenance and spare parts for all CONTRACTOR'S EQUIPMENT unless otherwise provided herein	C	C
		-----	-----

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 7 OF 9

		----- PROVIDED BY -----	----- TO ACCOUNT -----
H.	WELL EQUIPMENT		
1.	All tubular goods, including conductor pipe, casing and tubing	O	O
2.	Casing shoes, collars, baskets, centralisers float equipment, baffles, scratchers and all other such in-hole consumables	O	O
3.	Wellhead housings including casing hangers wear bushings and all such associated wellhead equipment.	O	O
4.	Valves, Xmas Trees and necessary tools and equipment for installation	O	O
5.	All running and pressure testing tools for wellhead equipment supplied by the OPERATOR	O	O
6.	Replacement and repair and all consumables for items provided under 5 above	O	O
7.	Wellhead ring joint gaskets, other than those required for installation between items of the CONTRACTOR'S EQUIPMENT	C	O
8.	Permanent and Temporary Guide Bases	O	O

		----- PROVIDED BY -----	----- TO ACCOUNT -----
I.	SAFETY		
1.	Radio equipment for communication with tugs, supply vessels and helicopters including portable sets (See B. 13.)	C	C
2.	Permits, licences required for operation of communication equipment.	C	C
3.	First aid, infirmary, equipment and medical attention on board the DRILLING UNIT for all persons while on board	C	C
3a	Paramedic on board the DRILLING UNIT (to be specified by OPERATOR, refer SECTION 4, Clause 3.4)	C	O
3b	STC (EMT Basic) on board the DRILLING UNIT (refer SECTION 4, Clause 3.6)	C	C

ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 8 OF 9

		----- PROVIDED BY -----	----- TO ACCOUNT -----
I.	SAFETY		
4.	Safety hats, safety boots, safety glasses, hearing protection, fire resistant clothing (Nomex), HLO fire resistant suit and gloves for CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S Personnel	C	C
4a	PPE for synthetic oil-based muds and brine	C	O
5.	Fire fighting equipment as required to comply with the OPERATOR'S and government regulations	C	C
6.	Onshore medical services for CONTRACTOR'S and SUB-CONTRACTOR'S personnel	C	C
7.	Refuelling system on the DRILLING UNIT for helicopter fuel, when requested by OPERATOR.	O	O
8.	Helicopter refuelling inspection kits and filters	C	C

9.	All necessary life saving and safety equipment to conform with regulations and requirements of the LAW and OPERATOR	C	C
10	Fluorescent vest for HLO and banks men	C	C

J.	MISCELLANEOUS		
		-----	-----
		PROVIDED BY	TO ACCOUNT

1.	Helicopter deck as required by government regulations and to accommodate Super Puma helicopter or similar	C	C
2.	All hand and power tools required for normal maintenance of the DRILLING UNIT	C	C
3.	Office on the DRILLING UNIT for the OPERATOR'S Drilling Supervisors	C	C
4.	Catering on board for all CONTRACTOR'S and SUB-CONTRACTOR'S personnel, plus 16 OPERATOR'S personnel or SERVICE COMPANY PERSONNEL	C	C
5.	Catering for all OPERATOR and SERVICE COMPANY PERSONNEL in excess of above at cost	C	O
6.	Subsea T.V. System	O	O
7.	Replacement parts to Subsea T.V. System	O	O

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ATTACHMENT 1 TO SECTION 4
CHECKLIST OF RESPONSIBILITIES
PAGE 9 OF 9

J.	MISCELLANEOUS (CONT'D)		
		-----	-----
		PROVIDED BY	TO ACCOUNT

8.	On board entertainment, video, films, satellite TV.	C	C
9.	CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S PERSONNEL	C	C
10.	Additional personnel as requested by the OPERATOR employed by CONTRACTOR	C	O
11.	Overtime for CONTRACTOR'S PERSONNEL authorised by the OPERATOR in writing	C	O
12.	Survival Suits for use during helicopter flights for CONTRACTOR'S personnel and CONTRACTORS Service personnel	O	O
13.	Waste disposal onshore	O	O
14.	Cargo baskets and containers for equipment supplied by OPERATOR	O	O
15.	Mud laboratory test equipment for routine and testing and treatment. (See sub-clause 4.8.2 para 10).	O	O
16.	Replacement of additional anchors, buoys and pennant wire	C	C
17.	Burners	O	O

K.	THE VESSEL		
		-----	-----
		PROVIDED BY	TO ACCOUNT

1.	Damage to or loss of DRILLING UNIT:	C	C
	Inspection	C	C
	Repairs	C	C
	Replacement	C	C

</TABLE>

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TO

SECTION 4

REPORTING RESPONSIBILITIES OF THE CONTRACTOR

The following forms and reports shall be completed by the CONTRACTOR and handed over to the OPERATOR.

1. The Daily IADC Tour Sheet
2. Morning drilling report
3. Drilling Parameters Record Charts (Drilling Recorder)
4. Pit Level Indicator Chart
5. Loading Notes and/or cargo manifests
6. Drilling Unit & Drilling Equipment Inspection (a) Safety
(b) General
7. Testing of B.O.P. Equipment and Charted
8. Accident/Near Miss Report
9. Time Breakdown Report
10. Bed/M meal Tickets
11. Minutes of Safety Meetings
12. Barge Engineer's Report
13. Trip Sheet
14. Trend indication while drilling - Torque and Drag and Pump Pressure
15. Bottom Hole Assembly and Diagrams
16. Circulating time on jars and thrusters
17. Environment Emission Report

G.1 THE DAILY TOUR SHEET

The Daily IADC Tour Sheet will be comprehensively filled in by the Drillers, checked on the DRILLING UNIT by the CONTRACTOR'S Toolpusher and by the OPERATOR'S REPRESENTATIVE or, by the latter's delegation, another OPERATOR'S Supervisor on board. Both the said Toolpusher and the OPERATOR'S REPRESENTATIVE on the DRILLING UNIT will sign the Daily Tour Sheet.

G.2 THE MORNING DRILLING REPORT

This report shall be filled in every morning on the DRILLING UNIT by the OPERATOR'S Drilling Supervisor assisted by the CONTRACTOR'S Toolpusher. It shall contain a summary of the previous day's operations and shall be transmitted each morning at an agreed time to the OPERATOR'S onshore office.

G.3 DRILLING PARAMETERS RECORD CHARTS (DRILLING RECORDER)

The main drilling parameters i.e. weight on bit, pump pressure, pump strokes per minute, R.O.P., rotary torque, R.P.M., will be recorded on a single chart. In the event of any failure of the Drilling Parameters Recorder the CONTRACTOR will give immediate notice to the OPERATOR'S REPRESENTATIVE of such failure. The OPERATOR'S Drilling Supervisor will be responsible for collecting the charts and sending them to the OPERATOR'S Office (Drilling Department).

G.4 PIT LEVEL INDICATOR

This recorder shall always be connected during all operations from spud to release.

ATTACHMENT 2 TO SECTION 4
REPORTING RESPONSIBILITIES OF THE CONTRACTOR
PAGE 2 OF 3

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The CONTRACTOR will give immediate notice to the OPERATOR'S Drilling Supervisor of any failure of the Pit Level Indicator. The OPERATOR'S Drilling Supervisor will be responsible for collecting the charts and sending them to the OPERATOR'S Office (Drilling Department).

MUD REPORT (Prepared by OPERATOR)

The OPERATOR'S mud engineer will prepare a complete mud report for every WELL; this mud report will consist of:

- 1 Daily Mud Report

- 2 End of Phase Mud Report
- 3 Mud Material used and transferred
- 4 Usage and Cost per Interval

G.5 LOADING NOTES

The CONTRACTOR shall prepare Loading Notes in respect of such of OPERATOR'S MATERIALS as are consigned to the OPERATOR from the DRILLING UNIT, and shall check receipts of such MATERIALS at the DRILLING UNIT against the Loading Note prepared by the OPERATOR or its SERVICE COMPANY and advise the OPERATOR'S REPRESENTATIVE forthwith of any discrepancies therein.

G.6 BED/MEAL TICKETS

Any invoice sent to the OPERATOR in respect of beds or meals taken by the OPERATOR'S PERSONNEL or the SERVICE COMPANY PERSONNEL on the DRILLING UNIT shall be substantiated by daily vouchers clearly and properly completed by the CONTRACTOR and countersigned by OPERATOR'S Drilling Supervisor.

G.7 DRILLING UNIT AND DRILLING EQUIPMENT INSPECTION
(A) SAFETY
(B) GENERAL

Inspection shall be carried out as directed by the CONTRACTOR'S Rig Manager. After the OPERATOR'S Drilling Supervisor and the CONTRACTOR'S Rig Manager have conducted such inspections, the inspection forms shall be completed by the said Rig Manager in the presence of the said OPERATOR'S Drilling Supervisor and signed by both parties.

G.8 PERIODIC TESTING OF B.O.P. EQUIPMENT

Testing of the Blowout Preventers and associated equipment shall take place as directed by the OPERATOR'S Drilling Supervisor. The CONTRACTOR'S Toolpusher and OPERATOR'S Drilling Supervisor shall sign the form after it has been completed by the CONTRACTOR'S Engineer.

G.9 ACCIDENT/NEAR MISS REPORTS

Whenever an accident or near miss occurs (as defined below) the CONTRACTOR shall immediately notify the OPERATOR'S REPRESENTATIVE and

as soon as possible thereafter deliver to the said REPRESENTATIVE an Incident Report on a form to be provided by the OPERATOR and completed by the CONTRACTOR.

An accident is defined as an undesired event that results in harm to people, damage to property or loss to process. This includes all security accidents.

A near miss is defined as an undesired event, which, although not actually resulting in loss, could have resulted, under slightly different circumstances, in harm to people, damage to property or loss to process.

G.10 TIME BREAKDOWN REPORT

This form shall be filled in by the OPERATOR'S Drilling Supervisor on the DRILLING UNIT. There will be one such form per month per WELL.

The Time Breakdown Report shall be signed by the CONTRACTOR'S REPRESENTATIVE and the OPERATOR'S Drilling Supervisor at a convenient time following the end of each WELL and/or each month. The time breakdown will be agreed by both parties before any invoice is presented to OPERATOR.

G.11 MINUTES OF SAFETY MEETINGS

Minutes of Safety Meetings shall be supplied by CONTRACTOR to the OPERATOR for all Safety Meetings carried out on board the DRILLING UNIT. The CONTRACTOR shall sign the minutes as being correct and accurate.

G.12 BARGE ENGINEER'S REPORT

Daily report on usage of bulk, fuel, water, liquid muds, helicopter fuel, anchor tension, environmental conditions and variable deckload.

G.13 TRIP SHEET REPORT

G.17 EMISSION REPORT

To be completed monthly and sent to the OPERATOR's HSE Department.

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SECTION 5

RATES AND CHARGES

PREAMBLES

5.1 GENERAL

The Rates and Charges shall be fully inclusive of all costs, expenses, overheads and profit arising out of the provision of the DRILLING SERVICES, PERSONNEL and EQUIPMENT set out in Sections 1,2,3,4,6 and 7 hereof.

5.2 MOBILISATION AND DEMOBILISATION

(a) MOBILISATION CHARGE shall be the amount payable for the MOBILISATION of the CONTRACTOR'S EQUIPMENT and CONTRACTOR'S PERSONNEL to the first drilling LOCATION in the CONTRACT AREA including

- setting up a base in the CONTRACT AREA
- towage,
- air passages,
- sea freight,
- lighterage,
- port dues,
- pilotage,
- wharfage,
- crantage,
- cargo handling,

until the agreed time and date that the legs are pinned at the first LOCATION.

Any time in excess of twenty-four (24) hours waiting on weather in the CONTRACT AREA shall be paid to CONTRACTOR at the Standby Rate.

(b) DEMOBILISATION CHARGE shall be the amount payable for the DEMOBILISATION of the CONTRACTOR'S EQUIPMENT and CONTRACTOR'S PERSONNEL from a mutually agreed port in the CONTRACT AREA including

- closing down a base in the CONTRACT AREA,
- towage,
- air passages,
- sea freight,
- lighterage,
- port dues,
- pilotage,
- wharfage,
- crantage,
- cargo handling,

from the time the DRILLING UNIT is under tight tow from the mutually agreed port. Unloading of OPERATOR'S MATERIALS and SERVICE COMPANY equipment and materials at the Republic of Trinidad and Tobago or such other designated location shall be reimbursed at the DEPROVISIONING RATE.

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Should the CONTRACTOR have continuing work for another operator in the waters of Trinidad and Tobago, or if another operator is paying for mobilization of the DRILLING UNIT from the waters of Trinidad and Tobago the DRILLING UNIT may, with the OPERATOR'S agreement, be left on the last LOCATION and the OPERATOR shall pay NIL rate. In such case the DEMOBILISATION CHARGE shall not apply. NIL rate shall apply if the move is delayed by the other operator.

(c) Standing Down/Re-mobilisation Charge

The CONTRACTOR will be paid a reimbursement for all actual costs reasonably and properly incurred by the CONTRACTOR in standing down at a port on the mainland of the CONTRACT AREA nominated by the OPERATOR, or, at the OPERATOR'S option, at the individual home bases of the CONTRACTOR'S PERSONNEL, and (as the case may be) in demobilising from said port or home bases the CONTRACTOR'S PERSONNEL as a direct consequence of the DRILLING UNIT being shutdown by reason of Force Majeure. Full supporting documents must accompany any invoice for this charge.

5.3 DAILY RATES

All rates per day described hereunder refer to a day of 24 hours. For parts of a day all such daily rates shall be prorated to the nearest one-quarter hour.

- (a) The OPERATING RATE shall be the amount per day payable for the normal performance of the DRILLING SERVICES. The OPERATING RATE shall apply for normal operations from the COMMENCEMENT DATE until the DRILLING UNIT arrives at the mutually agreed port at the end of the term of the CONTRACT and all OPERATOR'S and SERVICE COMPANY equipment has been offloaded.

The OPERATING RATE shall not apply during provisioning, deprovisioning, stand-by, moving, or during any periods of shut down however caused.

In particular shutdown for revalidation of CERTIFICATION, compliance with regulations, or rejection of equipment shall be payable at nil rate.

Cessation of operations in order to slip, cut or change the drilling line, or routine lubrication for routine maintenance purposes as further described in clause 5.3(e) of this Section 5, up to 1/2 hour per shift per day, which cannot be safely and properly carried out without suspending the DRILLING SERVICES shall not be deemed to be shut down for the purposes of this sub-clause.

The OPERATING RATE shall apply in a similar manner at each subsequent LOCATION.

- (b) The PROVISIONING RATE/ DEPROVISIONING RATE shall be the amount per day applicable when the DRILLING UNIT is moored at anchorage or alongside a suitable quay in Pascagoula, Mississippi and the Republic of Trinidad and Tobago or such other designated location and the OPERATOR'S MATERIALS and SERVICE COMPANY EQUIPMENT are being loaded/ unloaded. The PROVISIONING RATE/ DEPROVISIONING RATE shall apply for such period in excess of fourteen (14) days for the Make Ready period described in Section 1, Clause 6.3.

- (c) The STANDBY RATE shall be the amount per day applicable when the DRILLING UNIT is fully manned and in a state of readiness to start or resume operations, during any period of delay or suspension of operations on account of

- adverse sea or weather conditions
- waiting on OPERATOR'S orders or on OPERATOR'S MATERIALS

- or on SERVICE COMPANIES
- during wireline logging operations from the time the first logging tool passes through the rotary table until the last tool of the logging suite is retrieved through the rotary table
- failure of equipment provided by the OPERATOR or the SERVICE COMPANIES
- any act or omission of OPERATOR or its SERVICE COMPANIES,

until such time as operations are resumed.

During such Standby the CONTRACTOR may, subject to the agreement of the OPERATOR, carry out maintenance or repairs to the CONTRACTOR'S EQUIPMENT.

In the event the CONTRACTOR is unable to jack up at the first LOCATION on account of weather conditions only, then the STANDBY RATE shall apply after twenty-four (24) hours from arrival of the DRILLING UNIT in the CONTRACT AREA. .

- (d) The MOVING RATE shall be the amount per day which shall apply from the time the DRILLING UNIT is under tight tow on completion of the WELL at the first LOCATION until the legs are pinned at the next LOCATION and similarly at subsequent LOCATIONS thereafter.
- (e) The REPAIR RATE shall be applicable during such times as there is a shutdown in operations for repairs to the DRILLING EQUIPMENT in the manner set out below:
 - REPAIR RATE applies for a cumulative ten (10) hours per MONTH shut down, unless such shutdown is for repairs not reasonably within the control of CONTRACTOR, in which case the REPAIR RATE shall be applicable for a cumulative thirty-six (36) hours per month, and
 - thereafter at NIL Rate.

In the event that any such shutdown which is caused by or arises from the same incident shall continue from one month into the next, then for the purposes of this sub-clause the incident shall be treated as though it occurred in the same month.

For cumulative downtime less than ten (10) hours per calendar month, CONTRACTOR shall earn the incentive payment specified in Schedule 5.1.

Downtime for the following instances shall be considered normal drilling operations and shall not be considered as repair time:

Industry standard thirty minutes rig service per tour including, but not limited to, inspection of equipment, lubrication, repacking swivel or top drive, slipping and/or cutting drilling line, changing pump liners or swabs and routine top drive service.

- (f) The REDRILLING RATE being 75 percent of the OPERATING RATE shall apply during all time spent in redrilling the hole or during remedial work on the hole due to circumstances set out in Clause 6.4 of the Conditions of Contract.
- (g) The FISHING RATE being the amount per day applicable during all times when fishing operations (or sidetracking operations arising out of fish in the hole) are being carried out, starting from the time that normal drilling operations are interrupted on account of the need to begin fishing operations and continuing until such time as normal drilling operations are resumed. The Rate for all such fishing or sidetracking operations shall be either the OPERATING RATE or, in the event such operations are due to or arise out of the negligence of the CONTRACTOR or its PERSONNEL then the rate shall be 75% of the OPERATING RATE. In the event that sidetracking operations are being carried out at 75% of the OPERATING RATE then normal drilling operations shall be deemed to have been resumed when the depth is reached at which the said fishing operations

occurred in the first place. 'Fishing operations' shall be deemed to include all operations incurred in attempting to remove a fish from the WELL or to push a fish to one side or to pick up a fish.

(h) The SHUTDOWN WITH CREW RATE being the amount per day quoted in Schedule 5.1 which shall apply during all such time as the DRILLING UNIT has been shutdown and the DRILLING SERVICES have been suspended for any reason by the OPERATOR. The Rate shall include the CONTRACTOR'S costs in maintaining its PERSONNEL and of protective maintenance at the DRILLING UNIT.

(i) The SHUTDOWN WITHOUT CREW RATE being the amount per day of the SHUTDOWN WITH CREW RATE less any savings effected by the CONTRACTOR in reducing the numbers of CONTRACTOR'S PERSONNEL to skeleton strength for caretaker purposes only. The OPERATOR shall give the CONTRACTOR 30 (thirty) days prior written notice of the application of this Rate, which shall be applicable for a period of not less than 30 (thirty) days.

In addition, the OPERATOR shall reimburse the CONTRACTOR the Standing Down/ Remobilisation Charge.

(j) The FORCE MAJEURE a) Rate and the FORCE MAJEURE b) Rate shall be payable by the OPERATOR as provided in Section 2, Clause 10.

5.4 CHARGE FOR MEALS AND ACCOMMODATION PROVIDED BY CONTRACTOR

This charge shall be the amount per man-day applicable for meals and accommodation provided by CONTRACTOR to OPERATOR'S and SERVICE COMPANIES' Personnel eating and/or staying overnight on the DRILLING UNIT in excess of 16 (sixteen) such Personnel per day. Where Personnel stay overnight on the DRILLING UNIT, the said Charge shall apply irrespective of whether the said Personnel are in fact each provided with no meals per day or one or two or three meals per day, and the substantiation for the application of this Charge shall be the daily "people on board" telex.

Where Personnel are not staying overnight on the DRILLING UNIT, but have meals on board, the Casual Meal Rate shall apply.

5.5 PERSONNEL

(a) Additional Personnel

The CONTRACTOR shall be paid at the rates set out in Schedule 2 hereto for personnel additional to those listed in Section 6 Schedule 6.1 requested by the OPERATOR. CONTRACTOR shall provide additional supervisory personnel for familiarization of the crew and safety and supervision on the DRILLING UNIT, during the transition period through ninety (90) days after the COMMENCEMENT DATE. OPERATOR shall pay CONTRACTOR fifty percent (50%) of the rates, costs, and expenses for such additional personnel during such transition period, up to a maximum payment by OPERATOR of \$150,000.

(b) Courses

The OPERATOR shall reimburse the CONTRACTOR for all costs and expenses in respect of travel, accommodation and subsistence reasonably and properly incurred by CONTRACTOR'S RIG STAFF who attend the OPERATOR'S or OPERATOR'S approved in-house required courses. Invoices for such reimbursement shall be supported by the requisite bills, tickets and other such substantiation as the OPERATOR may reasonably require.

(c) Replacement

Pending replacement of personnel the OPERATOR shall deduct from any monies due to the CONTRACTOR at the appropriate rate per day quoted in Schedule 5.2 for all days in excess of 7 (seven) days that such person shall not have been so replaced.

5.6 ADDITIONAL EQUIPMENT

The OPERATOR shall reimburse the CONTRACTOR as follows for additional equipment provided after the COMMENCEMENT DATE:

- (a) The capital costs of modifications to the DRILLING UNIT or additional equipment purchased on the instructions of the OPERATOR shall be reimbursed to the CONTRACTOR in accordance with the provisions of sub-clause (b) hereunder.
- (b) The agreed rental costs of listed equipment under the Schedule 5.3 hereto or if not listed the costs of materials or charges for hire of additional equipment or services required by the OPERATOR'S REPRESENTATIVE at net invoice cost, after deduction of all discounts plus an addition of 10% for all items not exceeding US\$3,000 (three thousand dollars) and 6% on all items exceeding US\$3,000 (three thousand dollars) to cover the CONTRACTOR'S additional costs, overhead charges and profit.
- (c) The costs of transport and shipping the further equipment and materials to the CONTRACT AREA.

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SECTION 5
RATES AND CHARGES
PAGE 6 OF 7

- =====
- (d) An agreed rental rate to be incorporated in the Schedule 5.3 hereto covering CONTRACTOR'S operating and maintenance costs for each item on such additional equipment included in Section 7 hereof.

The OPERATOR shall not reimburse the CONTRACTOR for any further equipment or materials supplied and delivered by it which the OPERATOR'S REPRESENTATIVE has not first requested in writing as aforesaid.

5.7 FIXED RATES

The rates and charges specified in Schedule 5.1, 5.2 and 5.3 shall be fixed for the duration of the CONTRACT subject only to adjustments for documented normal and customary changes in CONTRACTOR'S operating costs, including but not limited to, all personnel related costs, catering, insurance, repair and maintenance, travel expenses, and third party towing charges in the fixed price demobilisation fees. CONTRACTOR shall use reasonable efforts to keep the operating costs in line with industry practice.

5.8 PAYMENT PROVISIONS

5.8.1 Monthly Account and Invoicing

- (a) Within the first fifteen (15) days of each MONTH the CONTRACTOR shall submit to the OPERATOR in triplicate a monthly account in respect of DRILLING SERVICES performed by it during the previous MONTH for which payment is due, and also in respect of services given and/or materials supplied (if any) for which payment is due.
- (b) Such account shall be accompanied by one copy of the Time Breakdown Report and such other invoice support documents or information as the OPERATOR may reasonably require from time to time.
- (c) Such account shall comprise one invoice for each WELL on which the DRILLING UNIT has operated during the previous MONTH.
- (d) CONTRACTOR shall be responsible for ensuring timely receipt of invoices by the OPERATOR. OPERATOR will only pay CONTRACTOR'S invoices submitted within two (2) months of completion of the DRILLING SERVICES for a particular well under this CONTRACT, except for third party invoices which must be submitted within four (4) months of completion of the DRILLING SERVICES for a particular well. Invoices submitted more than two (2) months or four (4) months as the case may be, after completion of the DRILLING SERVICES for a particular well under this CONTRACT will be settled at the OPERATOR'S discretion and may result in non-payment.

- (e) Invoices shall be numbered serially and submitted to the OPERATOR at the following address, bearing the CONTRACT reference number and well description:

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SECTION 5
RATES AND CHARGES
PAGE 7 OF 7

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BP TRINIDAD AND TOBAGO LLC
CONTRACT: C- 2600
WELL DESCRIPTION: (Well being drilled)

Marked for the attention of: THE INVOICE PROCESSING
SUPERVISOR (Well Operations)

or other address as may be advised to the CONTRACTOR
from time to time.

5.8.2 Payments by the OPERATOR

- (a) To the extent it is not disputed by the OPERATOR, the OPERATOR shall pay all invoices within 30 (thirty) days after receipt thereof to bank accounts nominated by the CONTRACTOR. In the event any undisputed invoices are not so paid by the OPERATOR within the said 30 (thirty) days, then the OPERATOR shall pay interest on such unpaid amounts at the rate of 10% per annum or pro rata thereof from the due date until paid. The bank account to which OPERATOR shall make payments under the CONTRACT shall be as follows:
- BANK:
- ACCOUNT:
- Any change to the above details shall be the subject of a formal amendment to CONTRACT.
- (b) In the event that the OPERATOR disputes an invoice or part thereof, the OPERATOR shall within 20 (twenty) days of receipt thereof notify the CONTRACTOR in writing of the invoice or part thereof so disputed and specifying the reason therefor. Payment of such disputed invoice or part thereof shall be withheld until settlement of the said dispute. Such payments so withheld shall not be subject to interest charges unless the original invoices as submitted by the CONTRACTOR are subsequently agreed by OPERATOR to be correct based solely on the original support documents or information provided.
- (c) Payment by the OPERATOR of the CONTRACTOR'S invoices shall be without prejudice to the OPERATOR'S rights subsequently to challenge the correctness thereof.
- (d) Any expenditure of whatsoever nature incurred by the CONTRACTOR in connection with the CONTRACT for which responsibility has not been assumed in the CONTRACT by the OPERATOR shall be a cost to be borne by the CONTRACTOR.
- (e) Payment by the OPERATOR of any account submitted by the CONTRACTOR shall not discharge or release the CONTRACTOR from any of its obligations under the CONTRACT or be deemed approval or acceptance of work covered by such account.
- (f) All invoices shall be submitted in and payment made in US Dollars.

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SCHEDULE 5.1

RATES AND CHARGES

<TABLE>
<CAPTION>

REF. NO.	DESCRIPTION OF RATE OR CHARGE	AMOUNT US\$	
MOBILISATION - DEMOBILISATION			
OFFSHORE EAST COST OF TRINIDAD			
<S>		<C>	
1.	MOBILISATION - direct to LOCATION	\$3,600,000	Lump Sum
	- Via the Republic of Trinidad and Tobago	\$3,600,000	Lump Sum
2.	DEMOBILISATION - from the REPUBLIC of Trinidad and Tobago	\$2,800,000	Lump Sum
3.	STANDING DOWN/ REMOBILISATION CHARGE	NA	
DAILY RATES			
4.	OPERATING	\$73,000 per day	
5.	PROVISIONING/ DEPROVISIONING	\$68,000 per day	
6.	STANDBY	\$71,000 per day	
7.	MOVING	\$71,000 per day	
8.	REPAIR	85% of OPERATING RATE	
9.	REDRILLING	75% of OPERATING RATE	
10.	FISHING	75% of OPERATING RATE	
11.	SHUTDOWN WITH CREW	\$71,000 per day	
12.	SHUTDOWN WITHOUT CREW	\$71,000 per day	
13.	FORCE MAJEURE	a) \$71,000 per day b) \$60,000 per day	
14.	REPAIR RATE INCENTIVE (Payable for each hour of repair time less than 10 hours per month)	\$1000 per hour	

SCHEDULE 5.1 TO SECTION 5
RATES AND CHARGES
PAGE 2 OF 2

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MISCELLANEOUS SERVICES FOR OPERATOR'S PERSONNEL

15.	Meals and accommodation provided by CONTRACTOR (in excess of 16 (sixteen) OPERATOR'S personnel)	\$60.00 per man per day per day
	Casual Meal Rate	\$15.00 per meal

</TABLE>

16. The Rate per day for CONTRACTOR'S PERSONNEL who have been removed and who have not been replaced by the CONTRACTOR shall be a deduction of the amount of the rate in schedule 5.2 hereto for the person so removed for all days in excess of seven (7) days that such person shall not have been so replaced until such time as the said person so removed has been replaced.

SCHEDULE 5.2
RATES FOR
CONTRACTOR'S PERSONNEL

(SEE NEXT PAGE)

<TABLE>
<CAPTION>
TRINIDADIAN OPERATIONS
=====

TITLE =====	TOTAL NUMBER * =====	ON BOARD =====	EXPATRIATE OR =====	WORK SCHEDULE =====	ANNUAL BASE =====
			NATIONAL =====		SALARY =====
<S> EXPATRIATE =====	<C>	<C>	<C>	<C>	<C>
Rig Manager	2	1	Expatriate	28 On/28 Off	\$ 81,600
Assistant Rig Manager	2	1	Expatriate	28 On/28 Off	72,000
Rig Engineer (Barge Engineer)	2	1	Expatriate	28 On/28 Off	66,326
Safety & Training Coordinator	2	1	Expatriate	28 On/28 Off	46,290
Mechanic	2	1	Expatriate	28 On/28 Off	58,035
Electrician	2	1	Expatriate	28 On/28 Off	58,035
Crane Operator	4	2	Expatriate	28 On/28 Off	48,363
Driller	4	2	Expatriate	28 On/28 Off	59,417
SUB-TOTAL =====	20 ==	10 ==			
NATIONAL =====					
Assistant Driller	4	2	National	14 On/14 Off	\$ 35,000
Derrickman	4	2	National	14 On/14 Off	28,000
Shaker Hand	4	2	National	14 On/14 Off	26,500
Floorman	12	6	National	14 On/14 Off	26,000
Assistant Electrician	2	1	National	14 On/14 Off	28,000
Motorman	4	2	National	14 On/14 Off	28,000
Clerk/Radio Operator	2	1	National	14 On/14 Off	28,000
Storeman	2	1	National	14 On/14 Off	25,000
Welder	2	1	National	14 On/14 Off	30,000
Lead Roustabout	4	2	National	14 On/14 Off	28,000
Roustabout	12	6	National	14 On/14 Off	26,000
Steward	2	1	National	14 On/14 Off	28,000
Night Cook	4	2	National	14 On/14 Off	26,000
Utility Hand	8	4	National	14 On/14 Off	24,000
SUB-TOTAL =====	66 ==	33 ==			
TOTAL PERSONNEL =====	86 ==	43 ==			

</TABLE>

** Rates are per position. This rate includes two persons, one for crew A, one

for crew B. Does not include additional travel cost, if any and /or additional catering costs

TABLE CONTINUED.....

<TABLE>
<CAPTION>
TRINIDADIAN OPERATIONS

TITLE	25%	37.2%	TOTAL ANNUAL COST PER PERSON	DAY RATE WITH BURDEN PER PERSON	CREW ADDITIONS/DAY/POSITION**
	FOREIGN SERVICE PREMIUM	OVERHEAD & INSURANCE BURDEN			
EXPATRIATE	<C>	<C>	<C>	<C>	<C>
Rig Manager	\$ 20,400	\$ 30,355	\$ 132,355	\$ 362.62	\$ 725.23
Assistant Rig Manager	18,000	26,784	116,784	319.96	639.91
Rig Engineer (Barge Engineer)	16,582	24,673	107,581	294.74	589.48
Safety & Training Coordinator	11,573	17,220	75,082	205.71	411.41
Mechanic	14,509	21,589	94,133	257.90	515.80
Electrician	14,509	21,589	94,133	257.90	515.80
Crane Operator	12,091	17,991	78,445	214.92	429.83
Driller	14,854	22,103	96,374	264.04	528.08

SUB-TOTAL

NATIONAL

Assistant Driller	-	13,020	48,020	131.56	263.12
Derrickman	-	10,416	38,416	105.25	210.50
Shaker Hand	-	9,858	36,358	99.61	199.22
Floorman	-	9,672	35,672	97.73	195.46
Assistant Electrician	-	10,416	38,416	105.25	210.50
Motorman	-	10,416	38,416	105.25	210.50
Clerk/Radio Operator	-	10,416	38,416	105.25	210.50
Storeman	-	9,300	34,300	93.97	187.95
Welder	-	11,160	41,160	112.77	225.53
Lead Roustabout	-	10,416	38,416	105.25	210.50
Roustabout	-	9,672	35,672	97.73	195.46
Steward	-	10,416	38,416	105.25	210.50
Night Cook	-	9,672	35,672	97.73	195.46
Utility Hand	-	8,928	32,928	90.21	180.43

SUB-TOTAL

TOTAL PERSONNEL

</TABLE>

** Rates are per position. This rate includes two persons, one for crew A, one for crew B. Does not include additional travel cost, if any and /or additional catering costs

6.1 PROVISION OF CONTRACTOR'S PERSONNEL

The CONTRACTOR shall provide all CONTRACTOR'S PERSONNEL listed in Schedule 6.1 hereof in the numbers and categories referred to therein. Such numbers and categories shall not be exceeded or reduced without prior written approval of the OPERATOR and any change in the numbers and/or categories so approved shall be recorded by amendment to Schedule 6.1. Should the OPERATOR require the CONTRACTOR to provide additional PERSONNEL in excess of the full complement of CONTRACTOR'S PERSONNEL or SUB-CONTRACTOR'S personnel listed in Schedules 6.1 and 6.2 then the CONTRACTOR shall be reimbursed at the day rates included under SECTION 5. The CONTRACTOR shall give the OPERATOR'S REPRESENTATIVE the name and work history, education and training history including courses attended of such CONTRACTORS PERSONNEL including any person proposed as a replacement therefor. The OPERATOR may at its discretion approve or veto the provision of any such CONTRACTOR'S PERSONNEL by stating the reason therefor and may within fourteen (14) days of receipt of such histories notify the CONTRACTOR in writing of its approval or veto. Absence of such notification by the OPERATOR within fourteen (14) days shall constitute approval.

The selection, replacement, hours of labour and remuneration of CONTRACTOR'S PERSONNEL shall be determined by CONTRACTOR.

6.2 CONTRACTORS REPRESENTATIVE

The CONTRACTOR shall provide a competent and authorised Representative who shall be nominated in writing and be acceptable to the OPERATOR. The CONTRACTOR'S REPRESENTATIVE shall be available at all times and shall be authorised to receive on behalf of the CONTRACTOR all directions and instructions in connection with the SERVICES from the OPERATOR'S REPRESENTATIVE.

CONTRACTOR'S REPRESENTATIVE shall be in charge of all CONTRACTOR'S personnel and shall have authority to resolve all day to day matters which arise between OPERATOR and CONTRACTOR.

6.3 GENERAL

The CONTRACTOR shall adhere to all labour standards and practices applicable to the CONTRACT AREA.

All personnel provided by the CONTRACTOR in accordance with sub-clause 6.1 above, shall be deemed to be the employees of the CONTRACTOR and the CONTRACTOR shall be solely responsible for payment of salaries to such personnel.

The CONTRACTOR shall meet all costs for its PERSONNEL, including but without limitation those associated with travel, accommodation, holiday and sickness throughout the duration of the SERVICES.

The CONTRACTOR'S PERSONNEL shall be sufficiently conversant with the English language to enable the OPERATOR'S REPRESENTATIVE to issue instructions and to receive written and verbal reports in the English language and so that operations hereunder are not hampered or

=====
endangered on account of language barriers. The radio and computer operator must be English speaking.

The CONTRACTOR shall be responsible for all matters relating to rest periods for its personnel including inter alia the provision of a relief operating crew where the performance of the SERVICES as required by the OPERATOR so dictates.

6.4 TRAINING

The CONTRACTOR shall ensure that all personnel proposed in compliance with the foregoing shall have undertaken courses in accordance with the CONTRACTOR'S operations manual and good oilfield practice and all OPERATOR required HSE training requirements.

6.5 MEDICAL CERTIFICATES

The CONTRACTOR shall make available to the OPERATOR'S REPRESENTATIVE valid medical certificates stating that each person travelling to the DRILLING UNIT on behalf of the CONTRACTOR is fit to do so.

6.6 PERSONNEL RECORDS

The CONTRACTOR shall keep medical records, wages books and time sheets and full records of the CONTRACTOR'S PERSONNEL. The CONTRACTOR shall keep details of its PERSONNEL'S next of kin on the DRILLING UNIT and at its shore base.

6.7 QUALIFICATIONS AND TRAINING OF CONTRACTOR'S PERSONNEL

(a) General

All CONTRACTOR'S PERSONNEL and SUB-CONTRACTOR'S personnel on board the DRILLING UNIT shall be required to have attended an Offshore Basic Fire Course and an Offshore Survival Course held at an OPERATOR approved training centre prior to working on board the DRILLING UNIT with refresher training every three years. Specialist training for helicopter refuelling crews and fire teams is also required. All costs incurred shall be to the account of the CONTRACTOR.

(b) Drilling Personnel

The CONTRACTOR shall prior to the COMMENCEMENT DATE ensure that the RIG STAFF shall have satisfactorily completed a well control procedure training course and have obtained a Well Pressure Control Certificate from a training establishment approved by IWCF or the relevant authorities in the CONTRACT AREA. The CONTRACTOR shall at its cost further ensure that the RIG STAFF shall attend refresher courses at such approved training establishments at intervals of not more than twelve months and maintain validity of certification for all RIG STAFF throughout the term of the CONTRACT and any extension thereto.

Whenever so requested by the OPERATOR the CONTRACTOR shall make available to the OPERATOR certificates evidencing such validity. The CONTRACTOR shall arrange, at regular weekly intervals, for on site training of its PERSONNEL engaged in drilling operations on the DRILLING UNIT in matters relating to health, safety, accident prevention and

environmental protection and, in addition, prior to the commencement of specialised operations such as drill stem and production testing and radioactive logging. Minutes of meetings held to fulfil such training requirements shall be made available to the OPERATOR and shall be posted on notice boards on the DRILLING UNIT.

Notwithstanding the foregoing provisions, the CONTRACTOR'S RIG STAFF shall if required by OPERATOR attend the OPERATOR'S Pressure Control and HP and HT course. Such attendance if required shall take place at times and dates to be arranged between the CONTRACTOR and OPERATOR but in any case prior to the COMMENCEMENT DATE.

(c) Marine and Installation Personnel

The CONTRACTOR shall ensure that prior to the COMMENCEMENT DATE and throughout the continuance of the CONTRACT the Captain or the equivalent person but under a different title are properly qualified for their respective positions and experienced in carrying out their duties on the DRILLING UNIT.

The CONTRACTOR shall ensure that, (otherwise than in the event of total DRILLING UNIT evacuation on the instructions of the OPERATOR) there is always one person on board who is fully competent in respect of, and is designated responsible for, marine operations and calculation of deck loadings.

6.8 EMPLOYMENT OF LOCAL PERSONNEL AND RATES OF PAY

The CONTRACTOR shall, if applicable to this CONTRACT, employ local labour subject to availability and suitability of qualifications and experience. The CONTRACTOR shall ensure early contact is made with the Trinidad authorities to ascertain its requirements in this regard.

The CONTRACTOR shall comply with all relevant governmental rules, regulations and instructions with respect to the employment of local labour.

6.9 PASSPORTS AND VISAS

The CONTRACTOR shall ensure that when appropriate all CONTRACTOR'S PERSONNEL are in possession of valid passports and shall obtain all visas and entry or other permits required to enable such CONTRACTOR'S PERSONNEL to proceed to and work in the CONTRACT AREA and shall assist such PERSONNEL in clearing immigration in Trinidad.

6.10 TRANSPORTATION

The CONTRACTOR shall make its own arrangements and meet all expenses for the transport of all the CONTRACTOR'S PERSONNEL to and from and within the CONTRACT AREA other than between the DRILLING UNIT and the OPERATOR'S designated crew change location in the CONTRACT AREA.

6.11 REMOVAL OF PERSONS PROVIDED BY THE CONTRACTOR AND THE SUB-CONTRACTORS

At the instruction of the OPERATOR in writing the CONTRACTOR shall remove from duties hereunder or lawfully secure such removal of any of the CONTRACTOR'S PERSONNEL who is unacceptable to the OPERATOR.

3

SECTION 6
CONTRACTOR'S PERSONNEL
PAGE 4 OF 4

=====

OPERATOR shall state the reason for such removal in the written instruction.

6.12 REPLACEMENT OF PERSONS REMOVED BY THE CONTRACTOR

The CONTRACTOR shall forthwith at its cost and expense replace any such person removed under the provisions of sub clause 6.11 hereof such replacement being a person qualified and capable of performing in an efficient manner the duties of any such person being replaced. This sub-clause shall also apply to CONTRACTOR'S PERSONNEL leaving of their own volition.

6.13 RESTRICTION AS TO DRUGS AND ALCOHOLIC LIQUORS

The CONTRACTOR shall not except for bona fide medical purposes, sell, barter, give, dispense or otherwise dispose of any drugs or alcoholic liquors to any person at the LOCATION, shall prohibit any such sale, barter, gift, dispensation or other disposal to be made by any of the CONTRACTOR'S PERSONNEL.

6.14 RECOGNISED FESTIVALS AND RELIGIOUS AND OTHER CUSTOMS

The CONTRACTOR shall at all times and in all respects in all dealings with the CONTRACTOR'S PERSONNEL observe and pay full deference to all recognised festivals and religious or other customs.

6.15 DISORDERLY CONDUCT

The CONTRACTOR shall take all requisite precautions and use his best endeavours to prevent any riotous or unlawful behaviour by or amongst any of the CONTRACTOR'S PERSONNEL.

6.16 BRIBERY

The CONTRACTOR shall not make or offer any bribe or any gift,

gratuity, reward, commission or other inducement in money or of any description whatsoever to any person in the employment of the OPERATOR or SERVICE COMPANIES.

6.17 REPATRIATION OF CONTRACTOR'S PERSONNEL

The CONTRACTOR shall, pending the repatriation of any of the CONTRACTOR'S PERSONNEL maintain such CONTRACTOR'S PERSONNEL in a proper manner until such time as they shall have left the CONTRACT AREA and in default thereof the OPERATOR may maintain and repatriate such CONTRACTOR'S PERSONNEL and recover the cost thereof from the CONTRACTOR.

6.18 SAFETY

The CONTRACTOR shall provide its personnel with protective clothing and safety equipment identifying them as the CONTRACTOR'S PERSONNEL to designs approved by the OPERATOR for offshore working conditions in the CONTRACT AREA.

SCHEDULE 6.1 AND 6.2

INITIAL STAFFING OF CONTRACTOR'S AND SUB-CONTRACTOR'S PERSONNEL

<TABLE>

<CAPTION>

TRINIDADIAN OPERATIONS

TITLE	TOTAL NUMBER*	ON BOARD	EXPATRIATE OR NATIONAL	WORK SCHEDULE
EXPATRIATE				
Rig Manager	2	1	Expatriate	28 On/28 Off
Assistant Rig Manager	2	1	Expatriate	28 On/28 Off
Rig Engineer (Barge Engineer)	2	1	Expatriate	28 On/28 Off
Safety & Training Coordinator	2	1	Expatriate	28 On/28 Off
Mechanic	2	1	Expatriate	28 On/28 Off
Electrician	2	1	Expatriate	28 On/28 Off
Crane Operator	4	2	Expatriate	28 On/28 Off
Driller	4	2	Expatriate	28 On/28 Off
Paramedic	2	1	Expatriate	28 On/28 Off
SUB-TOTAL	22	11		
NATIONAL				
Assistant Driller	4	2	National	14 On/14 Off
Derrickman	4	2	National	14 On/14 Off
Shaker Hand	4	2	National	14 On/14 Off
Floorman	12	6	National	14 On/14 Off
Assistant Electrician	2	1	National	14 On/14 Off
Motorman	4	2	National	14 On/14 Off
Clerk/Radio Operator	2	1	National	14 On/14 Off
Storeman	2	1	National	14 On/14 Off
Welder	2	1	National	14 On/14 Off
Lead Roustabout	4	2	National	14 On/14 Off
Roustabout	12	6	National	14 On/14 Off
Steward	2	1	National	14 On/14 Off
Night Cook	4	2	National	14 On/14 Off
Utility Hand	8	4	National	14 On/14 Off
SUB-TOTAL	66	33		
TOTAL PERSONNEL	88	44		

</TABLE>

SCHEDULE 6.3

LIST OF MODIFICATION TO BE PROVIDED BY CONTRACTOR

AMORTIZATION PERIOD: 3 years

 AMORTIZATION RATE: 15%

<TABLE>
 <CAPTION>

NO.	ITEM	COST	RESIDUAL VALUE RATE	RESIDUAL VALUE	BP AMORTIZED AMOUNT	BP DAILY RATE
<S>		<C>	<C>	<C>	<C>	<C>
A.	EXPLORATORY WELLS					
1	25,000' 5-1/2" S-135 drill pipe with HT 55 connections, 7" OD x 3-3/4" ID	\$1,447,635	50%	723,818	\$ 723,818	(\$821)
1A	Credit for 5" DP on Rig Now (18,000' X \$20/ft.)	(360,000)	0%	-	\$(360,000)	408
2	30 joints of 5-1/2" Spiral-wate drill pipe with HT 55 conn.	\$ 128,220	50%	64,110	\$ 64,110	(73)
2A	Credit for 5" HW on Rig Now (30 jts. X \$1,500 each)	(45,000)	0%	-	\$ (45,000)	51
3	All subs and accessories for above, including inspections	91,100	50%	45,550	45,550	(52)
4	Miscellaneous handling tools, rams, etc. for above	167,650	50%	83,825	83,825	(95)
5	Freight, 18 loads tubulars @ 1,800.	32,400	50%	16,200	16,200	(18)
6	Relocate Schlumberger logging unit to port leg	200,000	100%	200,000	-	-
7	Relocate cement unit to centerline under elevated piperack	100,000	100%	100,000	-	-
8	Reroute exhausts to aft of port leg	150,000	100%	150,000	-	-
9	Extra high pressure washdown equipment	10,000	100%	10,000	-	-
10	Trash Compactor	18,000	100%	18,000	-	-
11	Additional man rider air hoist under floor	25,000	100%	25,000	-	-
12	International spare parts inventory	500,000	100%	500,000	-	-
13	21-1/4" 5M double ram with 21-1/4" 5M Bag (option rental)	850,000	50%	425,000	425,000	(482)
14	Maximum quarters capacity (100 preferred)	200,000	50%	100,000	100,000	(113)
15	UV Purifier	15,000	100%	15,000	-	-
16	Crane Rests (Reinstall)	5,000	100%	5,000	-	-
17	Rig LAN and CORIS and Satellite	125,000	50%	62,500	62,500	(71)
18	Flare Boom Stanchions	25,000	100%	25,000	-	-
19	Thru hull dump	10,000	100%	10,000	-	-
20	Change Name of rig to Chiles Coronado	20,000	100%	20,000	-	-
21	Site specific survey and analysis	25,000	100%	25,000	-	-
	SUB-TOTAL	\$3,740,005	NA	\$2,579,003	\$1,116,003	\$(1,266)
B.	KAPOK DEVELOPMENT PROGRAM					
22	Increase base oil storage to 1,000 bbls.	100,000	75%	75,000	25,000	(28)
23	Increase mud capacity by 800 bbls.	175,000	75%	131,250	43,750	(50)
24	Add 2 each 700 bbl. Brine storage tanks - 1,400 bbls. Total	150,000	75%	112,500	37,500	(43)
25	P-Quip Super Mud Bucket	45,000	75%	33,750	11,250	(13)
26	2 anchor winches, fairleads, buoys, anchors, racks, etc.	400,000	50%	200,000	200,000	(227)
27	Relocate welding shop	20,000	100%	20,000	-	-
	SUB-TOTAL	\$ 890,000	NA	\$ 572,500	\$ 317,500	\$(360)
	TOTAL	\$4,630,005	NA	\$3,151,503	\$1,433,503	\$(1,626)

</TABLE>

NOTES:

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- 1 If contract terminates earlier than three (3) years for any reason, BP will owe the Unamortized principal balance
- 2 Above included in contract rates

SECTION 7

PART I

DRILLING UNIT, EQUIPMENT, SUPPLIES AND
SERVICES TO BE PROVIDED BY THE CONTRACTOR

(SEE NEXT PAGE)

CHILES CORONADO JACKUP DRILLING UNIT

The CHILES CORONADO is a LeTourneau Super 116 jackup mobile offshore drilling unit, designed by LeTourneau, Inc., Longview, Texas. The unit is classed by the American Bureau of Shipping (ABS) and complies with the IMO MODU Code. A cantilevered drilling structure and substructure allows the unit to drill or workover wells on existing fixed production platforms. The CHILES CORONADO is designed to work in water depths as shallow as 16 feet and up to 360 feet. Fully air-conditioned quarters can accommodate a crew of 94.

A. GENERAL DESCRIPTION

<TABLE>
<S>

Type:	LeTourneau Super 116 Class Independent Leg Cantilever Jackup
Builder:	TDI Halter Marine - Pascagoula, MS
Year Built:	1999
Class:	ABS Maltese Cross A1 Self-Elevating Mobile Drilling Unit, 1996 Rules. IMO MODU Code for the Construction & Equipping of Mobile Offshore Drilling Units, 1989
Flag:	Panama
Elevating System:	LeTourneau Electric Rack and Pinion Jacking System

</TABLE>

- | | | |
|----|---|---------|
| 1. | Principal Dimensions | |
| | Length Overall | 243'-0" |
| | Breadth | 206'-0" |
| | Depth of Hull | 26'-0" |
| | Length of Legs | 477'-0" |
| | Spud Tank Diameter | 46 "-0" |
| 2. | Hull Draft and Displacement | |
| | Lightship Draft - Minimum | 14'-0" |
| | Loadline Draft - Maximum | 16'-0" |
| | Lightship Displacement (Kips) | 22933 |
| | Loadline Displacement (Kips) | 25935 |
| 3. | Quarters | |
| | Complete air-conditioned accommodations for a ninety-four (94) person crew. In addition to accommodations, the four-story quarter's structure contains a galley/mess room, six (6) man treatment room, fitness room, crew change room, offices, recreation rooms, control room, and radio room. | |
| 4. | Heliport | |
| | 73' octagonal steel cantilevered heliport designed to withstand loads imposed by a Sikorsky S-61N helicopter or equal. Heliport is lighted and equipped with tie downs, perimeter safety nets, and access stairs. | |

5.	Storage Capacities	
	Diesel fuel	4,611 bbls.
	Drill water	14,592 bbls.
	Potable water	1,220 bbls.
	Liquid mud (in main mud pits)	3,300 bbls.
	Base oil	1,000 bbls.
	Brine (Completion Fluid)	1,400 bbls.
	Bulk Mud	5,440 cu. ft.
	Bulk Cement	5,440 cu. ft.
	Sack Storage	5,000 sacks
	Hook Load	1500 kips
	Rotary Load	1500 kips
	Setback Load	600 kips

B. LOADING AND ENVIRONMENTAL CONDITIONS

<TABLE>
 <CAPTION>

1.	On Bottom Conditions	Severe Storm	Operating
		-----	-----
<S>		<C>	<C>
	Water Depth (feet) (1)	328	350
	Wind Velocity (knots)	100	70
	Current (knots)	1.0	1.0
	Wave Height (feet)	47	35
	Wave Period (sec)	15	15
	Min. Air Gap (feet)	50	35
	Max. Leg Can Penetration (feet)	25	25
	Maximum Variable Load (kips) in above conditions (2)	3,300	4,800
	Comb.Rig.Flr.Loads (kips) (3)	750	1,500
	Well Position (feet)		
	Aft of Hull Transom (feet)	00.0	65.0
	P/S off CL Vessel (feet)	00.0	15.0
2.	Transit Condition:		

	Minimum Draft (Lightship)		14'-0"
	ABS Load Line (Hull Draft)		16'-0"
	Total Variable Load (Kips) (4)		3,300
	Total Variable Load While Jacking (Kips)		3,300

</TABLE>

Notes:

- (1) Maximum water depth must include consideration for high tides and storm surge.
- (2) Does not include combined rig floor loads listed below.
- (3) Maximum individual rig floor loads are:

Hook Load.....	1,500 kips
Rotary Load.....	1,500 kips
Setback Load.....	600 kips

Above loads valid up to 70 knot wind speed, however no setback load allowed above 50 knots. Hook load varies according to well center location. Max. combined drill floor load is 1,500 kips. Pipe rack load during skidding is 1,000 kips.

- (4) Displacement of vessel at the load line minus displacement of vessel at lightship.

C. PLATFORM EQUIPMENT

1. Primary Generators
Four (4) Caterpillar Model 3606 diesel engines rated at 2,514 HP each driving 3000 KVA continuous, 60 Hz, 600 volt AC Kato generators.
2. Standby/Emergency Generator
One (1) Caterpillar Model 3508 diesel engine driving a 893 KVA continuous, 60 Hz, 480 volt generator complete with switch gear, automatic start, breakers and DC battery bank.
3. SCR System
Five (5) Ross Hill Controls 600V, 2200 amps each. Universal Switch Gear Inc. leg elevator contactors, AC breaker panels and two (2) ground detector panels: SCR room cooled by two (2) 15 Ton Carrier central air conditioner units.
4. Watermaker
One (1) Specific Equipment - Model SE 132 ROM-1, reverse osmosis watermaker, rated at 13,200 gallons per day.
5. Water Purifier
One (1) Specific Equipment Ultra Violet Purifier for Purification of rig potable water - Model I-H-16-L, capacity 330 GPM.
6. Pressure Washer
One (1) Sioux - Model EN270-H4-300, steam/pressure washer, rated at 4.5 GPM at 3,000 psi.
7. Waste Treatment Unit
One (1) Exceltec 12MX, 120 Person Marine Sanitation Device.
8. Trash Compactor
One (1) Dolphin - Model 4000, 40 cu./ft. capacity
9. Air Compressors
 - a. One (1) Airdyne cold start air compressor rated at 46 CFM powered by 2-cylinder Lister Diesel engine with electric start.
 - b. Two (2) Airdyne 500 HOSS-JS rotary air compressors, each rated at 500 CFM at 125 psi powered by 125 HP AC electric motors.
 - c. One (1) Airdyne 500 HOSS-JS bulk dual air compressor, rated at 500 cfm, 40 psi.

- d. One (1) Refrigerated Air Dryer - Hankinson Model 80600, 750 cfm @ 38 degrees F.
10. Welding Equipment
Two (2) Miller SRH-444, 400 amp welding machines.
11. System Pumps
 - a. Two (2) Bilge Pumps, Gorman Rupp 25 HP self-priming pumps.
 - b. Two (2) Salt Water/Fire Pumps, 75 HP, Mission 4 x 3 x 13 centrifugal pumps.
 - c. Two (2) Drill Water Pumps, 30 HP, Mission 4 x 3 x 13 centrifugal pumps.
 - d. One (1) Waste Oil Pump, gear type.
 - e. Two (2) Fuel Oil Transfer Pumps, 5 HP, gear type.

- f. Three (3) Peerless Model 14-MB/4 stage, submersible salt-water service pumps. 75 HP rated @ 1,000 gpm @ 65 psi.
 - g. Two (2) Each Potable and Salt Water Pressure Sets with Specific Brand 150 2" centrifugal vertical type pumps powered by AC electric motors with approximately 200-gallon pressure tanks.
 - h. Two (2) Brake Cooling Water Pumps, 20 HP, 3 x 2 x 13 Mission centrifugal pumps.
- 12. Cranes
Three (3) LeTourneau pedestal cranes, two (2) with 100' booms, port midship crane with 120' boom, 50 ton capacity at 20' radius with 4-part line. Complete with operator cabs.
 - 13. Mooring System
Two (2) each LeTourneau W-1500 anchor winches, 800 feet of 1-5/8" wire rope, fairleads, two (2) 10,000 lb. stockless anchors, buoys, and pendant wire.
 - 14. Flare Boom Base
Basic flare boom bases with stanchions

D. SAFETY AND LIFESAVING EQUIPMENT

- 1. Lifeboats/Liferafts
Three (3) Survival Systems International, self-propelled, enclosed lifeboats with launch davits approved for 50-person capacity each. Four (4) 25-man inflatable life rafts with hydrostatic release.
- 2. Miscellaneous
Life preservers, life rings, litters and first aid equipment in compliance with U.S. Coast Guard and IMO regulations.
- 3. Fire Stations
Approximately twenty-five (25) salt-water fire stations with 50' hose each. Fixed CO2 fire extinguishing systems complete with cylinders, piping, nozzles, sensors and controls for engine room, paint locker, and galley. Complete fire and gas detection system.
- 4. Treatment Room
Fully equipped with Paramedic capability

- 5. Fog Horn
One (1) AB-560 Audiobeam 2-mile Fog Signal with automatic signal device.

E. DRILLING EQUIPMENT

- 1. Derrick
Dreco 170' clear height x 40' x 32' base, with a 1,500,000 lb. hook load capacity.
- 2. Crown Block
Dreco crown block, 680 ton rated with six (6) 60" diameter forged steel sheaves grooved for 1-5/8" drill line with dual fast line sheaves and dual dead line sheaves.
- 3. Drawworks
National 1625-UDBE with disc brakes, nominal depth rating 30,000 feet
 - a. Three (3) each GE-752 DC electric motors rated 1085 HP each

- b. Elmagco Model 7838 Eddy Current Auxiliary Brake
 - c. Lebus grooved drum for 1-5/8" drilling line
 - d. Two (2) breakout and makeup spinning catheads
4. Travelling Block
National, 650 ton, Hook/Block Combination with seven (7) 60" diameter sheaves grooved for 1-5/8" drill line.
5. Power Swivel (Top Drive)
National-Oilwell PS2 650/650 Power Swivel rated at 650 tons. Two speed with maximum continuous torque rating of 47,859 foot pounds @ 109 RPM. Driven by one (1) GE 752 DC Hi-Torque electric motor. 4" bore, 7,500 psi WP. Maximum RPM in low gear - 113, in high gear - 231.
6. Rotary Table
National Model D-495, 49 1/2" rotary independently driven by a GE 752 DC Hi-Torque electric motor, 1130 HP, with standard two speed transmission. Varco MPCH hinged master bushing, with insert bowls for 2 3/8" - 8 5/8" tubulars.
7. Rotating Mouse Hole Assembly for Stand Building
- a. International Model 1994 rotating mouse hole for right or left hand rotation.
 - b. International Model TT-1998 torque tool assembly. Operating range 3-1/2" drill pipe to 8-1/2" drill collars. Torque range 0 to 108,000 ft. Lbs.
8. Mud Pumps
Three (3) National 14-P-220 triplex pumps, rated at 2,200 HP each, with 7,500 psi fluid ends, each driven by two (2) GE 752 DC Hi-Torque electric motors. Each mud pump is equipped with a PPDR-130-7500C5 discharge dampener and PPSC-80-025C5 flow through cellular suction stabilizer, and a reset type relief valve. Maximum speed - 95 spm. Maximum discharge pressure - 90% of liner rating.

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SECTION 7
DRILLING UNIT, EQUIPMENT, SUPPLIES
PAGE 6 OF 9

- =====
9. Iron Roughneck
National "Iron Roughneck" Model IR-170.
10. Mud System
- a. Mixing Pumps: Two (2) Mission Magnum 6 x 8 centrifugal pumps powered by 100 HP AC electric motors.
 - b. Charging Pumps: Three (3) Mission Magnum 6 x 8 centrifugal pump powered by 100 HP AC electric motor.
 - c. Agitators: Ten (10) each 25 HP, 1,200 rpm for main & brine pits.
Four (4) each 10 HP, 1,200 rpm for auxiliary pits.
Four (4) each 5 HP, 1,200 rpm for solids control pits.
 - d. Mud Cleaner/
Desilter: One (1) Brandt LCM-2D-CMC Linear Motion Mud Conditioner with thirty-two (32) 4" cones, 1,920 gpm, discharging over a LCM-2D linear motion shaker deck. Supplied by two (2) Mission Magnum 6 x 8 pumps with 100 HP AC motors.
 - e. Desander: Brandt LCM-2D-CMC Linear Motion Mud Conditioner with four (4) 12" cones, 2,000 gpm, discharging over a LCM-2D linear motion shaker deck. Supplied by (1) 6 x 8 pump with 100 HP AC

motor.

- f. Shale Shakers: Five (5) Brandt LCM-2D Linear Motion Cascade Screen Separators, each rated at 400-600 gpm. One (1) Brandt Nutec Gumbo Chain System.
 - g. Degasser: Two (2) Brandt DG-10 Degassers, supplied by (2) Mission Magnum 6 x 8 pumps with 100 HP AC motors.
 - h. Trip Tank: Two (2) x 34-barrel capacity with two (2) Halco 3 x 4 x 10 pumps with 40 HP AC electric motors.
11. Stand Pipe and Manifold
Dual standpipes rated at 7,500 psi W.P.
Demco standpipe manifold rated at 11,250-psi test pressure and 7,500 psi W.P.
Dual cement manifold with stand pipes rated at 15,000 psi.
12. Rotary Hose Two (2) -4" ID Copperstate rotary hoses rated at 7,500 psi W.P.
13. Bulk Storage Tanks
- a. Bulk Mud: Four (4) each, 1,360 cu. ft.
 - b. Bulk Cement: Three (3) each, 1,360 cu. ft.
 - c. Bulk Gel: One (1) each, 1,360 cu. Ft.
 - c. Bulk Mud Surge Tank: One (1) each, 45 cu. ft.
14. Cementing Unit
Halliburton (On Main Deck)

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SECTION 7
DRILLING UNIT, EQUIPMENT, SUPPLIES
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- =====
15. Blow-Out Preventers
- a. 13-5/8" X 10,000 Blow-Out Preventers
 - (1) Annular: One (1) Cameron type DL spherical preventer, 10,000 WP with 10,000# WP studded top and 15,000# WP flanged bottom connection, H2S trim.
 - (2) Rams: One (1) Cameron Type U 15,000-psi W.P. double ram preventer and One (1) Cameron Type U 15,000-psi W.P. single ram preventer with three (2) sets of 5" pipe rams and one set of blind rams. Four (4) 3-1/16" 15,000-psi WP flanged outlets, flanged top and bottom, H2S trim.
 - (3) Additional Rams: One (1) set of Shearing Blind Rams, One (1) set of 3 1/2" Pipe Rams, One (1) set of 9 5/8" casing rams, One (1) set of 7 5/8" casing rams, One (1) set of 7" casing rams, One (1) set of 3 1/2" x 5" VBR rams.
 - b. 13 5/8" X 15,000 Blow-Out Preventers
 - (1) Annular: One (1) Cameron type DL spherical preventer, 10,000 WP with 10,000# WP studded top and 15,000# WP flanged bottom connection, H2S trim.
 - (2) Rams: One (1) Cameron Type U 15,000-psi W.P. double ram preventer and One (1) Cameron Type U 15,000-psi W.P. single ram preventer with three (2) sets of 5" pipe rams and one set of blind rams. Four (4) 3-1/16" 15,000-psi WP flanged outlets, flanged top and bottom, H2S trim.
 - c. 21 1/4" 10,000 Blow-Out Preventers

(1) One (1) Shaffer wedge top spherical preventer, 5,000 with 5,000 WP studded top and 10,000 WP flanged bottom connection, H2S trim.

(2) Two (2) Cameron Type U 10,000 # WP single ram preventers, flanged top and bottom, with 41/16 10,000 WP side outlets. Complete with one (1) set of 5" straight bore pipe rams, one (1) set of conventional blind rams and one (1) set of blind shear rams.

d. Choke and Kill Valves

Choke Line Valves: Two (2) 3-1/16" - 10,000 psi gate valves. One hydraulic, one manual. H2S trim.

Kill Line Valves: Two (2) 3-1/16" x 10,000-psi gate valves, one manual, one hydraulic. H2S trim.

e. Diverter System

One (1) ABB Vetco Gray KFDJ-J-2000 permanent diverter system, with ABB Offshore Systems Diverter panel with auto open feature.

f. Choke Manifold

Cameron 3-1/16" - 15,000 psi WP with two (2) Cameron hydraulically adjustable choke, two (2) manual chokes.

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DRILLING UNIT, EQUIPMENT, SUPPLIES
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g. Mud Gas Separator
Brandt 48" diameter X 18' long mud gas separator, with dual 6" inlets, 10" mud discharge and 8" gas discharge vent line piped to crown. Pressure rating 125 psig.

h. BOP Control System
3,000 psi, Massco/Stewart & Stevenson, Model SSB2403S11 Control Unit.

(1) Twenty-four (24) -11 gal. bladder type accumulators

(2) One (1) 25 HP triplex pump and three (3) 60:1 -- 8-1/2" air pumps

(3) Nine (9) station control manifold with two (3) remote electric operated stations.

i. Instrumentation
One (1) HITEC/National Driller's Control Station with HITEC SDI 120 Instrumentation Package equipped with CCTV system for monitoring racking and stabbing boards.

ii. Air Hoists
Two (2) Ram Winch K6UL air hoists on rig floor, 15,000 lb. pull @ 51 fpm. Two (2) Airdyne model ML 336-38 dedicated man rider winches. One mounted on the drill floor and one mounted below the drill floor. Four (4) Ram Winch K6UL air hoist under substructure for BOP manoeuvres.

iii. Drilling Line
7,500' of 1-5/8" 6 x 19 EIPS IWRC regular right lay.

16. Wireline Unit
One (1) Mathey "Surveyor" Wireline Unit with 30,000 ft. of .108" wire.
17. Drive Pipe Support System
One (1) Drive Pipe Support System with tensioning

capability to tension drive pipe to 300 kips vertical force and provide lateral restraint at wellhead.

18. Tubulars
25,000' (approximately 800 joints) 5 1/2" O.D., 21.90 lb/ft, S-135 drill pipe with HTSJ connections 7" O.D. X 3 3/4" I.D. Grant Prideco x-metal 7000 hard banding on box and pin tool joints 3/32" raised. Thirty (30) joints 5 1/2" O.D. conventional Hevi-Wate drill pipe with HT55 connections 7" O.D. X 3 15/16" I.D. Weight 1,800 lb/per joint
- Six (6) 9 1/2" OD drill collars with 7 5/8" Regular connections.
- Nine (9) 8" OD drill collars with 6-5/8" Regular connections. Twenty One (21) 6 1/2" OD drill collars with 4 1/2" X-Hole connections. Necessary X-Over Subs, Kelly Subs, and Bit Subs for Contractor's drill string.

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SECTION 7
DRILLING UNIT, EQUIPMENT, SUPPLIES
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19. Mud Buckets
One (1) P-Quip Hydraulic Mud Bucket complete with air hoses, connections, side seals and end seals for 5" & 5 1/2" drill pipe.

F. COMMUNICATIONS EQUIPMENT

1. Radio Equipment
- a. Two (2) fixed marine VHF transceivers, four (4) survival craft transceivers, six (6) hand held marine VHF transceivers.
 - b. One (1) VHF-AM aeronautical base station transceiver capable of 6-channel operation, with crystals for 3 channels installed, unity gain ground plane antenna, and manual, 115 VAC.
 - c. One (1) Global Maritime Distress & Safety System (GMDSS) as per SOLAS Regulations 5, 6, Part C.
 - d. Satellite communications and data transfer.
2. Internal Telephone Communications and Public Address System
One (1) Multi-station Gaitronics System for platform intercommunication.
3. File Server, Computer, and External Communications System
Rig LAN digital computer and telecommunications system. Microwave or Satellite voice and data links from offices, drill floor, conference room, and the rig LAN. Additional capabilities of the computer and link system (CORIS) include:
- a. Customer and contractor offices on board rig have access to drilling and performance data in "real-time" personnel information, liquid and bulk variable inventories, and weather.
 - b. Internet access provided to certain computers for E-mail and file transfer.
 - c. Above data available via CORIS system.

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CONTRACT SUMMARY

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Contract No.	C-2600

Nature of Contract:	Hire of Drilling Unit

Parties:	BP Trinidad and Tobago LLC and Chiles Offshore Inc.

Effective Date:	The date that the DRILLING UNIT is under tight tow to Pascagoula, Mississippi to begin the Make Ready Period (July 10, 2001)

Commencement Date:	The date on which the DRILLING UNIT is pinned on the first LOCATION in the CONTRACT AREA and the OPERATOR provided RIG ACCEPTANCE.

Term:	Three Years from Commencement Date

Description of Services/ Scope of Work:	To carry out drilling services in support BP Trinidad and Tobago LLC's Drilling Program

Compensation:	Mobilisation: US \$3,600,000 Day Rate: US \$73,000 Demobilisation: US \$2,800,000

Payment Terms:	Thirty Days from Receipt of Invoice

Termination:	Without Cause - three months notice - 60% of Day Rate for the remainder of the term (\$43,800)

Estimated Value of Contract	\$79,935,000

Distribution:	

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PHILLIPS PETROLEUM (91-12) PTY LTD
(ABN 73 064 963 346)
BAYU-UNDAN GAS RECYCLE PROJECT

CONTRACT DOCUMENT

BAYU UNDAN DRILLING CONTRACT

CONTRACT NO: C0031

PHILLIPS PETROLEUM (91-12) PTY LTD (AS UNIT OPERATOR FOR THE UNIT PARTICIPANTS)
1 MILL STREET PERTH, WESTERN AUSTRALIA 6000, AUSTRALIA
TELE: +61 8 278 5333 FACSIMILE: +61 8 9278 5340

BAYU UNDAN
DRILLING CONTRACT

BETWEEN

PHILLIPS PETROLEUM (91-12) PTY LTD
(ABN 73 064 963 346)

AND

CHILES OFFSHORE INC.

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DRILLING CONTRACT

This Agreement is effective as of the 21st day of June 2001 ("Effective Date") between PHILLIPS PETROLEUM (91-12) PTY LTD ABN 73 064 963 346 (hereinafter referred to as "Unit Operator") and CHILES OFFSHORE Inc. (hereinafter referred to as "Contractor").

WITNESSETH:

1.0 INTERPRETATION

In this Agreement, in addition to terms defined throughout the Agreement and except where the context otherwise requires:

AFFILIATE means a business entity:

- (a) in which a party owns directly or indirectly 50% or more of the equity;
- (b) which owns directly or indirectly 50% or more of the equity of the party;
- (c) of which 50% or more of the equity is owned by a common parent company; or
- (d) which a party has the responsibility to operate and control, or to provide management and operational services.

CONTRACTOR GROUP means Contractor and its affiliates, and each of their directors, managers, officers, agents and employees.

GROSS NEGLIGENCE shall mean the willful and wanton disregard for harmful, avoidable, and foreseeable consequences.

JOINT AUTHORITY means the body established by Article 7 of the Treaty.

STATUTORY REQUIREMENTS shall include, without limitation:

- (a) the Treaty Legislation;
- (b) any and all acts of the Commonwealth of Australia;
- (c) laws of the sovereign state of East Timor or any body established by the United Nations to exercise authority over East Timor;
- (d) relevant international law and conventions;
- (e) applicable maritime laws and conventions;
- (f) acts and ordinances of any country, State, Territory or governmental district in which any of the Work is carried out;
- (g) ordinances, regulations, by-laws, orders or proclamations under acts and ordinances;
- (h) persons giving directions, pursuant to the exercise of statutory powers, which affect the performance of the Work; and

- (i) all other laws, regulations, conventions, orders and directions given by or on behalf of any governmental or semi-governmental authority or body which may apply to the Work.

TAX ASSUMPTIONS means the tax assumptions set out in Exhibit "K".

TAXATION CODE means the Taxation Code For The Avoidance of Double Taxation In Respect Of Activities Connected With Area A Of The Zone Of Cooperation identified as Annexure D to the Petroleum (Australia-Indonesia Zone of Cooperation) Act 1990 (No. 36 of 1990) (Cth).

TREATY means the Timor Gap Treaty on the Zone of Cooperation in an area between East Timor and Northern Australia made 11 December 1989 and includes any supplementary or subsequent Treaty or Treaties.

TREATY LEGISLATION means the Treaty, each of its annexures and any rules, regulations, administrative guidelines, orders or directions issued under the Treaty, together with all legislation enacted and executive authority and executive action taken by either of the Contracting States to give effect to or continue the effectiveness of the Treaty and the legislation enacting the Treaty.

UNIT OPERATOR GROUP means the Unit Operator, the Unit Participants, the Joint Authority and their respective Affiliates, directors, managers, officers, agents and employees.

UNIT PARTICIPANTS means the Unit Participants in the Project as set out and named in Article 23, their successors and assigns.

ZOCA means the area described as Area A in Annexure A of the Treaty.

1.1 THE WORK

Using the mobile offshore drilling unit, CHILES DISCOVERY, (referred to together with the material set out in Article 3.1 as the "DRILLING UNIT") the Contractor will drill one or more wells in the area of operations set out in EXHIBIT "A" ("AREA OF OPERATIONS") (subject to the limitations on water depths and drilling depths set out in EXHIBIT "A"). Contractor shall furnish personnel and material required to perform the work and other services. Contractor's work and services hereunder are referred to collectively as "WORK".

2.0 DRILLING

Unit Operator will provide a drilling programme prior to the start of Work at each of the Unit Operator's locations. Unit Operator may alter any such programme and Contractor shall complete each such programme. Unit Operator will obtain necessary permits to carry out Work. Unit Operator shall promptly advise Contractor of any conditions or limitations in Unit Operator's rights which would affect the Work or Contractor's right to enter the location.

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

2.1 MOVING IN

Unit Operator shall provide Contractor with the coordinates of each location, a copy of any bottom survey report for such location and other information necessary to locate the Drilling Unit on the proper coordinates. It shall be Contractor's responsibility to properly position the Drilling Unit on the location.

Contractor shall move the Drilling Unit, together with material supplied by Unit Operator and any third party, to Unit Operator's first location. Unit Operator shall have full access to the Drilling Unit at this time to load material and labour. Contractor shall completely rig up for Work on location on or before the date set out in EXHIBIT "A". Contractor shall be considered completely rigged up for Work and day rates under Article 7.0 shall begin only when the Drilling Unit is jacked up on Unit Operator's first location, pre-loading is completed, and Contractor is fully ready to begin Work. However, any time required in excess of twenty-four (24) hours to load Unit Operator's or third parties' supplies or equipment shall be conducted at the Standby/Move Rate.

Upon completion or abandonment of each well and upon receipt of Unit Operator's programme for any subsequent well, Contractor shall move the Drilling Unit to the subsequent well location and drill that well in accordance with Unit Operator's programme.

Contractor shall perform Work 24 hours a day, 7 days a week and without shutdown for holidays where reasonably possible, unless Unit Operator otherwise instructs.

2.2 COMPLETION OR ABANDONMENT OF WELL

Unit Operator may have any well completed as a producing or injection well or may have such well abandoned. If Unit Operator elects to complete, Contractor shall complete the well as Unit Operator

instructs, including running casing and liner and installing permanent or temporary wellhead. If Unit Operator elects to abandon, Contractor shall promptly remove from the hole and lay down all recoverable casing and tubing, and plug and abandon the hole in a manner satisfactory to Unit Operator.

2.3 PERFORMANCE OF TESTS AND SERVICES

Contractor shall perform any tests, measurements, and special services requested by the Unit Operator. If such activity is beyond the scope of normal operating practice or Contractor's responsibilities under this Agreement, any additional substantiated cost to Contractor will be reimbursed by Unit Operator.

2.4 DRILLING UNIT CONSTRUCTION, MAINTENANCE AND REPAIR

Contractor warrants that the Drilling Unit is constructed and classed pursuant to the American Bureau of Shipping (Rules for Building and Classing Mobile Offshore

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

Drilling Units - 1997) or any other satisfactory classification society, and that Contractor shall maintain the Drilling Unit equipment and appurtenances in class during the term of this Agreement. Contractor shall exercise diligence to make and maintain the Drilling Unit tight, staunch, strong, in good order and condition and in every way fit for performing Work. The Drilling Unit shall comply with all Statutory Requirements. At Unit Operator's request, Contractor shall provide Unit Operator with the Drilling Unit's environmental design criteria. Contractor warrants that to Contractor's knowledge the Drilling Unit does not have any damage or defects which would require repairs to the Drilling Unit within the term of this Agreement.

If, contrary to the warranty contained in the preceding sentence, repairs to the Drilling Unit are required as a result of any such damage or defect, then, without prejudice to Unit Operator's other rights, Contractor shall make such repairs at its sole cost and expense. Unless such repairs are effected during any period in respect of which the Unit Operator has given notice under Article 7.2, the Contractor shall not be entitled to receive any day rate during the period when such repairs are carried out.

Contractor shall carry out any necessary inspection to the Drilling Unit. Subject to Articles 7.3 and 16.0, if the Drilling Unit or any part of it is lost, damaged or defective Contractor shall forthwith replace or repair the same.

Contractor shall ensure that all necessary regulatory, statutory and class inspections and certifications are carried out for the Drilling Unit and are current prior to arriving at the Unit Operator's first location.

If additional inspections are required by authorities having jurisdiction over the area or place where the Drilling Unit is operating or is to operate under this Agreement, of which Contractor could not reasonably have been aware prior to mobilisation to the Area of Operations, and which fall due within and cannot be delayed beyond, the term of this Agreement Contractor shall be allowed such reasonable additional time at the Standby - Infield Move Rate as may be necessary to conduct such inspections, but will make every effort to coordinate and combine all such inspections with A.B.S., or other relevant certifying/regulatory agency.

In the event that the duration of this Agreement extends beyond 2-1/2 years from the date of the issuance of the ABS Class Certificate and Contractor is unable to secure an extension from the American Bureau of Shipping to delay the underwater spud can inspection, despite Contractor's reasonable endeavours to do so, then in lieu of drydocking, Contractor, by mutual agreement with Unit Operator, will schedule such inspection in order to minimize the downtime and disruption of the Work. In such event, Contractor will jack down and move the Drilling Unit a safe distance from the location of the Work and conduct the referenced inspection in order to maintain the classification of the Drilling Unit. Contractor will be allowed up to three (3) days at the Standby - Infield Move Rate from the time of suspension of normal operations to the resumption of normal operations in order to conduct such inspection. Unit Operator or Contractor at Unit Operator's request and cost shall provide suitable towing vessels

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

Prior to the commencement of the Work under the Agreement the Unit Operator may, at its cost, undertake a full inspection and audit of the Drilling Unit using a duly qualified third party selected by the Unit Operator. Any defects or omissions identified by the third party during this inspection shall be made good by the Contractor at its cost and without delay.

2.5 BLOWOUT AND FIRE HAZARD

Subject to compliance with all applicable laws, regulations and directions and to the extent consistent with Contractor's policies and procedures pertaining to the safety of its personnel and Drilling Unit, Contractor shall observe Unit Operator's safety policies. Contractor shall exercise care to prevent fire, explosion and blowouts and shall use adequate blowout prevention equipment, approved by Unit Operator. Contractor shall maintain its well control equipment in good and safe working condition at all times and shall use all reasonable means to prevent and control fires and blowouts and to protect the hole. Contractor shall examine and test all blowout prevention equipment as often as necessary and in accordance with Unit Operator's instructions, and in accordance with regulatory requirements, and shall note test results on the drilling reports and the IADC - API Daily Drilling Report Form.

In the event of loss of control, Contractor shall use all reasonable means to protect the hole and to bring the well under control. Unit Operator shall have the right to give reasonable directions to Contractor to bring a well under control. However, the Drilling Unit may be used to drill any relief wells only with approval of Contractor's marine surveyor. Unit Operator shall reimburse Contractor for any additional premiums which may be levied by Contractor's insurance underwriters.

2.6 INSPECTIONS AND REPORTS

Contractor shall at all times permit Unit Operator to inspect Work and all measurements and tests made in connection with the Work. Contractor shall keep an accurate log which shall be open to inspection by Unit Operator. Contractor shall furnish Unit Operator a daily written report on forms prescribed by Unit Operator, indicating all activities of the preceding 24 hours, and any other relevant information requested by Unit Operator. Contractor will provide Unit Operator all original oceanographic and meteorological data recordings, originals of charts, recordings and reports obtained or prepared in the course of pressure testing of the blowout preventers and related equipment.

2.7 TOWING

Contractor shall be responsible for towing the Drilling Unit to the Unit Operator's first location, including the cost of towing and anchor handling, on a lump sum basis in accordance with Exhibit A, item 10, "Mobilisation Fee". Contractor, at Unit Operator's cost and expense, shall be responsible for moving the Drilling Unit between Unit Operator's locations. Subject only to their suitability, Contractor shall use vessels chartered by Unit Operator for towing and anchor handling of the

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

Drilling Unit between Unit Operator's locations. Before starting towing or anchor handling between Unit Operator's locations, Contractor shall enter into a Tripartite Agreement with Unit Operator and the owners of any vessels chartered by Unit Operator in the form set out in EXHIBIT "I" hereto, it being understood that such owners shall have agreed to tow under said Tripartite Agreement. Contractor shall provide and pay for all other towing in connection with repair to the Drilling Unit.

3.0 MATERIAL, LABOUR AND SERVICES

The material, labour and services required for the Work shall be furnished by the party designated in Articles 3.1 and 3.3. Contractor shall properly load and store aboard the Drilling Unit all material by whomever furnished.

3.1 CONTRACTOR'S SUPPLY, MAINTENANCE AND REPAIR OBLIGATION

Contractor shall furnish, maintain and repair the material, labour and services as indicated in EXHIBITS "B", "C", "D" and "J" hereto.

Contractor shall provide, store, and maintain a readily available stock of spare parts and operating supplies sufficient to ensure the continued operation of the Drilling Unit including without limitation those set out in EXHIBIT "E" (Contractor's Spare Parts Inventory) hereto. All material and spare parts to be supplied by the Contractor are collectively referred to as "Contractor's Equipment".

3.2 INSPECTION OF CONTRACTOR'S EQUIPMENT

Unit Operator may at any time inspect and reject for good cause any of Contractor's Equipment. Contractor shall replace any rejected items with items acceptable to the Unit Operator. Contractor shall supply Unit Operator with lists of all such items before transfer to the Drilling Unit.

Contractor shall conduct inspections of such nature and frequency as to ensure that the Drilling Unit is in good condition.

Subject to Articles 7.3 and 16.0, if the Drilling Unit or any part of it is lost, damaged or defective, Contractor shall replace or repair it forthwith. Contractor shall inspect drill pipe, drill collars, and other downhole tools in accordance with the requirements set out in EXHIBIT "A". Unit Operator may at its expense require additional inspections of any of Contractor's Equipment be made by a recognized inspection company. Contractor shall replace or repair any tools found defective by any inspection. Drill pipe not passing IADC-API New or Premium Class pipe shall be considered defective.

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

3.3 UNIT OPERATOR'S SUPPLY OBLIGATION

Except for Contractor's Equipment, Unit Operator will furnish the material and services necessary for the Work, including that which is indicated in EXHIBIT "C" hereto as being furnished by Unit Operator (collectively referred to as "UNIT OPERATOR'S EQUIPMENT").

3.4 UNIT OPERATOR'S EQUIPMENT

Contractor shall acknowledge receipt of Unit Operator's Equipment by signing Unit Operator's copy of the transfer documents. Contractor shall visually inspect same and may reject for good cause any items, notifying Unit Operator immediately of such rejection. Unit Operator shall replace any such rejected items with items acceptable to Contractor.

Contractor shall properly store and protect Unit Operator's Equipment. If requested by Unit Operator, Contractor shall also maintain or repair any of Unit Operator's Equipment which Contractor is qualified to maintain or repair at no additional charge. However, Unit Operator shall provide all spare parts required to maintain or repair Unit Operator's Equipment and shall have the basic responsibility and liability for furnishing and maintaining Unit Operator's Equipment. Unit Operator may require Contractor to produce an accounting for Unit Operator's Equipment and its use. Unit Operator may verify such accounting by inspecting Contractor's vouchers and other records relating to Unit Operator's Equipment. Contractor shall return to Unit Operator any of Unit Operator's Equipment in its possession upon request.

3.5 CONTRACTOR'S CREW

Contractor shall furnish a crew competent to perform the Work as specified in EXHIBIT "B". Contractor shall have a full crew on duty and working at all times when receiving compensation at the rates set forth in EXHIBIT "A" which are predicated on a full crew working. If any of the crew is absent, Unit Operator shall deduct from Contractor's compensation the amount shown in Exhibit "B" per twelve 12-hour tour of absence where such absence would impair Contractor's ability to carry

out Work. The Contractor shall be compensated at the rates shown in EXHIBIT "B" for any additional Contractor personnel requested by the Unit Operator in excess of the full crew.

Contractor shall pay for its labour, including, but not limited to, all salaries, wages, bonuses, leave allowances, termination payments, medical examinations and certification of fitness, immigration requirements, passports, medical attention, insurance (including workers compensation), protective clothing, social benefits, indemnities, compensations, fringe benefits, permits, visa costs, travel costs, certification and competency training (including but not limited to well control, helicopter underwater escape training, crane driving, dogmen, mechanics, welders, electricians) and taxes of whatever nature required by law.

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

Contractor's personnel are subject to review and approval pursuant to the Petroleum Mining Code (PMC) annexed to the Treaty. Contractor shall comply with and provide details relevant to its personnel to Unit Operator at least 15 days prior to the date of entry of such personnel into ZOCA. This information shall be submitted in the form enclosed with Exhibit "B" and any other information as may be required by the Joint Authority. Contractor shall provide such details for personnel that could be expected to work in ZOCA pursuant to this Agreement.

Any person not approved by the Joint Authority shall be immediately replaced by Contractor. Contractor's personnel shall have in their possession their passports or identification papers when traveling to or from ZOCA.

Contractor must:

- (a) advise Unit Operator immediately of any work stoppage, ban or limitation on work; and
- (b) keep Unit Operator fully informed of any dispute with or involving any of Contractor's personnel, with any union, or with respect to any demand for wages or conditions in excess of or outside the scope of current and applicable industrial awards or industrial agreements.

3.6 REMOVAL OF RIG

Contractor shall upon termination of this Agreement for any reason promptly remove the Drilling Unit from Unit Operator's concession. Demobilisation of the Drilling Unit shall be in accordance with Exhibit A, Item 11, "Demobilisation Fee" and such Demobilisation is deemed to begin and, subject only to the express provisions provided elsewhere in this Agreement, Unit Operator's and Contractor's obligations under this Agreement shall cease when all of Unit Operator's equipment is removed from the Drilling Unit and the legs have been pulled free of the seafloor and the Drilling Unit is free and afloat. By mutual agreement of the parties, Unit Operator may leave any of its equipment or materials on board the Drilling Unit during Demobilisation of the Drilling Unit. Such equipment shall be removed from the Drilling Unit at a mutually acceptable time.

4.0 RESPONSIBILITIES OF CONTRACTOR

Contractor shall perform this Agreement as an independent contractor. Neither Contractor nor its employees shall be the agents or employees of Unit Operator. Contractor shall have exclusive direction and control of its employees and subcontractors. Contractor shall control the manner and method of carrying out the Work.

However, if Unit Operator requests Contractor to remove any of its employees or its subcontractors' employees from the Work for cause, including without limitation, incompetence, interference with Unit Operator's operations, or failure to observe HES Standards, Contractor shall immediately replace such person at its cost.

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

Contractor shall ensure that all its personnel and subcontractors are suitably qualified, experienced and competent to perform the tasks related to their positions in carrying out the Work.

Contractor shall ensure that all necessary training and certification of personnel and subcontractors is carried out so as to meet all Statutory Requirements, and that copies of all necessary certifications are provided to the Unit Operator in a timely manner.

Contractor shall ensure all of its employees and subcontractors engaged in the Work comply with the Drug and Alcohol Prohibition requirements provided in EXHIBIT "H".

5.0 LOSS OR DAMAGE TO THE DRILLING UNIT

- (a) Except as provided in paragraph (b) and in Article 5.3(a), Unit Operator shall have no responsibility towards Contractor in respect of damage to or loss or defect of the Drilling Unit, Contractor's Equipment, or any part of it.
- (b) As an exception to paragraph (a) above, if any of the Contractor's Equipment located in the hole or in the drillstring below the rotary table is lost or damaged therein; and if such loss or damage is not the result of ordinary wear and tear (excluding sour gas corrosion) and is not caused by Contractor's sole or contributory negligence or willful misconduct, then Unit Operator shall pay Contractor the replacement value of the lost or damaged equipment free on board the Drilling Unit less the following amounts:
 - i. all proceeds from insurance on the loss or damaged equipment; and
 - ii. depreciation calculated on a straight-line calendar month basis over a three-year period for such equipment from the effective date of this Agreement or date of purchase, whichever is earlier. For purposes of this clause, "effective date of this Agreement" shall also include the commencement date of any contract with Unit Operator or any Affiliate of the Unit Operator covering the same equipment if such contract terminated less than 180 days before commencement of this Agreement. In no event shall such depreciation exceed fifty percent (50%) of the replacement cost of the lost or damaged equipment.

In the event of contributory negligence on the part of Contractor, Contractor shall bear such cost in proportion to such contribution.

- (c) Contractor shall release, defend, indemnify and hold harmless Unit Operator Group from any and all claims, liabilities, judgments, losses, expenses and any costs related thereto (including without limitation court costs and attorneys' fees) for damage or loss or defect of the Drilling Unit, Contractor's Equipment or any part of it.

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

5.1 LOSS OR DAMAGE TO UNIT OPERATOR EQUIPMENT

- (a) Contractor shall have no responsibility towards Unit Operator in respect of damage to or loss or defect of Unit Operator's Equipment or any part of it. However, if Contractor has any insurance coverage on Unit Operator's Equipment, then to the extent of such insurance, Contractor shall be responsible for damage to or loss of Unit Operator's Equipment, and shall pay Unit Operator for such damage or loss.
- (b) Unit Operator shall release, defend, indemnify and hold harmless Contractor Group from any and all claims, liabilities, judgments, losses, expenses and any costs related thereto (including without limitation court costs and attorneys' fees) for damage or loss or defect of Unit Operator's Equipment.

5.2 INJURY OR DEATH OF EMPLOYEES

Contractor shall release, defend, indemnify and hold harmless Unit Operator Group from and against any and all claims, liabilities, judgments, losses, expenses and any costs related thereto (including without limitation court costs and attorneys' fees) for personal injuries to or death of Contractor Group employees or invitees, or damage to or loss of such employees' or invitees' personal property, and whether such injury, death, damage or loss occurs, arises or results directly or indirectly or incident to the Work or services to be performed hereunder or in the course of going to or coming from or at the place where Work or services hereunder are to be performed.

Unit Operator shall release, defend, indemnify and hold harmless Contractor Group from and against any and all claims, liabilities, judgments, losses, expenses and any costs related thereto (including without limitation court costs and attorneys' fees) for personal injuries to or death of Unit Operator Group employees or invitees, or damage to or loss of such employees' or invitees' personal property and whether such injury, death, damage or loss occurs, arises or results directly or indirectly or incident to the Work or services to be performed hereunder or in the course of going to or coming from or at the place where Work or services hereunder are to be performed.

As used in this Article 5.2, "invitee" shall mean any person whose presence in the Area of Operations is at the invitation of a party as a guest not under subcontract with such party.

5.3 DAMAGE TO RESERVOIR OR HOLE, POLLUTION AND LOSS OF CONTROL

(a) Unit Operator shall release, defend, indemnify and hold Contractor harmless from and against all claims, liabilities, judgments, losses, expenses and any costs related thereto (including but not limited to court costs and attorneys' fees) for:

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- i. damages to or loss of any reservoir or hole;
- ii. impairment, destruction, or loss of any property right in water, oil, gas or other mineral;
- iii. pollution due to blow-out or loss of control (including removal of the pollutant);
- iv. costs of controlling any wild well, and the cost of removing any debris it causes;

except in any cases resulting from the Gross Negligence or willful misconduct of Contractor. In such case, Contractor's absolute liability will be limited to Fifty Million US Dollars (US \$50,000,000).

- (b) Notwithstanding the provisions of clause 5.3(a), if Contractor's negligence causes damage to or loss of any well, blowout or loss of control of a well, and if Contractor's Equipment and personnel are being used to bring the well under control, Unit Operator shall pay Contractor during such time at the rates set out herein less 40% for a period of 30 days. Thereafter, the rates set out herein shall apply.
- (c) Contractor shall be responsible for and shall release, defend, indemnify and hold Unit Operator Group harmless from and against all claims, liabilities, judgments, losses, expenses and any costs related thereto (including without limitation court costs and attorneys' fees) arising out of spilling, losing, discarding or dumping anything off the Drilling Unit such as, without limitation, fuel, lubricants, drums, cable, bags and sheeting, but excluding fluids and cuttings originating from the well which have been authorised by Unit Operator for discharge to the sea.

5.4 CONTROL OF CLAIMS

Except as otherwise stated herein, the party charged with responsibility for a claim shall have the sole and exclusive right and obligation to control and conduct settlement or litigation of such claim.

5.5 INDEMNITY APPLICATION

Except for Gross Negligence or willful misconduct of the party indemnified or benefiting from an exclusion of liability, the

exclusions of liability and the indemnities contained in this Article shall apply without regard to cause or causes thereof including, but not limited to, the unseaworthiness, strict liability, breach of warranty (express or implied), pre-existing condition (patent or latent), imperfection of materials, condition of any premises or transport, or the negligence of any party, including the party indemnified or benefiting from an exclusion of liability, and whether such negligence be sole, joint or concurrent, active or passive, and whether the claim is based on common law, civil law, maritime law, or statute.

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5.6 MUTUAL HOLD HARMLESS

The parties shall enter into the agreement attached as EXHIBIT "F" hereto. Each party shall, when practicable, present such agreement to its respective contractors for the purpose of establishing common liability rules for all parties connected with operations to which this Agreement relates.

5.7 CONSEQUENTIAL DAMAGES

Neither party shall be liable to the other for special, indirect or consequential damages arising out of this Agreement, including, without limitation, loss of product, loss of profit or business interruptions however caused.

5.8 REMOVAL OF WRECK

If the Drilling Unit becomes an actual, constructive, compromised or arranged total loss, or a wreck, or an obstruction to navigation or operations, or is otherwise abandoned, Contractor shall be responsible for removing it to the satisfaction of Unit Operator without delay. If Contractor does not perform such removal without delay, Unit Operator may effect the removal and Contractor shall reimburse Unit Operator for any costs and expenses incurred.

5.9 COMPLIANCE WITH STATUTORY REQUIREMENTS, LAWS, REGULATIONS AND ORDERS

Contractor shall comply with all Statutory Requirements and shall indemnify Unit Operator Group from and against any fine, penalty or the like, and for any costs related thereto, including without limitation court costs and attorneys' fees, arising out of any failure by the Contractor to observe any Statutory Requirements.

The Contractor must, in so far as is reasonable and economically practicable to do so:

- (a) give preference to goods and services which are produced in Australia or East Timor or provided by sub-contractors operating out of Australia or East Timor provided they are offered on competitive terms and conditions compared to those available from other countries;
- (b) give preference to the employment of Australian or East Timorese nationals and permanent residents having due regard to safe and efficient operations and good oilfield practice.

All Contractor's personnel and equipment to be transported into ZOCA must first enter either Australia or East Timor. The movement of all vessels, aircraft or personnel within ZOCA must be approved by the Joint Authority.

Notwithstanding:

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- (a) any negligence of the Contractor, its employees, servants and agents;
- (b) defects in or unfitness of any equipment, building or structure;

- (c) the place where any loss, damages, destruction or injury occurs; or
- (d) the negligence of the Unit Operator and the Joint Authority or either of them,

the Contractor shall protect, defend, indemnify and hold harmless the Joint Authority from and against any and all claims, demands, liabilities and damages arising out of:

- (1) illness or injury to, or death of, the employees, servants and agents of the Contractor and/or its sub-contractors or their employees, servants or agents, and/or
- (2) loss of, or destruction of property, owned or hired, or equipment, materials and supplies of the Contractor, its sub-contractors, and their respective employees, servants or agents,

where such loss or injury is occasioned by, incidental to, or arises out of or in conjunction with the Agreement.

6.0 INSURANCE

Contractor shall maintain insurance to adequately protect Contractor against any risks Contractor is likely to encounter during Work.

Without limiting the indemnity obligations of Contractor or its insurers, and notwithstanding the above requirements, Contractor shall maintain the following insurances as long as this Agreement is in force.

- (a) The Contractor shall insure in compliance with the laws of its country of operations and each other country (including each State or Territory) in which the Contractor has employees engaged in the performance of the Work and such other laws as are properly applicable in respect of insurance against any and all liability to its directors, officers, employees, agents, subcontractors and workers for:
 - (1) workers' compensation, work health or safety (including occupational disease and occupational safety) and in addition for liability at common law to any such persons for death or injury (including illness). The common law section of the policy shall be for an amount of no less than US \$1,000,000; and
 - (2) employer's liability insurance with a limit of US \$1,000,000 per occurrence.

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- (b) Each policy required to be effected under paragraph (a) shall be so written or endorsed to provide that the insurers shall have no right of recovery against the Unit Operator Group.
- (c) Commercial General Liability Insurance on an "Occurrence Form" with combined single limit of not less than US \$5,000,000 per occurrence including coverage for products and completed operations, underground damage where applicable and contractual liability.
- (d) All Risks Physical Damage Insurance to the full value of all items of Contractor's Equipment. The deductible on such insurance shall not exceed US \$250,000.
- (e) Hull and Machinery Insurance to the full value based on like kind and quality, subject to the current Terms and Conditions of the American Institute Hull Clauses or subject to the terms and conditions of the current London Standard Drilling Barge Form or similar Form, as applicable, with respect to the Drilling Unit and any other vessel employed by Contractor in performance of the Work hereunder.
- (f) Protection and Indemnity Insurance, subject to the Rules of the United Kingdom Mutual Steamship Assurance Association or similar Protection and Indemnity Club, in an amount of not less than US \$50,000,000 or the full value of the Drilling

Unit whichever is greater. With respect to (e) and (f)
Collision Liability to the full value of the Drilling Unit.

- (g) Legal, Contractual, and Volunteer Removal of Wreck and Debris Insurance on the Drilling Unit in an amount of not less than US \$10,000,000.
- (h) Contractor shall carry or require aircraft owner to carry on any aircraft employed by the Contractor in connection with Work, Aircraft Liability Insurance including Passenger Liability Insurance of not less than US \$10,000,000 with a sub-limit of not less than US \$2,000,000 per passenger for Passenger Liability.
- (i) Business Automobile Liability Insurance with combined single limit of US \$1,000,000 per occurrence for any vehicles owned or hired.

"The full value" as referred to in items (e) and (f) above is agreed to be US \$110 million US Dollars.

Any deductibles payable on any of the above insurances shall be borne by Contractor, except that Unit Operator shall be liable for Contractor's deductible up to US \$250,000 in any case where Unit Operator is liable under Article 5.0(b).

The term "employed" referred to in items (e) and (h) above shall mean "those vessels or aircraft owned or directly chartered or hired by Contractor", but shall not include the "Tug" referred to in the Tripartite Agreement in EXHIBIT "I" except in the event such Tug is owned, chartered or directly hired by Contractor.

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Contractor hereby acknowledges that the above insurances and their monetary limits shall not be construed as limiting Contractor's liability under this Agreement.

In the event of an accident or loss resulting in an insurance claim, Contractor, at Unit Operator's request, shall allow Unit Operator access to the relevant portion of the original insurance policies for copying purposes. This obligation shall survive the termination of the Agreement for a period of two years.

Notwithstanding the above provisions, Contractor shall only be required to insure Contractor's Equipment located in the hole or in the drillstring below the rotary table for perils customarily covered on Hull and Machinery policies.

All insurance policies described above shall contain a waiver of subrogation in favour of the parties named in the policy and shall be so written or endorsed to provide that the insurance company shall have no right of recovery against any member of the Unit Operator Group.

All Hull and Machinery Insurance and Protection and Indemnity Insurance shall include the Unit Operator Group as additional assureds.

6.1 REQUIRED ENDORSEMENTS, PROOF OF INSURANCE AND MISCELLANEOUS

- (a) All of the insurance coverages described above shall be written or endorsed to:
 - i. Be primary to any other insurance available to the Unit Operator Group to the extent that Contractor Group has responsibility and/or liability under the terms of this Agreement.
 - ii. Provide that the insurer shall assign to Unit Operator (i) any right of recovery which the Insurer may have or acquire against any member of the Unit Operator Group and (ii) any lien or right of subrogation for payments to any person who asserts a claim against any member of the Unit Operator Group to the extent that Contractor Group has responsibility and/or liability under the terms of this Agreement. Nothing herein shall limit any member of the Unit Operator Group's rights and coverage as an additional Insured under such insurance policies.

- iii. Except policies described under 6.0(a) (1) and (2), name the Unit Operator Group as additional insured, to the extent that Contractor Group has responsibility and/or liability under the terms of this Agreement, with respect to any injury or damage to Contractor Group personnel and property arising from Work or Contractor's presence on Unit Operator's premises.

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- iv. Provide Unit Operator 30 days Notice in the event of cancellation, non-renewal or other material change in the insurance, except in the case of non-payment of premium, in which case 10 days Notice is required.

- (b) Contractor shall instruct its brokers or insurers to send Unit Operator certificates which certify that the above coverages are in force and effect. Such certificates do not waive Contractor's responsibility hereunder.
- (c) If Contractor and Unit Operator agree that Contractor may comply with these insurance requirements through self-insurance, such self-insurance shall meet all of the above conditions for insurance except conditions (a) (iv) and (b).
- (d) The insurance requirements set out above are not a representation that the coverage provided is sufficient to protect Unit Operator's interest and shall not be deemed a limitation on Contractor's liability under the indemnities in this Agreement.

7.0 COMPENSATION TO CONTRACTOR

Unit Operator shall pay Contractor for the Work performed in accordance with the rates and fees set forth in EXHIBIT "A" calculated to the nearest half-hour based on a 24-hour day.

7.1 OPERATING RATE

Unit Operator shall pay Contractor at the Operating Rate specified in EXHIBIT "A" starting at the time indicated in Article 2.1 until the cessation of operations at Unit Operator's last location except for those days or part thereof during which any of the other rates quoted below are applicable.

7.2 STANDBY/MOVE RATE

Unit Operator shall pay Contractor at the Standby/Move Rate specified in EXHIBIT "A" when the Drilling Unit is capable of full operations and when drilling operations are not being conducted, whether on location or in port due to:

7.2.1 STANDBY - GENERAL

- (a) orders or lack of orders from Unit Operator; or
- (b) well testing, including without limitation, sampling, logging, coring, surveying and pressure building and other operations when drill pipe is not being used; or
- (c) delays caused by any party other than Contractor; or
- (d) Force Majeure, as defined in Article 11.0(a); or

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- (e) off loading of Unit Operator's items after the Drilling Unit has been removed from Unit Operator's last location; or

7.2.2 STANDBY - INFIELD MOVE

moving between Unit Operator's locations (including the period covered by rigging down, jacking down, moving and positioning, jacking up, pre-loading, rigging up to drill) or conducting inspections of the Drilling Unit as specifically detailed in Article 2.4; or

7.2.3 STANDBY - OFF WEATHER

when the Drilling Unit has been secured and shut down for inclement weather (including cyclonic conditions when all personnel have been evacuated from the Drilling Unit); or

7.2.4 STANDBY - STACKED

when the Drilling Unit is stacked at a mutually agreeable location.

The payment by Unit Operator of the Standby/Move Rate in all the above circumstances shall be less any additional savings Contractor is able to make.

Unit Operator shall have the option to serve Notice on Contractor that it does not intend to conduct any operations with the Drilling Unit for a period of at least 30 days. If Unit Operator serves such Notice, it shall not require Contractor to resume operations on location with less than 15 days Notice. Unit Operator shall pay Contractor at the appropriate Standby/Move Rate less any agreed savings that Contractor may effect from the date that the Drilling Unit is jacked up or moored in port or 48 hours after the time such Notice is received, whichever is later, until the Drilling Unit is afloat, all legs clear of the seabed and is ready to depart port or recommences operations on location, whichever is earlier.

7.2.5 STANDBY HOTEL

In the event that the Unit Operator requires the Drilling Unit to act as an accommodation unit then the Standby - Hotel rate detailed in Exhibit "A" shall apply. In this event, the Unit Operator shall give the Contractor 15 Days Notice that the Drilling Unit is required to be used by the Unit Operator as an accommodation unit. The Contractor shall adjust its manning levels such that the maximum number of beds are available for the Unit Operator's personnel. Payment by the Unit Operator of the Standby - Hotel rate shall be at the Standby - Hotel rate, less any savings the Contractor is able to make. During the Standby - Hotel period, the Drilling Unit shall be jacked up on a location at one of the Unit Operator's platforms or other mutually agreed location.

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7.2.6 VARIATION OF RATES

The rates and payments herein set forth shall be revised by the actual amount of the change in Contractor's cost if an event as described below occurs or if the cost of any of the items hereinafter listed shall increase by more than the amount indicated below from Contractor's cost thereof on the date indicated below or by the same amount after the date of any revision pursuant to this Paragraph. Any claim by Contractor for an increase in rates shall be supported by all relevant documentary evidence, to the satisfaction of the Unit Operator:

- (a) Beginning 12 months from the commencement date of the Work, labour costs, including all payroll burdens and benefits paid by Contractor for its employees;
- (b) From Tender Submission Date, if Unit Operator requires Contractor to increase the number of Contractor's Personnel;
- (c) From Tender Submission Date, if Unit Operator requires changes to the Drilling Unit as outlined in Exhibit M. Such change in dayrate will be based on a mutually acceptable formula.
- (d) At any time following commencement of the Work, if Contractor incurs additional costs due to changes in the work schedule of its personnel or employment requirements or a change in the location of its operating base arising as a result of a change in legislation or at the Unit Operator's specific request;
- (e) From the Effective Date, if the cost of insurance premiums increases by five percent (5%) or more;
- (f) Beginning 12 months from the commencement date of the Work, if

the cost of catering increases by five percent (5%) or more;
and

- (g) Beginning 12 months from the commencement date of the Work, and at 6 month intervals thereafter, an amount of 15% of the daily rate shall be adjusted in accordance with changes in the Bureau of Labor Statistics Oil Field and Gas Field Drilling Machinery Producer Price Index (Series ID WPU` 119102) as published by the U.S. Department of Labor from that reported for the month of the commencement date of the Work, if the change in such Index is 5% or more.

7.3 REPAIR RATE AND LONG REPAIR RATE

If Contractor cannot conduct full operations because of damage to or defect in the Drilling Unit then during such time until the Drilling Unit is repaired and Contractor is again able to resume full operations, the rates provided for in this Article shall apply, subject to Article 2.4. Contractor may elect to repair on location, or off location. If Contractor elects to repair in port, dry dock, repair facility or elsewhere off location, it shall give Notice of such election to Unit Operator as soon as possible but in any event within 48 hours after full operations have ceased. If Contractor fails to give such Notice within such period, Contractor shall be deemed to have elected to repair on location.

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- (a) If Contractor elects to repair on location, Unit Operator shall pay Contractor at the repair rate specified in Exhibit "A" for the first 24 cumulative hours each month and zero repair rate thereafter until completion of such repairs unless full operations have ceased because of insufficient stocks of spare parts or equipment, in which case zero repair rate begins after 12 cumulative hours for each month.

Unused portions of any allowances provided for above may not be carried forward from one month to the next. Where one repair job carries over from one month into the next, Contractor shall not be given another 24 hours as repair rate but Contractor shall continue at zero rate until the repair is finished. Moreover, the hours spent on such one repair job in the next month shall not be taken into account in computing the rates for other repair jobs started in the next month. If a single repair job is finished within the last seven days of a month and the same breakdown reoccurs in the first seven days of the next month, the second repair period shall be treated as a continuation of the first repair period for purposes of calculating rates.

In any month where the total actual operating days of the Drilling Unit are less than the total days of the whole of the month, then the Repair Rate set out in Item 7 of Exhibit "A" shall be prorated by dividing the actual operating days for that month by the total days of that month.

- (b) If Contractor elects to repair in dry dock, port, repair facility or elsewhere off location the provisions of Article 7.7 shall apply.
- (c) If the Drilling Unit is damaged, except for damage caused by Unit Operator or Unit Operator Group, and cannot conduct the Work, Contractor shall immediately secure the inspection services of an independent marine insurance surveyor. Within 7 days of commencement of such inspection, Contractor shall notify Unit Operator of the repair time estimated by the marine insurance surveyor. If such repair time is estimated to be in excess of 120 days total duration from the time of the inspection to the time estimated that the Drilling Unit will be back on location and ready to recommence operations, including time in transit, Unit Operator may, with 15 days notice, terminate this Agreement. Unit Operator may hire an independent third party surveyor on its own account to consult with Contractor and Contractor's marine surveyor to verify the actual estimate of repair time. If at any time, such estimate is subsequently revised to result in such time under repair to be in excess of 120 days total as defined above, Unit Operator may, with 15 days notice, terminate this Agreement.

- (d) If a well in progress at the time of commencement of repairs cannot be completed upon recommencement of operations, then at Unit Operator's sole option, such well may be excluded from the term of 15 wells plus 5 well options under the Agreement. However, if such well is redrilled, the redrilled well will be included within the term of 15 wells plus 5 well options under the Agreement.

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- (e) In the event of termination by Unit Operator in accordance with Article 16.4, the total duration of any repair time incurred under paragraph (c) above, including transit time, shall be included for the purposes of assessing the balance of the estimated initial term of 600 days.
- (f) If at the time of repairing the Drilling Unit Contractor is able to conduct an annual inspection and/or an inspection for recertification or reclassification purposes, then during such inspection Unit Operator shall not be obliged to pay Contractor any compensation, unless provided otherwise under 7.3 (a) above.
- (g) Routine maintenance of the Drilling Unit including, but not limited to, slipping and cutting drill line, servicing/maintaining power swivel, changing pump liners, changing swivel packing, changing rubber goods in the well control equipment, etc. shall not be considered as repairs or downtime.

7.4 NOT USED

7.5 MOBILISATION FEE

Unit Operator shall pay Contractor the fixed mobilisation fee set out in EXHIBIT "A". Such fee shall be Unit Operator's total obligation to Contractor for the period before the Drilling Unit is ready to start operations at Unit Operator's designated first well location. Unit Operator shall have no responsibility whatsoever (other than to pay said mobilisation fee) with regard to mobilisation of the Drilling Unit and Contractor shall indemnify and hold Unit Operator Group harmless from any claim, loss or liability relating to the mobilisation of the Drilling Unit hereunder.

7.6 DEMOBILISATION FEE

Unit Operator shall pay Contractor the fixed demobilisation fee or alternative costs set out in EXHIBIT "A". Such fee or costs shall be Unit Operator's total obligation to Contractor for the period after cessation of operations on Unit Operator's last location. Unit Operator shall have no responsibility whatsoever (other than to pay said demobilisation fee or costs) with regard to demobilisation of the Drilling Unit and Contractor shall indemnify and hold Unit Operator Group harmless from any claim, loss or liability relating to the demobilisation of the Drilling Unit hereunder. However, if Contractor demobilises directly to another operator, other than an operator assigned per Article 15.0, or to a location outside the production sharing contract areas designated in Item 1.3 of EXHIBIT "A" irrespective of who is the operator, then Contractor shall reduce the demobilisation fee or costs to nil.

7.7 DRY DOCKING, PILOTS AND STEVEDORES

Subject to Article 2.4 and Article 7.3, Unit Operator shall pay Contractor nothing for the time that the Drilling Unit is in dry dock, port or in the repair facility for any reason, including the time required to move the Drilling Unit from Unit Operator's location to the dry dock, port, or repair facility and return move to the location. Any pilots or tow vessels used shall be hired by the Contractor and shall be the exclusive responsibility and liability of Contractor.

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Unit Operator shall reimburse Contractor the reasonable and necessary direct costs and expenses (net after discounts and allowances) incurred by Contractor and noted to be paid by Unit Operator as set forth in EXHIBIT "C" plus a Handling Fee (% mark up) to cover overheads as set forth in Item C (9) of EXHIBIT "A". Unit Operator shall also reimburse Contractor on the same basis as set forth in the preceding sentence for any special material or services not referred to in EXHIBIT "C", but requested by Unit Operator for its account. The Unit Operator shall reimburse the Contractor at cost for the replacement of Contractor's tools lost in hole less any insurance monies received by the Contractor or depreciation in accordance with Article 5.0. All reimbursement invoices shall be submitted with sufficient supporting documentation.

INVOICING, PAYMENT AND FINANCING

- (a) Within 15 days after the end of each calendar month, Contractor shall send to Unit Operator's Office an invoice charged in the "Agreement Currency" as designated in EXHIBIT "A" covering the Work during the previous calendar month. Invoices shall be submitted in the number and form requested by Unit Operator accompanied by such certification and documentation as Unit Operator may request.
- (b) Within 30 days of receipt of each monthly invoice, Unit Operator shall pay the undisputed amount of Contractor's invoice subject to applicable financing arrangements and exchange control regulations.
- (c) If Unit Operator disputes any invoice in whole or in part, Unit Operator shall promptly notify Contractor of the dispute and shall pay only the undisputed portion. Unit Operator and Contractor shall endeavor to settle and adjust any disputed amount forthwith.
- (d) Unit Operator may set-off against payments due Contractor hereunder any amount Contractor owes Unit Operator for any reason.
- (e) No payment made by Unit Operator shall prejudice Unit Operator's right to pursue or recover any claims against Contractor. Without limiting the type of claims referred to in the preceding sentence, Unit Operator may recover any sums paid Contractor by mistake of law or of fact.
- (f) Unit Operator shall pay Contractor in the Agreement Currency. However, if Contractor intends to make any significant expenditure in a currency other than the Agreement Currency, Contractor shall give Unit Operator advance notice of such intent. Unit Operator may elect to pay for such reimbursables in the foreign currency. If Unit Operator does not elect to do so, however, then where Contractor pays for a reimbursable item with foreign currency:
 - i. bought for that transaction, Contractor shall bill such sums to Unit Operator in the Agreement Currency at the same buying exchange rate as Contractor purchased the foreign currency. Contractor's

buying rate of exchange for the foreign currency shall be shown on foreign currency invoices paid and shall be evidenced by a copy of "Foreign Currency Purchase Advice" (or equivalent document) issued for each transaction by Contractor's Bank; or

- ii. not bought for that transaction, Contractor shall bill such items to Unit Operator in the Agreement Currency at the buying rate of exchange quoted at 11:00 a.m. Western Australian time by a reputable bank agreeable to the parties on the date payment was made by Contractor.

- (g) The Unit Operator shall not be liable to make payment to the Contractor in respect of any invoice submitted by the Contractor to the Unit Operator more than 90 days after the completion date of the programme as detailed in Exhibit "A".

7.10 LIENS AND CLAIMS

Contractor shall indemnify and hold Unit Operator Group harmless from all liability, loss or damage for:

- (a) any debt alleged to be due from the Contractor to any of its subcontractors or to any other person, or from any of its subcontractors to any person; and
- (b) any lien or other encumbrance against Unit Operator's property in connection with any such debt;

and shall defend any claim or litigation in connection therewith. Unit Operator may elect to participate in the defense of any claim or litigation at its own expense.

Upon Notice to Contractor, Unit Operator may withhold from payments due Contractor reasonable amounts to cover claims made against Unit Operator or its property or against Contractor or its subcontractors by third persons, and Unit Operator may make reasonable settlements of such claims.

Contractor shall notify Unit Operator as soon as it becomes aware of any claim or encumbrance against the Unit Operator or Contractor's property.

8.0 RECORDS AND AUDIT

Contractor shall, and shall procure that its subcontractors shall, maintain true and correct records pertaining to all activities relating to this Agreement and its performance. Contractor agrees, and shall procure that its subcontractors agree, to retain all such records at least two years after completion of this Agreement. Unit Operator or its authorized representative may audit such records at any time during this Agreement and during the two-year period after completion of performance under this Agreement.

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9.0 DRUG AND ALCOHOL POLICY AND HEALTH, ENVIRONMENT AND SAFETY (HES) STANDARDS

Contractor shall be subject to the provisions of Exhibits "G" and "H". If the provisions of Exhibit "G" do not adequately protect against hazards arising from Work, Contractor shall adopt appropriate practices.

The Unit Operator:

- (a) will undertake an audit of the Contractor's operations and practices not later than 60 days prior to the mobilisation of the Drilling Unit to the Unit Operator's first location to ensure that the Contractor is complying with the procedures set out in Exhibits G and H; and
- (b) may, at its sole discretion, undertake audits of the Contractor to ensure compliance with the procedures set out in Exhibits G and H throughout the term of the Agreement and on completion of the Work under this Agreement.

9.1 MEDICAL EXAMINATION AND HYGIENE

- (a) Contractor shall ensure that all Contractor's employees and any of its subcontractors' employees performing any of the Work offshore, shall have a medical examination within two years prior to the start of Work and immediately following any period of illness lasting more than five consecutive days. On Unit Operator's request, Contractor shall promptly provide Unit Operator's medical representative a copy of all appropriate medical records relating to such employees.
- (b) Contractor shall provide, as part of Contractor's crew under Article 3.5, a paramedic, whose primary duty is to provide emergency medical and hygiene care (including any follow-up) for all persons on the Drilling Unit.
- (c) Nothing above shall limit or restrict Contractor's responsibility for health and safety on the Drilling Unit

including, without limitation, ensuring that at all times all facilities (including catering facilities) are clean and hygienic. Unit Operator may inspect said facilities at any time.

10.0 CATERING SERVICE

Contractor shall provide catering services including but not limited to food, cleaning, linens and linen services for all the Contractor crew complement plus 15 Unit Operator representatives. Catering services for Unit Operator personnel in excess of the first 15 will be provided at the rates stipulated in Exhibit "C". Catering services shall be performed to Unit Operator's satisfaction, failing which Unit Operator may give 15 days' Notice to Contractor to improve the catering service or change the catering company.

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11.0 FORCE MAJEURE

(a) A party's obligations under this Agreement shall be suspended to the extent that Force Majeure prevents or delays performance. Force Majeure means circumstances beyond the control of the party affected which the party could not reasonably have foreseen when it signed this Agreement and whose occurrence or consequences it could not reasonably avoid or overcome. Such circumstances include, without limitation, forces of nature, strikes or other labour disturbances, wars, insurrections, terrorist acts, civil disturbances, and laws, regulations, orders or actions of any government agency.

(b) Should a Force Majeure event occur, the party affected shall promptly give the other party Notice of the Force Majeure in reasonable detail.

The party affected shall also give the other party Notice of relevant developments and shall give immediate Notice when the Force Majeure ends.

(c) The party affected shall reasonably endeavor to remove or overcome the Force Majeure. However, a party is not obliged to settle any strike or labour disturbance contrary to its interest.

(d) No party which is a corporation or instrumentality controlled or owned by a State shall be relieved from performance of its obligations under this Agreement by reason of the operation, direct or indirect, of any law, regulation or order of that State unless such operation also relieves all other parties of their respective obligations under this Agreement.

(e) The period of Force Majeure shall be added to the term of this Agreement, except where the Agreement is terminated due to an occurrence of Force Majeure under the provisions of Article 16.6.

12.0 CONFIDENTIALITY

12.1 Contractor shall treat as confidential and shall not, without Unit Operator's prior consent, divulge to any third party or, except to the extent necessary for performance of Work, make use of any information disclosed by Unit Operator or received or discussed by Contractor during the course of Work for the term of this Agreement plus 20 years afterward.

Without limiting the generality of the foregoing, Contractor shall not use any of such information ("Information") for buying, selling or dealing in the shares or securities of Phillips Petroleum Company or Unit Operator's coventurers or their Affiliates.

12.2 If any of Contractor's employees or subcontractors who receive any of the Information have not previously entered into a separate confidentiality agreement with Unit Operator regarding such Information, Contractor shall require them to agree in writing to be bound by the provisions of this Article.

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- 12.3 Information shall not be subject to this Article if it:
- (a) was in Contractor's possession prior to its disclosure by Unit Operator; or
 - (b) is or becomes part of the public knowledge from a source other than Contractor; or
 - (c) becomes available to Contractor from a third party without restriction; or
 - (d) is required to be disclosed under applicable law, stock exchange regulations or by a governmental order, decree, regulation or rule (provided that the Contractor shall make all reasonable efforts to give prompt written Notice to the Unit Operator prior to such disclosure).

12.4 All documents such as reports, drawings, maps, photographs, specifications, standards and all copies thereof, furnished by Unit Operator to Contractor are Unit Operator's property and Contractor shall return them to Unit Operator upon completion of the Work. All documents (and their copyright) prepared by Contractor in the performance of the Work are the property of Unit Operator and shall be turned over to Unit Operator upon request or completion of the Work.

13.0 PATENT INFRINGEMENT

13.1 Contractor shall defend and hold Unit Operator Group harmless against any and all claims, actions and liabilities for violation of any patent brought against Unit Operator Group as a result of Contractor's use of any patented processes or devices other than those Unit Operator requires Contractor to use. Unit Operator may, at its own expense, be represented by its own counsel and participate in any action in which Unit Operator is a party defendant. If Contractor cannot perform Work because of patent infringement litigation, Unit Operator shall not be required to make further payment hereunder after Work stops.

Unit Operator shall defend and hold Contractor Group harmless against any and all claims, actions and liabilities for violation of any patent brought against Contractor Group as a result of Unit Operator's use of any patented processes or devices other than those Contractor Group requires Unit Operator to use. Contractor Group may, at its own expense, be represented by its own counsel and participate in any action in which Contractor Group is a party defendant.

13.2 Furthermore, if Contractor cannot perform Work because of a claim of infringement of patent by Contractor, then Unit Operator may:

- (a) require Contractor to get the right to continue using the alleged infringing product or to get the rights to comparable technology so that Contractor can continue Work; or
- (b) enable Unit Operator to get rights to comparable technology at the cost of Contractor, or

- (c) failing (a) and (b) above, terminate the Agreement.

If Unit Operator chooses option (a) or (b) above, but Contractor believes the cost to it would be unreasonable, Unit Operator may not proceed without Contractor's prior consent.

14.0 REPRESENTATIVES

Contractor shall designate to Unit Operator the persons who will have supervisory authority of the Work. Unit Operator's representatives may coordinate the performance of the Work and give Notices under this Agreement to such persons.

Unit Operator shall designate the persons with whom Contractor's representatives may consult in planning and coordinating the Work and to whom Contractor's representatives may deliver Notices and other communications. All instructions given by Unit Operator's representatives consistent with the provisions of this Agreement shall

be deemed those of Unit Operator.

15.0 ASSIGNMENT

- 15.1 Unit Operator and any Unit Participant may assign its rights, interests, obligations or liabilities under this Agreement or any proportion thereof, at any time, without having to obtain the consent of the Contractor.
- 15.2 Unit Operator may assign its rights and delegate its duties hereunder to a financially responsible third party for a one or more well drilling programme, provided that such partial assignment will not add to Contractor's drilling obligation or extend the term hereof.
- 15.3 Contractor may assign the proceeds of this Agreement to any financial institution or institutions, if it first secures Unit Operator's written approval and submits to Unit Operator a copy of the instrument of assignment which must state that the assignment is subject to all rights that Unit Operator would have against Contractor.
- 15.4 The Contractor may not assign or sublet this Agreement, in whole or in part, to any third party, without the prior written consent of the Unit Operator. Any attempt to assign or sublet without such consent will be void.

This Agreement shall inure to and be binding upon the respective successors and assigns of the parties hereto.

16.0 TERM OF AGREEMENT

- 16.1 Unit Operator may extend this Agreement on a well-to-well basis for up to the end of the period required to drill any one or more of the additional optional wells specified in the Scope of Work as detailed in EXHIBIT "A" by giving Contractor Notice of extension. Unit Operator shall endeavour to give 90 days and in any

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event no less than 60 days Notice of such extension before the estimated completion date of the programme.

- 16.2 If the Drilling Unit becomes an actual, constructive, arranged or compromised total loss, this Agreement shall terminate from the moment the loss occurs and Unit Operator shall owe Contractor only the compensation earned to such moment. Such termination shall not relieve Contractor of its obligation to remove the Drilling Unit as provided in Article 5.8.
- 16.3 If either party materially breaches this Agreement, the other party shall give Notice of such breach. The party in breach must within ten days commence remedy of such breach. If commencement of the remedy has not been undertaken within the ten day period, or if such breach has not been remedied within a sixty day period, the other party may terminate this Agreement immediately upon Notice and:
- (a) Unit Operator shall owe Contractor the compensation earned to time of Notice of such breach plus the sixty day period to remedy such breach; and
 - (b) Such termination shall not prejudice the terminating party's right to other legal or equitable remedies which it may have.
- 16.4 Commencing 120 days from start of operations at the first location, Unit Operator may terminate this Agreement without cause after 30 days' written Notice. In such case, Unit Operator shall owe Contractor the Demobilisation Fee (if applicable), plus the Operating Rate for the remaining balance of the estimated Initial Term of 600 days that has not been utilized. In such case in order to mitigate Unit Operator's costs, Contractor will use its best efforts to secure substitute work for the Drilling Unit. If substitute work is secured, and the margin (defined as revenue less rig and local office direct operating costs) on such replacement contract is less than the margin under this Agreement, the Unit Operator shall reimburse the Contractor the difference between the margin under the replacement contract and the margin under this Agreement. If the margin under the replacement contract is greater than the margin under this Agreement, Contractor will reimburse Unit Operator 85% of the difference between the margin under the replacement contract and the margin under this Agreement. Attachment 1 to Exhibit A provides example calculations for the

purposes of this Article 16.4. All calculations will be made over the remaining period referenced above and be subject to verification by Unit Operator. Unit Operator shall also have the right to audit Contractor's calculations in the determination of the margin under this Agreement as compared to the margin under the replacement contract. Unit Operator shall have the right to monitor such marketing and bidding activities and shall have the right of approval of such replacement contract.

16.5 The provisions for confidentiality, audit rights, arbitration, releases and indemnities contained in this Agreement shall survive termination of this Agreement.

16.6.1 If either party obtains information (the "obtaining party") that could reasonably be considered to be likely to give rise to an event of political Force Majeure and provided 1) such information is not in the public domain, 2) the other party could not

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reasonably be expected to be aware of such information and 3) the obtaining party is in a position to disclose such information, then the obtaining party shall use its reasonable endeavors to inform the other party of such information. If a Force Majeure event that is of a political nature arises that prevents or delays Unit Operator's ability to move forward with the Work under this Agreement, Unit Operator shall give Contractor immediate Notice of such event and Unit Operator's expectation as to whether such event shall continue for a period of thirty consecutive days or more. Should the Force Majeure event prevent continuation of the Work under this Agreement thirty days after the date on which Notice of such Force Majeure event was given, Unit Operator may give Notice of termination for the Force Majeure event specifically described above, such event being hereinafter referred to as "Political Force Majeure". Such event shall be considered a Political Force Majeure event notwithstanding the foreseeability of any non-satisfactory resolution of the Treaty issues being conducted between representatives of Australia, East Timor and the United Nations Transitional Authority of East Timor. The termination provisions applicable in the event of termination for Political Force Majeure shall be determined according to the date on which the Notice of termination for Political Force Majeure is given, in accordance with the following:

a) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED PRIOR TO 1ST JULY 2001

Unit Operator shall reimburse Contractor the following amounts:

- (i) \$3 million lump sum termination fee; and
- (ii) the cost of any modifications made (or commitments for modifications to be made, to the extent they are not subject to cancellation) to the Drilling Unit at Unit Operator's request specifically for performing the Work under this Agreement.

b) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED AFTER 30 JUNE 2001 AND PRIOR TO 1 NOVEMBER 2001

Unit Operator shall reimburse Contractor the following amounts:

- (i) \$3 million lump sum termination fee;
- (ii) subject to Article 16.6.2, a maximum of 30 days at the Operating Rate;
- (iii) the cost of any modifications made (or commitments for modifications to be made, to the extent they are not subject to cancellation) to the Drilling Unit at Unit Operator's request specifically for performing the Work under this Agreement;
- (iv) the documented third party cost of demobilising the Drilling Unit to Singapore, the Gulf of Mexico, West Africa, North Sea or such other location at which alternative work may have been secured, provided that the cost of demobilisation to such alternative location is no greater than the cost to the Gulf of Mexico. Subject to Article 16.6.2, the location of

demobilisation shall be at the sole discretion of Contractor;
and

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(v) the Standby Rate detailed in Exhibit "A" for the duration of the period of demobilisation, subject to reduction to take into account the reduction in crew numbers during demobilisation.

c) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED AFTER 31 OCTOBER 2001 AND PRIOR TO THE DRILLING UNIT ARRIVING ON LOCATION AND COMMENCING THE WORK UNDER THIS AGREEMENT (ESTIMATED APRIL 2002)

Unit Operator shall reimburse Contractor the following amounts:

- (i) \$3 million lump sum termination fee;
- (ii) subject to Article 16.6.2, a maximum of 60 days at the Operating Rate;
- (iii) the cost of any modifications made (or commitments for modifications to be made, to the extent they are not subject to cancellation) to the Drilling Unit at Unit Operator's request, specifically for performing the Work under this Agreement;
- (iv) the documented third party cost of demobilising the Drilling Unit to Singapore, the Gulf of Mexico, West Africa, North Sea or such other location at which alternative work may have been secured, provided that the cost of demobilisation to such alternative location is no greater than the cost to the Gulf of Mexico. Subject to Article 16.6.2, the location of demobilisation shall be at the sole discretion of Contractor; and
- (v) the Standby Rate detailed in Exhibit "A" for the duration of the period of demobilisation, subject to reduction to take into account the reduction in crew numbers during demobilisation.

d) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED AFTER THE DRILLING UNIT IS ON LOCATION AND HAS COMMENCED THE WORK UNDER THIS AGREEMENT BUT PRIOR TO 300 DAYS HAVING BEEN WORKED

Unit Operator shall reimburse Contractor the following amounts:

- (i) \$3 million lump sum termination fee;
- (ii) subject to Article 16.6.2, the Operating Rate for a maximum of 25% of the remaining days in the estimated initial term of this Agreement of 600 days;
- (iii) the outstanding cost of any modifications made to the Drilling Unit at Unit Operator's request specifically for performing the Work under this Agreement. Any such calculation shall take into account the amount already recouped to the time of termination;
- (iv) the documented third party cost of demobilising the Drilling Unit to Singapore, the Gulf of Mexico, West Africa, North Sea or such other location at which alternative work may have been secured, provided that the cost of demobilisation to such alternative location is no greater than the cost to the Gulf of Mexico. Subject to Article 16.6.2, the location of demobilisation shall be at the sole discretion of Contractor; and

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(v) the Standby Rate detailed in Exhibit "A" for the duration of the period of demobilisation, subject to reduction to take into account the reduction in crew numbers during

demobilisation.

- e) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED AFTER THE DRILLING UNIT HAS BEEN ON LOCATION AND CARRYING OUT THE WORK UNDER THIS AGREEMENT FOR A PERIOD OF BETWEEN 300 DAYS AND 450 DAYS (INCLUSIVE)

Unit Operator shall reimburse Contractor the following amounts:

- (i) \$1.5 million lump sum termination fee;
- (ii) subject to Article 16.6.2, the Operating Rate for a maximum of 25% of the remaining days in the estimated initial term of this Agreement of 600 days;
- (iii) the outstanding cost of any modifications made to the Drilling Unit at Unit Operator's request specifically for performing the Work under this Agreement. Any such calculation shall take into account the amount already recouped to the time of termination;
- (iv) fifty percent of the documented third party cost of demobilising the Drilling Unit to Singapore, the Gulf of Mexico, West Africa, North Sea or such other location at which alternative work may have been secured, provided that the cost of demobilisation to such alternative location is no greater than the cost to the Gulf of Mexico. Subject to Article 16.6.2, the location of demobilisation shall be at the sole discretion of Contractor; and
- (v) fifty percent of the Standby Rate detailed in Exhibit "A" for the duration of the period of demobilisation, subject to reduction to take into account the reduction in crew numbers during demobilisation.

- f) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED AFTER THE DRILLING UNIT HAS BEEN ON LOCATION AND CARRYING OUT THE WORK UNDER THIS AGREEMENT FOR BETWEEN 451 AND 550 DAYS (INCLUSIVE)

Unit Operator shall reimburse Contractor the following amounts:

- (i) \$1 million lump sum termination fee;
- (ii) the outstanding cost of any modifications made to the Drilling Unit at Unit Operator's request specifically for performing the Work under this Agreement. Any such calculation shall take into account the amount already recouped to the time of termination; and
- (iii) the cost of demobilising the Drilling Unit to Darwin, Australia in accordance with Exhibit "A", Article C.11 of this Agreement.

- g) NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ISSUED AFTER THE DRILLING UNIT HAS BEEN ON LOCATION AND CARRYING OUT THE WORK UNDER THIS AGREEMENT FOR MORE THAN 550 DAYS

Unit Operator shall reimburse Contractor the following amounts:

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- (i) the cost of demobilising the Drilling Unit to Darwin, Australia in accordance with Exhibit "A", Article C.11 of this Agreement.

- 16.6.2 In the event that Unit Operator gives Notice of Political Force Majeure in accordance with this Article, Contractor will use its best efforts to secure substitute work for the Drilling Unit in order to mitigate Unit Operator's costs. As part of such efforts, Contractor shall give due consideration to any substitute work that is acceptable to Contractor based on its business criteria and strategic planning, but which also reduces Unit Operator's costs in respect of demobilisation of the Drilling Unit. The rights of verification, audit and approval provided to Unit Operator under Article 16.4 for termination without cause also shall apply in respect of termination for Political Force Majeure.

If additional work is secured and the margin (as defined in Article 16.4) under such replacement contract is less than the margin under this Agreement, then Unit Operator shall reimburse Contractor for the

difference between the margin under the replacement contract and the margin under this Agreement up to the maximum applicable amount as specified in Articles 16.1.1(b)(ii), (c)(ii), (d)(ii) or (e)(ii) above. If the margin under the replacement contract as calculated over the portion of the Initial Term of 600 days remaining at the time of termination is greater than the margin under this Agreement over such remaining portion of the Initial Term, no amounts will be payable to Contractor under Articles 16.1.1(b)(ii), (c)(ii), (d)(ii) or (e)(ii) above, and any costs of demobilisation shall be offset against the increased margin, as further detailed in Article 16.6.3 (d).

- 16.6.3 Payment of the amounts detailed in Article 16.6.1 shall be in accordance with the following:
- (a) The termination fee and outstanding costs of any modifications made to the Drilling Unit shall be paid by Unit Operator as soon as possible, but in no event more than thirty days following receipt of Contractor's invoice, which may be issued immediately upon Unit Operator giving Notice of termination for Political Force Majeure.
 - (b) 90% of any sums due in respect of the day rate detailed under Articles 16.6.1(b)(ii), (c)(ii), (d)(ii) or (e)(ii) shall be payable promptly upon presentation of invoice with the remaining balance due within 30 days of presentation of the invoice. Such sums due, if any, shall be invoiced by Contractor on a quarterly basis, based on Contractor's earnings during that quarter under any replacement contract secured.
 - (c) Demobilisation expenses, including the applicable day rate payable during demobilisation, shall be payable by Unit Operator following receipt of Contractor's invoice. Contractor shall invoice Unit Operator for fifty percent of such demobilisation expenses upon departure of the Drilling Unit from Unit Operator's location, and for the remaining fifty percent of such demobilisation expenses upon completion of the demobilisation. Such invoice must be supported by third party documentation.

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- (d) Should Contractor's margin under any replacement contract exceed the margin that would have been earned under this Agreement, Contractor shall remit to Unit Operator 100% of the difference between the margin under the replacement contract and the margin under this Agreement until the cost of demobilisation has been recovered in full by Unit Operator and thereafter Contractor shall remit to Unit Operator 85% of the difference in margin for the duration of the replacement contract.
 - (e) If any replacement contract secured by Contractor includes the full cost of mobilisation of the Drilling Unit from Unit Operator's location to the location of the replacement contract, then no demobilisation costs shall be payable by Unit Operator under Article 16.6.1.
- 16.6.4 In calculating any amounts due to Contractor under Articles 16.6.1(b)(ii), (c)(ii), (d)(ii) or (e)(ii) to compensate for Contractor's loss of day-rate and utilization, should any occur, such calculation shall consider time paid during the 30 days prior to a Notice of termination for Political Force Majeure and time paid during demobilisation as time worked under this Agreement, thereby reducing the number of additional days for which compensation may be due.
- 16.6.5 Attachment 2 to Exhibit "A" provides example calculations demonstrating the application of the mechanisms for reimbursement detailed within this Article 16.6.
- 16.6 If Contractor's performance hereunder is suspended or prevented by Force Majeure other than Political Force Majeure for a period of more than 30 consecutive days, Unit Operator may terminate this Agreement by giving Contractor thirty days Notice.
- 16.7 If the Drilling Unit is not on Unit Operator's first location, completely rigged up and ready to start Work pursuant to Article 2.1 on or before thirty (30) days after the date specified in Exhibit "A", Item 1.10, Contractor shall incur a penalty of \$10,000 per day for the first 30 days late and \$20,000 per day for the next thirty (30) days late. Thereafter, or if it becomes obvious that the Drilling Unit cannot be ready to start Work on Unit Operator's first location within ninety (90) days after the date specified in Exhibit "A", Item 1.10 Unit Operator may, if the delay is not due to installation of any equipment by or other act of Unit Operator, terminate this Agreement forthwith on Notice without any liability to Contractor except to pay

Contractor any sums (except for any penalties called for under this Agreement) due and owing at the time of such termination. If at any time after the execution of this Agreement it becomes obvious that the Drilling Unit will not be delivered on the first location on or before 15 September 2002, Unit Operator may, if the delay is not due to installation of any equipment by or other act of Unit Operator, terminate this Agreement forthwith on Notice without any liability to Contractor except to pay Contractor any sums (except for any penalties called for under this Agreement) due and owing at the time of such termination.

- 16.8 The Drilling Unit is currently scheduled for readiness in Singapore on 15 March 2002 and delivery on the first location on April 15th 2002. If Unit Operator secures other work for the Drilling Unit in the Area of Operations prior to commencement of the Work, Contractor agrees to reduce the dayrates to 95%. If Unit Operator delays

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or defers commencement of operations from the date of readiness either in Singapore or at Unit Operator's first location, Unit Operator agrees to pay Contractor at 50% of the Standby Rate commencing on 1 May 2002 until 14 May 2002, 85% of the Standby Rate from 15 May 2002 until 14 June 2002 and 100% of the Standby Rate commencing on 15 June 2002. Unit Operator shall endeavour to give Contractor written notice of the required delivery date on the first location on or before 15 October 2001. In the event of termination by Unit Operator in accordance with Article 16.4, the total duration of any additional work carried out prior to commencement of the Work shall be included for the purposes of assessing the balance of the estimated initial term of 600 days.

- 16.9 In the event that the Contractor:

- (a) is unable to continue to perform the Work under this Agreement due to any lien, form of execution, distress, attachment, sequestration or other claim issued, exercised, levied or made against the Contractor or any of its assets or property;
- (b) resolves, has a petition presented, proceedings commenced on or an order made, that it be wound up;
- (c) becomes insolvent or is deemed to be insolvent or unable to pay its debts;
- (d) has a receiver, manager, provisional liquidator, official manager, trustee, liquidator, administrator or any other form of insolvency administrator or external management appointed;
- (e) ceases or threatens to cease to carry on business or pay its creditors;
- (f) proposes or makes an arrangement, composition, compromise, reorganisation, moratorium, assignment or administration of debt with any of its creditors;
- (g) takes any step to reduce its capital without the prior written approval of the Unit Operator; or
- (h) seeks or obtains protection from its creditors under any applicable law,

then the Unit Operator may terminate this Agreement immediately without the need for Notice to be given to the Contractor. In such case, Unit Operator shall, subject to the other provisions of this Agreement, be obliged to pay to the Contractor only the outstanding and unpaid portion of any payment earned by the Contractor up to the time of termination, and the Contractor shall immediately remove the Drilling Unit from the Unit Operator's location. The Unit Operator shall not otherwise be liable to pay to the Contractor any other amount under or in relation to the Agreement.

- 16.10 The Unit Operator may, at any time during the term of the Agreement, wish to suspend the Agreement. The Unit Operator will issue Notice to the Contractor detailing the reason for the proposed suspension, and the parties will enter into

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discussions to review the terms under which any such suspension may take place, including compensation to the Contractor.

17.0 APPLICABLE LAW

The interpretation and performance of this Agreement shall be governed by and construed in accordance with the law of Western Australia, excluding any law which would require application of another jurisdiction's law.

17.1 ARBITRATION

Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration under the Rules of the London Court of International Arbitration ("LCIA") effective at the time Notice of arbitration is served, which Rules are deemed to be incorporated by reference into this Article.

- (a) The arbitration will be conducted in English in Western Australia by a single arbitrator applying Western Australian law. The arbitrator shall be a retired judicial figure of standing, or a Queen's Counsel practicing at the Independent Bar, or a similarly qualified Solicitor. Where appropriate, the arbitrator's decision shall state a time for compliance with the decision. Each party shall bear its own arbitration costs and expense, including the cost of its witnesses.
- (b) The parties waive any right to appeal to the court given under the Commercial Arbitration Act 1985 (WA) or otherwise.
- (c) Judgment upon the arbitration award may be entered in any Court having jurisdiction, or application may be made to such Court for a judicial acceptance of the award and an Order of Enforcement, as the case may be. This Article shall be a complete defense of any suits or actions as to any arbitrable claim or dispute.

18.0 EXHIBITS ATTACHED TO AGREEMENT

Attached hereto and incorporated in this Agreement, are the following Exhibits:

EXHIBIT "A"

Project Information, Mobilisation Date, Rates and Inspection

EXHIBIT "B"

Contractor's Labour and Supervisory Personnel

EXHIBIT "C"

Materials, Supplies and Services provided by Contractor and Unit Operator

EXHIBIT "D"

Contractor's Inventory of Drilling Equipment and Description of Drilling Unit

EXHIBIT "E"

Contractor's Spare Parts Inventory

EXHIBIT "F"

Mutual Hold Harmless Agreement

EXHIBIT "G"

Contractor Health, Environmental and Safety (HES) Offshore Requirements for International Operations

EXHIBIT "H"

Drug and Alcohol Prohibition

EXHIBIT "I"

Tripartite Agreement

EXHIBIT "J"

Unit Operator's Pre-Acceptance List from Rig Audit

EXHIBIT "K"

Tax Assumptions

EXHIBIT "L"

Technical Information

EXHIBIT "M"

Modifications and Additions to Drilling Unit

EXHIBIT "N"

Banker's Undertaking

19.0 NOTICES

All Notices and other communications provided for in this Agreement shall be in writing. Such Notices and communications shall be delivered by hand to an authorized representative of the party to whom directed or shall be sent by courier or facsimile, charges prepaid, to the parties at the following addresses:

Unit Operator: Phillips Petroleum (91-12) Pty Ltd
1 Mill Street
Perth, Western Australia WA 6000
Attention: A McGregor, Contracts & Procurement
Manager
Fax: (618) 9212 7032
Telephone: (618) 9278 5371

Contractor: Chiles Offshore Inc.
11200 Richmond Avenue, Suite 490
Houston, Texas 77082
Attention: William E. Chiles
Fax: (713) 339-3888
Telephone: (713) 339-3777

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Unless otherwise provided herein, Notices and other communications given by hand or by courier shall be deemed received on the date shown on the receipt and notices and other communications by fax shall be deemed received the working day next following the day of transmission.

20.0 CONFLICTS OF INTEREST PROHIBITED

Contractor shall not pay any commissions, fees, or rebates to any Unit Operator employee, officer or agent. Contractor shall not favour Unit Operator employees, officers or agents with gifts or entertainment of significant value, nor enter into any business arrangement with Unit Operator employees, officers or agents other than as a representative of Unit Operator, without Unit Operator's written approval. Article 8.0 of this Agreement shall apply for the purpose of confirming compliance with this Article.

21.0 TAXES

21.1 CONTRACTOR TO PAY TAXES

- (a) The Contractor's proposal to the Unit Operator on which the Unit Operator has relied and on the basis of which the Agreement was awarded to the Contractor was inclusive of all taxes, license and permit fees, income, profit, fringe benefit, franchise and personal property taxes, duties and

other imposts, except as expressly provided otherwise in the Agreement.

- (b) The Contractor shall be solely liable, unless specifically stated elsewhere in the Agreement, for payment of:
- (1) all taxes imposed and assessments made (whether imposed by the Australian Governments, any future Government of East Timor, any body established by the United Nations to exercise authority over East Timor, any "competent authority" as defined in the Taxation Code or other foreign governments or authorities) in relation to the Work, any Contractor's Equipment, Materials and supplies provided by the Contractor, including without limitation all sales, excise, storage, consumption and use taxes, value added tax, license and permit fees, income, profit, fringe benefit, franchise and personal property taxes;
 - (2) all payroll and employment taxes and all contributions payable by law, award and pursuant to any contract with an industrial or trade union or other association of employees or otherwise with respect to or ascertained by reference to the wages, salaries or other compensation paid to employees of the Contractor in respect of the Work under the Agreement, including taxes or contributions for

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workers' compensation, unemployment or sickness benefit, old age benefit, welfare funds, pensions and disability insurance;

- (3) the cost of all import or export licenses if required and all import or export taxes or duties or tariffs on services and materials imported or exported by the Contractor in connection with or for the purposes of the Agreement; and
 - (4) all harbour dues, pilotage fees, port fees, wharf fees, loading or unloading costs, storage costs, gang fees and all excesses for such dues, costs or fees.
- (c) The Contractor shall indemnify and keep indemnified the Unit Operator from and against all liability for payment of all of the above taxes, assessments and contributions, dues, costs and fees and all liability arising in respect of the non-payment of them whether arising from the performance of the Work under the Agreement or under any subcontract with a sub-contractor.

21.2 WITHHOLDING TAX

- (a) The Unit Operator shall not be liable to the Contractor and the Contractor shall have no claim against the Unit Operator in respect of any sum, which would otherwise be payable to the Contractor under the Agreement:
- (1) which the Unit Operator has withheld from payment in accordance with any applicable income tax or other law, until the Unit Operator is released from, or relieved from all liability pursuant to the relevant law in respect of the amount so withheld and is lawfully entitled to pay the sum to the Contractor; or
 - (2) which the Unit Operator has paid in accordance with the provisions of any applicable income tax or other law to the person, or authority legally entitled to accept payment.
- (b) Notwithstanding Article 21.2(a), the Unit Operator indemnifies the Contractor against liability for East Timor withholding tax actually paid by the Contractor where the liability arises from the failure of East Timor to provide benefits similar to the terms of a Double Taxation Agreement existing between Indonesia and the Contractor's country of domicile as at 25 October 1999.

- (c) Absent written notification from the Contractor to the contrary, the Unit Operator shall assume that the Contractor has a "Permanent Establishment" in East Timor and withhold tax accordingly.
- (d) The Contractor agrees to immediately notify the Unit Operator if at any time during the term of the Agreement the Contractor establishes, or is deemed to establish, a "Permanent Establishment" in East Timor.

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- (e) The Contractor authorises the Unit Operator to make withholdings for tax from payments to the Contractor and pay amounts withheld to the relevant taxing authority if at any time the Contractor has or is deemed to have a "Permanent Establishment" in East Timor or ZOCA.
- (f) Contractor agrees to indemnify Unit Operator against any assessment of withholding tax, plus related penalties and interest related to Unit Operator's failure to properly make and remit withholding tax due to the Unit Operator's reliance upon a notification provided to Unit Operator pursuant to clauses contained in 21.2.

21.3 EXEMPTIONS

- (a) The benefit of any sales tax, import duty exemption or concessional rate available when the Contractor purchased materials or equipment shall, as far as possible be passed onto the Unit Operator if the cost of the relevant materials or equipment is charged to the Unit Operator in accordance with this Agreement.
- (b) Where the Unit Operator and its contractors (including the Contractor) are entitled to an exemption or concession concerning sales tax, goods and services tax, value added tax, business tax, corporate tax, income tax or other tax or import duty with respect to Materials, equipment or supplies under this Agreement, the Unit Operator shall use reasonable endeavours to enable the Contractor to claim such concession or exemption.
- (c) Should the Contractor fail to obtain a concession or exemption to which it is entitled, for reasons within Contractor's control, the cost of the tax or duty payable as a result shall not be paid by or passed onto the Unit Operator but shall be the responsibility solely of the Contractor.

21.4 ZONE OF COOPERATION

Tax due and payable by the Contractor under this Agreement may be subject to all applicable provisions of the Taxation Code.

21.5 GOODS AND SERVICES TAX

- (a) Subject to Article 21.5(c) and 21.5(d):
 - (1) the Unit Operator must pay to the Contractor the amount equal to the amount of any GST the Contractor is liable to pay on any GST Supply made by the Contractor to the Unit Operator under the Agreement (CONTRACTOR'S GST SUPPLY);
 - (2) the Unit Operator must pay to the Contractor the amount in respect of GST the Unit Operator is liable to pay on each Contractor's GST Supply at the same time and in the same manner as the Unit Operator is obliged to pay for the Contractor's GST Supply provided that the

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Unit Operator may withhold payment of any amount in respect of GST until the Contractor issues the Unit Operator with a valid Tax Invoice covering the relevant Contractor's GST Supply.

- (b) If, after the imposition of a GST or any subsequent change in the GST law, it is determined on reasonable grounds that the amount of the GST paid or payable on any Contractor's GST Supply differs for any reason from the amount of the GST recovered from the Unit Operator under Article 21.5(a) including without limitation by reason of:

- (1) an alteration in the law relating to GST or variation;
- (2) the issue of or an alteration in a ruling or advice of the Australian Commissioner of Taxation;
- (3) the allowance to the Contractor of a refund of an amount of GST in respect of any GST Supplies; or
- (4) a decision of the Australian Administrative Appeals Tribunal (or its equivalent) or a court,

the amount of GST recovered or recoverable from the Unit Operator will be adjusted accordingly.

- (c) If the imposition of a GST or any subsequent change in the GST law is accompanied by or undertaken in connection with a reduction in or abolition of any then existing taxes (other than income tax on the profits of the Contractor), amounts (excluding any GST) payable by the Unit Operator to the Contractor will be reduced by the same proportion as the Contractor's actual total costs (including any taxes but excluding any input GST paid or payable by the Contractor) are reduced as a consequence of a reduction in or abolition of taxes (other than income tax on the profits of the Contractor), whether directly by way of a reduction in or abolition of taxes paid or payable by the Contractor to its third party suppliers or to any government, or indirectly by way of reduction in the prices (excluding any GST) charged by third party suppliers to the Contractor. Should the Unit Operator request, the Contractor will provide a report on the impact of any tax changes to the Unit Operator including justification for any change during the imposition of a GST in product net margins (measured as a percentage of costs or sales, both exclusive of indirect taxes) or confirmation that product net margins remain unchanged.

- (d) The Contractor must pay to the Unit Operator:

- (1) the amount equal to the amount of any GST the Unit Operator is liable to pay on any GST Supply made by the Unit Operator under this Agreement (UNIT OPERATOR'S GST Supply); and

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- (2) the amount in respect of GST the Contractor is liable to pay on each Unit Operator's GST Supply at the same time and in the same manner as the Contractor is obliged to pay for the Unit Operator's GST Supply provided that the Contractor may withhold payment of any amount in respect of GST until the Unit Operator issues the Contractor with a valid Tax Invoice covering the relevant GST Supply.

- (e) The provisions of sub Article 21.5(b) apply with the necessary adaptations to adjust the amount in respect of GST recoverable by the Unit Operator from the Contractor, with references to the Contractor deemed to be reference to the Unit Operator and vice versa.

- (f) In this Article:

GST means the tax imposed by any of the A New Tax System (Goods and Services Tax Imposition - General) Act 1999, the A New Tax System (Goods and Services Tax Imposition - Customs) Act 1999 and the A New Tax System (Goods and Services Tax

GST SUPPLY means a taxable supply as defined in and which is subject to liability under the A New Tax System (Goods and Services Tax) Act 1999.

TAX INVOICE means a tax invoice as defined in and for the purposes of the A New Tax System (Goods and Services Tax) Act 1999.

21.6 TAX ASSUMPTIONS

- (a) The Contractor has relied on the Tax Assumptions for the purposes of submitting its proposal to the Unit Operator.
- (b) The Unit Operator will be responsible for any increased liability for taxes specifically addressed in the Tax Assumptions incurred by the Contractor by reason of one or more Tax Assumptions being incorrect and will reimburse the Contractor for such tax subject to the Unit Operator being provided with substantiating documentation provided by the Contractor.
- (c) The Contractor will pay to the Unit Operator an amount equal to the amount by which taxes actually payable by the Contractor are less than the taxes assumed to be payable in the Tax Assumptions.
- (d) The Contractor shall provide to the Unit Operator all information relating to the imposition, payment and deductibility of taxes the subject of Tax Assumptions.

22.0 FUEL

At the commencement of this Agreement Unit Operator shall purchase the present inventory of fuel on board the Drilling Unit at the lower of the price paid by

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Contractor, as evidenced by Contractor's invoice(s) for such fuel, and the average market price for similar volumes of fuel where the Drilling Unit bunkered such fuel.

Throughout the term of this Agreement Unit Operator shall be responsible for supplying, at its expense, all fuel required by the Drilling Unit. Upon termination of this Agreement, Contractor shall purchase the present inventory of fuel on board the Drilling Unit at the lower of the price paid by Unit Operator, as evidenced by Unit Operator's invoice(s) for such fuel, and the average market price for similar volumes of fuel where the Drilling Unit bunkered such fuel.

Where Unit Operator or Contractor is entitled to a rebate for diesel fuel excise or other similar concession, Contractor or Unit Operator (as the case may be) shall use reasonable endeavours to enable Unit Operator or Contractor, respectively, to claim such rebate or concession. Any diesel fuel rebate or concession shall be claimed for the benefit of the party who has borne the cost of the fuel.

23.0 UNIT PARTICIPANTS

23.1 The Unit Operator enters into this Agreement as agent for the Unit Participants.

23.2 The Contractor acknowledges and agrees that:

- (a) the obligations and liabilities of the Unit Participants to the Contractor shall be several only in accordance with their interests from time to time in the Bayu Undan Project;
- (b) the interests of the Unit Participants in the Bayu Undan Project may change from time to time without notice to the Contractor;
- (c) the rights and remedies under the Agreement including the benefit of any indemnities given by the Contractor may be exercised by the Unit Operator for and on behalf of the Unit Participants;

- (d) the Contractor's duties and obligations under this Agreement including the benefit of any indemnities given by the Contractor are deemed to take effect for the benefit of each of the Unit Participants and the Unit Operator is authorised to enforce those duties and obligations on its and the Unit Participants' behalf; and
- (e) the Contractor may only enforce the rights and remedies in and under the Agreement against the Unit Operator as agent severally for each of the Unit Participants.

23.3 The present Unit Participants are:

Phillips Petroleum (91-12) Pty. Ltd. (ACN 064 963 346)
Emet Pty. Ltd (ACN 050 134 907)
Agip Australia 91-13 Limited (ARBN 054 729 930)
Inpex Sahul Ltd (ARBN 059 844 781)

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Kerr-McGee (ZOC) Energy Pty. Ltd (ACN 054 264 907)
Petroz (Timor Sea) Pty. Ltd (ACN 053 697 794)
Phillips Petroleum Timor Sea Pty. Ltd (ACN 000 751 593)
Phillips Petroleum Company ZOC (ARBN 054 424 109)
Santos (ZOCA 91-12) Pty Ltd (ACN 056 937 752)

23.4 The Contractor shall not communicate in any way directly or indirectly with any Unit Participant in respect of any matter arising from or relating directly or indirectly to this Agreement.

24.0 SECURITY

- (a) The Contractor shall provide the Unit Operator with security for the performance of its obligations under the Agreement. The security must be:
 - (1) for an amount equal to 10% of the Agreement Price; and
 - (2) lodged within 10 days of the Effective Date.
- (b) The security must be an unconditional and irrevocable undertaking approved by Unit Operator and given by a bank approved by Unit Operator. For the purposes of this Article, the proforma Banker's Undertaking in EXHIBIT "N" is approved. The costs (including all stamp duty or other taxes) incidental to the issue and maintaining of the security shall be borne by the Unit Operator.
- (c) Within 30 days of completion of Demobilisation, the Unit Operator will release the security guarantee.
- (d) The Unit Operator may immediately have recourse to the security where the Contractor is in material breach of the Agreement and such breach has not been cured as provided under Article 16.3 or the Unit Operator may have otherwise become entitled to exercise a right under the Agreement in respect of the security.
- (e) Subject to Contractor's rights under the Agreement, the Contractor waives any right that it may have to obtain an injunction or any other remedy or right against any party in respect of the Unit Operator having recourse to retention or security or conversion of security.

25.0 VARIATIONS TO THE AGREEMENT

- (a) The Contractor shall not vary the scope of the Agreement except as directed in writing by the Unit Operator.
- (b) Save and except in respect of the Term of the Agreement, the Unit Operator may direct the Contractor to do one or more of the following:
 - (1) change the scope of the Agreement;
 - (2) increase, decrease or omit any part of the scope of the Agreement;
 - (3) increase or decrease the number of Contractor's personnel;
 - (4) supply additional materials or equipment required by the Unit Operator;

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- (5) carry out modifications to Contractor's Equipment, including the Drilling Unit as required by the Unit Operator, provided however that modifications to the Drilling Unit shall be subject to agreement by Contractor;
 - (6) dispose of or remove material or equipment that is no longer required by the Unit Operator.
- (c) No variation shall invalidate the Agreement.
- (d) No variation shall be valid unless it is approved by the Unit Operator prior to execution. If timing constraints require, Unit Operator may give oral approval to Contractor to proceed with a variation, provided however that Unit Operator shall confirm such variation in writing as soon as practicable thereafter.
- (e) If a variation may prejudice the ability of the equipment, materials or personnel to comply with the Agreement then the Contractor shall immediately notify the Unit Operator and specify, with reasons, the effect that the variation will have on its ability to comply with the Agreement.
- (f) The Unit Operator shall as soon as practically possible after receiving the Contractor's Notice, either:
- (1) withdraw the variation; or
 - (2) instruct the Contractor to proceed and confirm the extent to which the Unit Operator accepts the alteration to the Agreement by the operation of this Article and the Contractor's obligations under the Agreement shall be altered accordingly.
- (g) If so requested in writing by the Unit Operator, the Contractor shall forthwith advise the Unit Operator in writing:
- (1) of the effect which the Contractor anticipates that a proposed variation will have on the duration of the Work; and
 - (2) the Contractor 's estimate of the valuation (if any) of the variation.
- (h) If the Contractor requests the Unit Operator to approve a variation for the convenience of the Contractor, the Unit Operator may do so in writing. The Unit Operator shall not be obliged to approve a variation for the convenience of the Contractor and it may give its approval subject to conditions. The conditions of approval may include, without limitation, a condition that the Contractor shall not be entitled to any extension of time for completion of the Work or extra remuneration in respect of the variation or anything in connection with the variation which would not have arisen had the variation not been approved.
- (i) Valuation of the variation shall be determined by recourse to the rates and prices specified or anticipated within the Agreement or, in the event that no such rates and prices exist, then by mutual agreement of the parties.
- (j) By mutual agreement of the parties, the term of the Agreement may be extended.

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26.0 GENERAL

- 26.1 This Agreement remains the entire agreement of the parties and supersedes all previous communications, representations and agreement with respect to the subject matter hereof.
- 26.2 The headings used herein are for convenience only and shall not be used for purposes of construction or interpretation.

- 26.3 No waiver by either party of any default by the other party shall be construed as a waiver of any future defaults.
- 26.4 Any provisions herein, which in any way may contravene the laws of any jurisdiction to which this Agreement is subject, shall be deemed, to the extent of such contravention, severable and of no force or effect and shall not affect any other provision of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement in Counterparts as of the date first hereinabove written.

UNIT OPERATOR:

PHILLIPS PETROLEUM (91-12) PTY LTD

By: /s/ STEPHEN R. BRAND

Name: Stephen R Brand

Title: President

Witness: /s/ ALISTAIR MCGREGOR

Name: Alistair McGregor

Title: Contracts & Procurement Manager

CONTRACTOR:

CHILES OFFSHORE INC.

By: /s/ WILLIAM E. CHILES

Name: William E Chiles

Title: President and CEO

Witness: /s/ TERRY BAILEY

Name: Terry Bailey

Title: Operations Manager

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EXHIBIT "A"

PROJECT INFORMATION, MOBILISATION DATE, RATES AND INSPECTION

A) PROJECT INFORMATION

1. GENERAL

1.1. Project Name:

BAYU-UNDAN GAS RECYCLE PROJECT

1.2. Location:

PERMITS: ZOCA 91-12 AND ZOCA 91-13, TIMOR SEA, NORTHERN AUSTRALIA

1.3 Area of Operation

PERMITS: ZOCA 91-12 AND ZOCA 91-13, TIMOR SEA, NORTHERN AUSTRALIA

1.4 Introduction

As Unit Operator of the Bayu Undan development project Phillips Petroleum (91-12) Pty Ltd requires a jackup drilling rig ("DRILLING UNIT") to drill and complete a number of development wells. The wells will be drilled on two platforms located in the Bayu Undan field. These platforms are the small unmanned wellhead platform (WP1) and the drilling and production platform (DPP). For platform details refer to drawings included in EXHIBIT "L" - TECHNICAL INFORMATION.

1.5 Programme

The current Phase 1 drilling programme has 15 firm wells and 5 optional wells. It is estimated that the programme duration will be approximately 600 days for the firm wells (WPP- 7 wells and DPP - 8

wells) and approximately 200 days for the optional wells, which may include wells on either or both platforms or exploration wells. It is envisaged that the well completion work such as wire line and perforating (with wire line or coil tubing) will be performed underneath the drilling cantilever and thus off the drilling critical path. Simultaneous drilling / construction and/or production activities will be in action throughout the drilling programme on the DPP as process hook up will be in progress from the arrival of the Drilling Unit on the DPP until the start of production in October 2003.

The Contractor shall provide senior personnel to be located in the Unit Operator's office for the development of Simultaneous Operations (SIMOPS) procedures and manuals. It is anticipated that this work will start within 2 months of the date of award of the Agreement.

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1.6 Well Details

All wells will be directionally drilled with the TVD +/- 3200 m. The measured depths of the wells are expected to range from approximately 3700 to 7000 m with well deviations from approximately 30 to 70 degrees. Consideration will be given to selected well(s) sections being horizontally drilled.

1.7 Bottom Hole (TD) Static Pressure: +/- 4480 psi.

1.8 Bottom Hole (TD) Static Temperature: +/- 275 deg F.

1.9 Surface Pressure: +/- 3800 psi (maximum anticipated SI pressure with full gas column).

1.10 Spud Date

The timing for drilling the first well is dependent on the installation of the platform. It is currently estimated the first platform (WP1) will be installed between mid-March and June 2002. Based on this schedule, the Drilling Unit would be required on location to commence drilling on 15 June 2002 in accordance with the provisions of Article 16.7.

1.11 Casing

The final well and casing designs have not been completed but it is anticipated that some combination of the following casing strings will be used: 30" Conductor, 20" or 18-5/8" Surface casing, 13-3/8" Intermediate casing, 10-3/4" and/or 9-5/8" production casing, 7" and/or 7-5/8" production liner/tubing.

1.12 Mud

It is proposed that a dual mud system using Water Based Muds (WBM) for the top sections on the well and Synthetic oil Based Muds (SBM) in the lower section.

Surface hole:	Sea water with gel sweeps
Intermediate hole:	Polymer WBM/ SBM
Production hole:	SBM
Completion Fluid:	Brine.

2. ENVIRONMENTAL CONDITIONS:

2.1. Sea Bed:

Generally flat, 2 to 4 m thick silt layer over firm calcareous cap rock. For details of sea bed conditions refer to Geotechnical Site Conditions Report included in EXHIBIT "L" - TECHNICAL INFORMATION.

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2.2. Spud Can Penetration

A spud can penetration study has been performed using generic spud can

designs and the maximum anticipated penetration is +/- 8m. A detailed spud can penetration study will be performed once the rig selection has been finalized.

- 2.3. Water Depth: 78 m LAT
- 2.4. Main Deck Elevation:
- | | |
|------------------------------------|------------------|
| Well Head Platform (WP1) | 22.0 m above LAT |
| Drilling Production Platform (DPP) | 25.5 m above LAT |
- 2.5. Weather / Sea Conditions: Generally calm conditions (seas to +/- 5m and winds to +/- 40 kts).
- 2.6. Location is subject to cyclones during the period November to April. For details of environmental storm design conditions please refer to Normal and Extreme Design Criteria at Bayu Undan Location, Timor Sea included in EXHIBIT "L" - TECHNICAL INFORMATION.

B) START DATE

Date by which the Drilling Unit should be on location rigged up for drilling operations is in accordance with Article 16.7

C) RATES AND PRICES

Rig rates shall be inclusive of personnel costs for all management and office based personnel, and all shorebase and offshore crew as detailed in EXHIBIT "B". The Rates shall be adjusted in accordance with the provisions of Article 3.5 for any shortfall or increase in offshore crew supplied by Contractor.

- 1). OPERATING RATE (Article 7.1) with 7620 m large bore high torque drill pipe (5-1/2" w/HT55 connection)

US\$97,500/day

- 2). OPERATING RATE (Article 7.1) without 7620 m large bore high torque drill pipe (5-1/2" w/API FH connection)

US\$97,200/day

- 3). STANDBY RATE (GENERAL Article 7.2.1)

US\$92,500/day

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- 4). STANDBY RATE (INFIELD MOVE - Article 7.2.2)

US\$92,500/day

- 5). STANDBY RATE (OFF WEATHER - Article 7.2.3)

US\$92,500/day

- 6). STANDBY RATE (STACKED - Article 7.2.4)

US\$92,500/day

- 7). REPAIR RATE (Article 7.3)

US\$92,500/day

- 8). STANDBY - HOTEL RATE STANDBY - Article 7.2.5)

- A) US\$92,500/day from 1 to 14 days

b) US\$92,500/day in excess of 15 days (Contractor to mitigate costs)

- 9). HANDLING FEE under Article 7.8

a) US\$/A,

b) HANDLING RATE (MARK UP) 10% for items from US\$1 to US\$1,000

c) HANDLING RATE (MARK UP) 8% for items from US\$1,001 to

US\$5,000

- d) HANDLING RATE (MARK UP) 6% for items from US\$5,001 to US\$10,000
- e) HANDLING RATE (MARK UP) 4% for items from US\$10,001 to US\$15,000
- f) HANDLING RATE (MARK UP) 2% for items greater than US\$15,000.

10). MOBILISATION FEE (Refer Section 7.5)

The mobilisation fee (as referred to in Article 7.5 of the Agreement), represents Unit Operator's total obligation to Contractor up to the commencement of the applicable day rates pursuant to Article 7, and shall be determined to the first applicable well location, as follows:

<Table>		
<S>		<C>
	From SINGAPORE to ZOCA 91-12	
	A) Mobilisation Fee (Upon approval of Safety Case)	US\$250,000
	B) Mobilisation Fee (Upon departure from Singapore)	US\$2,750,000
	C) Mobilisation Fee (Arrival ZOCA 91-12)	US\$2,500,000
	Total:	US\$5,500,000

</Table>

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11). DEMOBILISATION FEE (Refer Section 7.6)

From ZOCA 91-12 to PORT OF DARWIN US\$ 1,250,000 LUMP SUM

At Unit Operator's option, Unit Operator may reimburse Contractor at the Moving Rate plus the cost of suitable vessels to demobilise the Drilling Unit to Darwin.

12). MOVING RATE AND VESSEL CHARTER

The "Moving Rate" (Standby Rate - Infield Move) as provided in Exhibit A, C4. shall apply for each day that the Drilling Unit is being moved between Unit Operator's locations. Unit Operator or Contractor at Unit Operator's request and cost will provide the vessel(s) and related fuel, in accordance with the provisions of Article 2.7 for such move. The provisions of the Tripartite Agreement, annexed as Exhibit "E" to this Agreement, will be applicable.

13). MEALS AND LODGING FOR UNIT OPERATOR'S REPRESENTATIVES IN EXCESS OF 15 PERSONS (REFER ITEM E14 OF EXHIBIT "C")

- a). US\$15 per meal / man / day (day visitors),
- b). US\$40 per day /man (for all meals and bed for 16 to 40 persons).
- c). US\$45 per day /man (for all meals and bed for in excess of 40 persons).

14). OPERATIONAL AND ENGINEERING SUPPORT SERVICES TO BE PERFORMED IN UNIT OPERATORS OFFICES

14.1 Location of Services to be Performed

The services shall be performed at the Unit Operator's offices at 1 Mill Street Perth Western Australia or at other locations as directed by the Unit Operator.

14.2 Scope of the Services

The Contractor shall provide qualified personnel for the purpose of visiting the Unit Operator's office in Mill Street Perth for the following, but not limited to:

- o Early involvement by key personnel in the planning and implementation of the Drilling Services Contracts.
- o Review of drawings and specifications and procedures

- o Closely liaise with the Unit Operator regarding contract schedule and mobilisation plan.
- o Development of SIMOPS procedures and manuals.

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14.3 Remuneration

The rates and prices are the fully inclusive cost of all the obligations set forth in the Agreement including but not limited to the cost of all management, administration, engineering, design, estimating and documentation, the cost of all personnel (including salary burdens), all taxes, immigration requirements complying with Government and Statutory regulations and all Unit Operator regulations, safety requirements, quality control, insurances, financing costs, profits, attendance on subcontractors and all ordinary risks and services to Contractor, liabilities, obligations and risks which under the terms of the Agreement are to be borne by the Contractor, materials and equipment, any and all transport import duties/assessments, insurance and permits related to such material and equipment, supervision and inspection and the like to perform the Work.

14.4 NOT USED

14.5 TRAVEL AND ACCOMMODATION

If the Work requires the Contractor's personnel to travel to the Unit Operator's premises in Perth or other locations as directed by the Unit Operator, then unless otherwise agreed, the Unit Operator will reimburse the Contractor all reasonable travel and accommodation expenses necessary for, and wholly incurred in the performance of the Work (provided that the Contractor has obtained prior approval from the Unit Operator for such expenditure). The reimbursement will be subject to submission by the Contractor of documentary evidence acceptable to the Unit Operator of the expenses incurred. The costs and expenses to be reimbursed exclude alcoholic beverages and tobacco and are limited to:

- o the actual cost of accommodation and meals;
- o other reasonable travel expenses at actual cost; and
- o economy class or business class air travel for International routes.

14.6 Timesheets

Where remuneration for the Contractor is calculated on a time worked basis, the Contractor shall prepare the Unit Operator weekly time sheet(s) for approval by the Unit Operator. Invoices shall be submitted monthly and substantiated by the Unit Operator approved timesheets.

D) INSPECTION REQUIREMENTS

Inspection requirements for drill pipe, drill collars and other downhole tools:

Drill pipe, drill collars and downhole equipment shall be initially inspected at the commencement of the term hereof at Contractor's expense. Contractor may supply new or used drill pipe and collars. Should Contractor provide used drill pipe, a complete inspection including, but not limited to, magnetic particle, ultrasonic, inside and outside optical, gauging of the outside diameter and tool joint general inspection, must be provided by Contractor at Contractor's sole expense. After the

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initial inspection, drill collars and downhole equipment shall be inspected at least once per well. If requested by Unit Operator, drill pipe will also be inspected at the end of each well on a rotational basis. By rotational basis it is meant that the bottom half of drill

pipe in service will be inspected with the upper half replaced with inspected drill pipes. The cost of all inspections after the initial inspection shall be at Unit Operator's sole cost and expense.

Inspections following the initial inspection shall include but not be limited to the following tests:

- (a) Magnetic particle inspection.
- (b) Ultrasonic inspection.
- (c) Inside and outside optical inspection.
- (d) Gauging of the outside diameter.
- (e) Drill pipe tool joint threads and general inspection.
- (f) Drill collars tool joint general inspection and full length magnetic particle inspection.

Initial inspection of Contractor's drill pipe, drill collars and downhole equipment shall be to T.H. Hill DS-1 category 5 procedures

The result of all inspections shall be made available to Unit Operator and the "API RP, 7G Table 10.1 Classification of Used Drill Pipe" will be followed to accept or reject pipe within the criteria that only new or Premium Class pipe shall be used.

Drill collar rotary shouldered connections must conform to API 7G. All Drill collars of 7" OD and greater which do not meet the following Bending Strength Ratio requirements will not be acceptable and must not be included in the drill string:

- (a) Bending Strength Ratio must be equal to or greater than 2.5 for drill collars having inside diameters of 2.0" or larger.
- (b) Bending Strength Ratio must be 2.25 or greater for drill collars having inside diameters less than 2.0".

Drill collar outside diameters will be measured and recorded in the IADC report when picked up for use in the drill string. Additional measurements will be taken at the request of Unit Operator's supervisor and any collar not meeting the above specification will be laid down and replaced.

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EXHIBIT A

ATTACHMENT 1

EXAMPLE CALCULATIONS

The following example calculations are provided for the purposes of Clause 16.4 of the Agreement:

1. SCENARIO 1: MARGIN SECURED UNDER REPLACEMENT CONTRACT IS < MARGIN UNDER THIS AGREEMENT

<Table>							
<S>							
Agreement Day Rate:	<C>						
Direct Operating Costs:	\$ 97,500						
Margin:	\$ 38,000						
	\$ 59,500						
</Table>							
<Table>							
<S>							
Dayrate on Alternative Work	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Direct Operating Costs	\$ 50,000	\$ 60,000	\$ 70,000	\$ 80,000	\$ 90,000	\$ 97,500	
Margin	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000
	\$ 12,000	\$ 22,000	\$ 32,000	\$ 42,000	\$ 52,000	\$ 59,500	
Margin under Agreement Day Rate	\$ 59,500	\$ 59,500	\$ 59,500	\$ 59,500	\$ 59,500	\$ 59,500	\$ 59,500
Difference between Alternative and Agreement Margin	\$ (47,500)	\$ (37,500)	\$ (27,500)	\$ (17,500)	\$ (7,500)	\$ 0	
</Table>							

In each case the Unit Operator will reimburse the Contractor at 100% of the difference between the Margin under the Agreement and under the Alternative.

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2. SCENARIO 1: MARGIN SECURED UNDER REPLACEMENT CONTRACT IS > MARGIN UNDER THIS AGREEMENT

<Table>	
<S>	<C>
Agreement Day Rate:	\$97,500
Direct Operating Costs:	\$38,000
Margin:	\$59,500
</Table>	

<Table>				
<S>	<C>	<C>	<C>	<C>
Dayrate on Alternative Work	\$100,000	\$110,000	\$120,000	\$130,000
Direct Operating Costs	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000
Margin	\$ 62,000	\$ 72,000	\$ 82,000	\$ 92,000
</Table>				

Where the margin under the Alternate day rate is > than the margin under the Agreement, the Unit Operator will be reimbursed at 85% of the difference

<Table>				
<S>	<C>	<C>	<C>	<C>
Margin under Agreement Day Rate	\$59,500	\$59,500	\$59,500	\$59,500
Difference between Alternative and Agreement Margin	\$ 2,500	\$12,500	\$22,500	\$32,500
Reimbursement to Unit Operator (85%)	\$ 2,125	\$10,625	\$19,125	\$27,625
</Table>				

Note:

- 1) The Day Rate under the Agreement as detailed above shall be adjusted accordingly in the event of any adjustments to the Day Rates under the Agreement.
- 2) The formulae applied above shall apply equally to the Standby Rates under the Agreement and the replacement contract.

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EXHIBIT A

ATTACHMENT 2

EXAMPLE CALCULATIONS

The following example calculations are provided for the purposes of demonstrating the application of mechanisms for reimbursement detailed under Article 16.6, to apply in the event of termination by Unit Operator for Political Force Majeure.

Note: The calculations provided below are for illustrative purposes only. The actual costs to be used in such event shall be determined according to the applicable Daily Rates under this Agreement at the time of termination, the final agreed costs of modifications and the actual third party documented costs of demobilisation.

a) EXAMPLE A: UNIT OPERATOR GIVES NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ON JUNE 20TH 2001

The amount due under Article 16.6.1(a) is calculated as follows:

<Table>		
<S>	<C>	<C>
Termination Fee	=	\$3,000,000

Cost of Modifications	=	\$to be determined
TOTAL	=	\$3,000,000 + MODIFICATIONS

b) EXAMPLE B: UNIT OPERATOR GIVES NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ON SEPTEMBER 30TH 2001

The amount due under Article 16.6.1(b) is calculated as follows:

Termination Fee	=	\$3,000,000
Maximum 30 days at agreed day rate	=	\$2,925,000*
Cost of Modifications	=	\$to be determined
Demobilisation Costs	=	\$10,000,000** (estimated maximum based on costs to Gulf of Mexico)
Day Rate during demobilisation	=	Included in Demobilisation costs above
TOTAL	=	\$15,925,000*** + MODIFICATIONS

c) EXAMPLE C: UNIT OPERATOR GIVES NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ON JANUARY 31ST 2002

The amount due under Article 16.6.1(c) is calculated as follows:

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Termination Fee	=	\$3,000,000
Maximum 60 days at agreed day rate	=	\$5,850,000*
Cost of Modifications	=	\$to be determined
Demobilisation Costs	=	\$10,000,000** (estimated maximum based on costs to Gulf of Mexico)
Day Rate during demobilisation	=	Included in Demobilisation costs above
TOTAL	=	\$18,850,000* + MODIFICATIONS

d) EXAMPLE D: UNIT OPERATOR GIVES NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ON DECEMBER 31ST 2002.

For the purposes of the calculation it is assumed that the Drilling Unit commenced the Work on location on 1st June 2002 (i.e. 214 days completed)

The amount due under Article 16.6.1(d) is calculated as follows:

Remaining days due based on the estimated term of this Agreement of 600 days:

600 - 214	=	386 days
Less Demobilisation duration (assume 45 days)	=	341 days
25% of remaining days	=	85.25 days
Termination Fee	=	\$3,000,000
25% of remaining days @ day rate	=	\$8,311,875*
Remaining Cost of Modifications	=	\$to be determined
Demobilisation Costs	=	\$10,000,000** (estimated maximum based on costs to Gulf of Mexico)
Day Rate during demobilisation	=	Included in Demobilisation costs above
TOTAL	=	\$21,311,875*** + MODIFICATIONS

e) EXAMPLE E: UNIT OPERATOR GIVES NOTICE OF TERMINATION FOR POLITICAL FORCE MAJEURE ON JUNE 30TH 2003

For the purposes of the calculation it is assumed that the Drilling Unit commenced the Work on location on 1st June 2002 (i.e. 395 days complete).

The amount due under Article 16.6.1(e) is calculated as follows:

Remaining days due based on the estimated term of this Agreement of 600 days:

<Table>		
<S>	<C>	<C>
600 - 395	=	205 days
Less Demobilisation duration (assume 45 days)	=	160 days
25% of remaining days	=	40 days
</Table>		

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<Table>		
<S>	<C>	<C>
Termination Fee	=	\$1,500,000
25% of remaining days @ day rate	=	\$3,900,000*
Remaining Cost of Modifications	=	\$to be determined
50% of Demobilisation Costs	=	\$5,000,000** (estimated maximum based on costs to Gulf of Mexico)
Day Rate during demobilisation	=	Included in Demobilisation costs above
TOTAL	=	\$10,400,000*** + MODIFICATIONS
</Table>		

f) EXAMPLE F: UNIT OPERATOR GIVES NOTICE OF TERMINATION FOR FORCE MAJEURE ON OCTOBER 31ST 2003

For the purposes of the calculation it is assumed that the Drilling Unit commenced the Work on location on 1st June 2002 (i.e. 518 days complete).

The amount due under Article 16.6.1(f) is calculated as follows:

<Table>		
<S>	<C>	<C>
Termination Fee	=	\$1,000,000
Remaining Cost of Modifications	=	\$to be determined
Demobilisation to Darwin	=	\$1,250,000 (as per Exhibit A, Item C.11)
Day Rate during demobilisation	=	Included above
TOTAL	=	\$2,250,000 + MODIFICATIONS
</Table>		

NOTES

* The day rate compensation amounts marked * above will not apply if Contractor secures alternative work for the Drilling Unit and the margin under such replacement contract is greater than the margin under this Agreement, when compared over the portion of the Initial Term of 600 days remaining at the time of termination.

If the margin under any such replacement contract is less than the margin under this Agreement, the amounts marked * above represent the maximum payable by Unit Operator in respect of day rate compensation.

** The demobilisation costs as marked ** above will be offset against the additional margin secured by Contractor under any replacement contract.

*** The total costs as marked *** above will reduce accordingly in the event of reductions to the day rate compensation and / or demobilisation.

EXAMPLE CALCULATION WITH REPLACEMENT CONTRACT

The following example calculation is provided to illustrate the compensation due to Contractor and Unit Operator if Contractor secures alternative work at a higher day rate than under this Agreement.

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This example is based on the following scenario:

- o Unit Operator gives Notice of termination for Political Force Majeure on 31st December 2002
- o Contractor secures a replacement contract at a day rate of \$110,000 that results in a higher margin for Contractor
- o The replacement contract is in a location 10 days transit time from the Area of Operations under this Agreement
- o The duration of the replacement contract is 12 months

Calculation

Remaining days due based on the estimated term of this Agreement of 600 days:

<Table>		
<S>	<C>	<C>
600 - 214	=	386 days
Less Demobilisation duration (10 days)	=	376 days
25% of remaining days	=	94 days
i) Termination Fee	=	\$3,000,000
ii) 25% of remaining days @ day rate	=	\$0 (See note 1)
iii) Remaining Cost of Modifications	=	\$to be determined
iv) Demobilisation Costs	=	\$1,500,000 (estimate)
v) Day Rate during demobilisation	=	Included in Demob costs above
TOTAL	=	\$4,500,000 + MODIFICATIONS
</Table>		

The above amount is payable by Unit Operator at time of termination.

Note 1: Compensation for remaining days in ii) above does not apply where the margin under the replacement contract is greater than the margin under this Agreement.

Contractor shall reimburse Unit Operator the difference between Contractor's earnings under the replacement contract and the earnings that Contractor would have received under this Agreement at 100% of the difference until such time as the demobilisation fee is repaid in full, and thereafter 85% of the difference.

The amounts reimbursed to Unit Operator would therefore be as follows, assuming that Contractor's rig and local direct operating costs are the same in both cases:

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

<Table>		
<S>	<C>	
1st Quarter of replacement contract:		
Contractor's earnings under replacement Contract=	90 x \$110,000 =	\$9,900,000
Earnings for equivalent period under this Agreement	=	\$8,775,000
Difference	=	\$1,125,000
Amount repaid to Unit Operator	=	\$1,125,000
2nd Quarter of replacement contract		
Contractor's earnings under replacement Contract	=	\$9,900,000
Earnings for equivalent period under this Agreement	=	\$8,775,000
Difference	=	\$1,125,000
Amount repaid to Unit Operator:		
Remaining amount for Demobilisation	=	\$ 375,000
Plus 85% of the remaining additional margin	=	85% x 750,000 = \$637,500
Total	=	\$1,012,500
3rd Quarter of replacement contract		
Contractor's earnings under replacement Contract	=	\$9,900,000
Earnings for equivalent period under this Agreement	=	\$8,775,000
Difference	=	\$1,125,000
Amount repaid to Unit Operator: 85% of the difference	=	\$ 956,250

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[BAYU-UNDAN LOGO]

EXHIBIT "B"

CONTRACTOR'S LABOUR AND SUPERVISORY PERSONNEL

SHORE BASE STAFF

PERMANENT POSITION	AUSTRALIAN NATIONAL	EAST TIMORESE	USA EXPATRIATE	SHORT CREW OR ADD RATE	AUSTRALIAN AWARD RATE)	AUSTRALIAN AWARD CLASSIFICATION
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SHOREBASE						
Area Manager			1	N/A		
Rig Superintendent			1	N/A		
Finance & Admin. Manager			1	N/A		
Materialsman	1			N/A		
Administrative Asst.	1			N/A		
Personnel Manager	1			N/A		
HES Manager	1			N/A		
TOTALS	4	0	3			

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[BAYU-UNDAN LOGO]

RIG BASED STAFF

PERMANENT POSITION	AUSTRALIAN NATIONAL	EAST TIMORESE	USA EXPATRIATE	SHORT CREW OR ADD RATE	AUSTRALIAN AWARD RATE)	AUSTRALIAN AWARD CLASSIFICATION
ROTATION POSITION	21/21	21/21	28/28	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Rig Manager/OIM			1	\$767		
Assistant Rig Manager			2	677		
Rig/Barge Engineer			1	623		
Driller			2	613		
Assistant Driller	2			525		
Derrickman	2			481		
Floorman	6			446		
Crane Operator	2			497		
Shaker Hand	2			441		
Lead Roustabout	2			443		
Roustabout	6			433		
Welder	1			497		
Electronics (SCR) Technician			1	598		
Warehouseman	1			476		
Medic/Safety, Training Coordinator			1	477		
Electrician	1			601		
Mechanic	1			601		
Motorman	2			455		
Radio Operator/Clerk	1			476		
Paint Foreman		1		216		
Painters		4		173		
Chief Steward	1					
Stewards						
Chief Cook (Day)						
Day Galley Hand						
Night Cook	1					
Night Galley Hand						
Utility Staff	4					
SUB-TOTALS	35	5	8			

NOTE: CATERING PERSONNEL WILL VARY AS THE SEE NEXT TAB FOR CREW

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

CONTRACTOR'S NOTIONAL CREWS

SHORE BASE STAFF

<Table>

<Caption>

	MOB		DEMOB		DRILLING		STANDBY (GENERAL)		STANDBY (INFIELD MOVE)		STANDBY (OFF WEATHER)		STANDBY (STACKED)		STANDBY (REPAIR)		STANDBY (HOTEL RATE)	
	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF
Area Manager	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
Rig Superintendent	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
Finance & Admin. Mgr.	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
Materialsman	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
Administrative Asst.	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
Personnel Manager	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
HES Manager	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA	1	NA
SUB-TOTALS	7	NA	7	NA	7	NA	7	NA	7	NA	7	NA	7	NA	7	NA	7	NA

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

RIG BASED STAFF

<Table>

<Caption>

	MOB		DEMOB		DRILLING		STANDBY (GENERAL)		STANDBY (INFIELD MOVE)		STANDBY (OFF WEATHER)		STANDBY (STACKED)		STANDBY (REPAIR)		STANDBY (HOTEL RATE)	
	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF	<C> ON	<C> OFF
Rig Manager/OIM	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Assistant Rig Manager	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Rig/Barge Engineer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Driller	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Assistant Driller	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Derrickman	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Floorman	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Crane Operator	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Shaker Hand	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Lead Roustabout	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Roustabout	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Welder	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Electronics (SCR) Technician	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Warehouseman	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Medic/Safety/Training	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Electrician	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Mechanic	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Motorman	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Radio Operator/Clerk	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Paint Foreman	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Painters	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Chief Steward	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Stewards																		
Chief Cook (Day)																		
Day Galley Hand																		
Night Cook	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Night Galley Hand																		
Utility Staff	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Sub-Totals	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

CONTRACTOR EMPLOYEE INFORMATION FORM

- 1. Company Name: -----
- 2. Contract: -----
- 3. Full Name of Employee - Family Name -----
Given Name -----
- 4. Date of Birth: -----
- 5. Classification: -----
- 6. Current Residential Address: -----

- 7. Passport Number/Identification Card Number: -----
- 8. HUET Expiry Date: -----
- 9. Well Control Certification: Course: _____, Level: _____,
Expiry Date: ____ .

Please also provide copies of the relevant pages of the Passport/Identification Card showing the photograph of the employee and the relevant details, HUET Certificate, Well Control Certificate (for relevant personnel).

In submitting this form, Contractor acknowledges to Unit Operator that this proposed employee has proved to be acceptable pursuant to the requirements of the Treaty and in accordance with the recruitment and selection processes described in the Contractor's Industrial Relations Management Plan. Contractor confirms that it has a complete record, and proof on file, of the date of birth; trades certificates or licences (if applicable); qualifications and membership to technical associations (if applicable); and current union membership (if applicable) of the proposed employee and is satisfied that the proposed employee is adequately and suitable qualified to undertake the classification for which the person is being proposed.

(Contractor Representative)

Approved/Disapproved for Processing: _____ (for Unit Operator)

Notes for the use of the Unit Operator only:

- 1. Is this submission to be audited? Yes/No
- 2. Result of the audit: Acceptable/Deficient
- 3. Audit Comments:

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[BAYU-UNDAN LOGO]

MATERIALS, SUPPLIES & SERVICES PROVIDED

BY CONTRACTOR AND UNIT OPERATOR

Unit Operator's Operations Base shall be Darwin, Northern Territory, Australia for the purposes of this Exhibit "C".

<Table> <Caption>			
A	DRILLING LOCATION	PROVIDED BY:	AT COST TO:
<S>	<C>	<C>	<C>
1	Required license, permit clearance to enter and/or leave drilling location.	Unit Operator	Unit Operator
2	Location survey and marker buoys.	Unit Operator	Unit Operator
3	Sea Bottom Survey as may be required by Unit Operator or Government or Contractor's Underwriters.	Unit Operator	Unit Operator
4	Primary Anchors and Anchor Chains, Cables, Buoys, Pendant Wires, Chain Chaser and Associated Equipment (for up to 100 metres of water depth) necessary for moving the Drilling Unit on and off platforms.	Contractor	Contractor
5	Repair or replacement of pendant wires, buoys, and associated equipment as result of operations.	Contractor	Contractor

</Table>

<Table> <Caption>			
B	TRANSPORTATION / HANDLING	PROVIDED BY:	AT COST TO:
<S>	<C>	<C>	<C>
1	Transportation of Unit Operator, Contractor and third party Unit Operator Unit Operator personnel between Unit Operator's Operations Base or heliport and the Drilling Unit offshore (whether by crew boat or helicopter).		
2	Transportation of Contractor personnel to and from Unit Operator's Operations Base or heliport excepting for transportation offshore as provided in 1. above.	Contractor	Contractor

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

<Table> <S>			
		<C>	<C>
3	Transportation of Unit Operator, Contractor and third party equipment and spares and materials (including foodstuffs and containers for disposing of waste, contaminated cuttings and fluids as required) by supply boat(s) or helicopter as appropriate, between Unit Operator's Operations Base and the Drilling Unit offshore.	Unit Operator	Unit Operator
4	Loading and unloading of Unit Operator, Contractor and third party equipment at Unit Operator's Operations Base or heliport, onto and off supply boats or helicopters or onto and off of Contractor provided transportation at the Unit Operator's Operations Base or heliport pursuant.	Unit Operator	Unit Operator
5	Transportation of Contractor's Equipment except as provided in 3. above.	Contractor	Contractor
6	Loading and unloading facilities for the transfer of any equipment and personnel between Supply boats and the Drilling Unit.	Contractor	Contractor
7	Anchor Handling Supply Vessels acceptable to Contractor's underwriter's insurance surveyor for in-field towing the Drilling Unit and for handling the Drilling Anchors (see article 2.7 of the Agreement).	Contractor	Unit Operator
8	Tie up lines for mooring supply vessel to Drilling Unit: - First Set. - Replacement Set(s).	Contractor Contractor	Contractor Unit Operator
9	Hoses for transfer of bulk and liquid materials between supply		

	boats and Drilling Unit:		
	- First Set.	Contractor	Contractor
	- Replacement Set(s).	Contractor	Unit Operator
	Dry-break couplings for SBM, base oil and diesel hoses	Contractor	Contractor
	Flotation for SBM, base oil and diesel hoses		
		Contractor	Contractor
10	Supervision of towing, ballasting, jacking up, jacking down, pre loading, skidding cantilever or drill package	Contractor	Contractor

</Table>

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[BAYU-UNDAN LOGO]

<Table> <Caption>			
C	OPERATIONS	PROVIDED BY:	AT COST TO:
<S>		<C>	<C>
1	Office, warehouse and storage facilities for Contractor material personnel, equipment and spare parts.	Contractor	Contractor
2	Office, warehouse and storage facilities for Unit Operator's material personnel, equipment and spare parts.	Unit Operator	Unit Operator
3	Accommodation for Contractor's personnel onshore.	Contractor	Contractor
	(a) except for rig personnel during evacuation periods, which is for Unit Operator's account.	Contractor	Unit Operator
4	Accommodation of Unit Operator's personnel onshore	Unit Operator	Unit Operator
5	(a) Marine and aeronautical radios (including intrinsically safe hand sets), and telex communications equipment and Radio Unit Operators between Operations Base, onshore locations, helicopters, supply vessels and Drilling Unit.	Contractor	Contractor
	(b) Stabilised Inmarsat satellite terminal for voice and data transmission.	Contractor	Contractor
	(c) Stabilised satellite terminal for voice and data transmission [3 lines for Unit Operator (1 Drilling Supervisor, 2 TBA), 1 crew and 1 OIM phone].	Contractor	Unit Operator
	(d) Modem and PC equipment for data transmission.	Contractor	Unit Operator
	(e) Internal / external communications and paging system onboard the Drilling Unit.	Contractor	Contractor
	Call and service charges for (a) and (b) with Unit Operator back charged for documented usage.		Contractor
	Call and service charges for (c) and (d)		Unit Operator
6	Dockside and heliport facilities.	Unit Operator	Unit Operator
7	Out-of-pocket cost of moving Unit Operator personnel, equipment and spare parts, when Unit Operator's Operations Base is moved.	Unit Operator	Unit Operator
8	Out-of-pocket cost of moving Contractor's personnel, equipment and spare parts, when Contractor's Operations Base is moved.	Contractor	Contractor

</Table>

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[BAYU-UNDAN LOGO]

<Table> <S>		<C>	<C>
9	Custom duties, port fees, taxes, licenses import tariffs, pilotage fees, wharfage fees (except as provided in 10 below), and cost of similar charges including any brokerage fees relative to the Drilling Unit and supplies on other than Unit Operator / third party supplied materials.	Contractor	Contractor
10	Custom duties, port fees, taxes, licenses import tariffs, pilotage fees, wharfage fees (except as provided in 11 below), and cost of similar charges including any brokerage fees relative to any Unit Operator or Third Party materials, equipment and supplies used or employed exclusively for Unit Operators' drilling operations.	Unit Operator	UNIT OPERATOR
11	Wharfage fees between Unit Operator's Operations Base and the	Unit Operator	Unit Operator

Drilling Unit for equipment and supplies used or employed exclusively for Unit Operators' drilling operations.

</Table>

<Table>

<Caption>

D	THIRD PARTY SERVICES	PROVIDED BY:	AT COST TO:
<S>		<C>	<C>
1	ROV equipment and services and installation costs.	Unit Operator	Unit Operator
2	Drill stem testing tools and services.	Unit Operator	Unit Operator
3	Base mounts for burner boom installation installed permanently on the Drilling Unit	Contractor	Contractor
4	Electric well logging equipment and services.	Unit Operator	Unit Operator
5	Mud logging equipment and services.	Unit Operator	Unit Operator
6	Mud supervision.	Unit Operator	Unit Operator
7	Centrifuge Rental including supervisor	Unit Operator	Unit Operator
8	Well geological logging equipment and services.	Unit Operator	Unit Operator
9	Acidising, fracturing and other special services.	Unit Operator	Unit Operator
10	Directional Drilling services.	Unit Operator	Unit Operator
11	Well directional surveys	Unit Operator	Unit Operator

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

<Table>

<S>		<C>	<C>
12	Cementing service.	Unit Operator	Unit Operator
13	Coring Services not on rig inventory.	Unit Operator	Unit Operator
14	Well Completion services.	Unit Operator	Unit Operator
15	Well test equipment and services.	Unit Operator	Unit Operator
16	Weather forecasting and reporting services.	Unit Operator	Unit Operator
17	Special tools, services and equipment not herein specifically designated but requested for the operations.	Unit Operator	Unit Operator
18	Inspection of Contractor's drillpipe, drill collars and other in hole equipment in accordance with Exhibit "A" Item "D" of the Agreement.		
	a) Initial Inspection	Contractor	Contractor
	b) Subsequent Inspections	Unit Operator	Unit Operator
19	Inspection of Unit Operator's or Third Party supplied drillpipe, Unit Operator Unit Operator drill collars and other in hole equipment.		
20	Fishing, casing cutting and other related services.	Unit Operator	Unit Operator
21	Wellhead and Xmas tree installation and maintenance services.	Unit Operator	Unit Operator
22	Casing and tubular handling services in excess of those services Unit Operator Unit Operator provided under this Agreement.		
23	Contractor to furnish to Unit Operator at start of first well documentary evidence of satisfactory up-to-date inspection of equipment shown in Item 18 above.	Contractor	Contractor
24	Any other Third Party Services and Supplies (other than those specifically provided for elsewhere within this Agreement as being Contractor's responsibility) being for the account of Unit Operator. Such services and supplies must be approved in advance by Unit Operator.	Unit Operator	Unit Operator
25	Unit Operator or Third Party supplied equipment repaired or maintained by the Contractor at the request of the Unit Operator.	Contractor	Unit Operator

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[BAYU-UNDAN LOGO]

<Table> <Caption>		PROVIDED BY:	AT COST TO:
E MATERIALS AND SUPPLIES		<C>	<C>
<S>		Unit Operator	Unit Operator
1	Cement and cement additives.	Unit Operator	Unit Operator
2	All mud chemicals and completion fluids.	Unit Operator	Unit Operator
3	All fuel onboard the Drilling Unit at the time of the on-hire survey (less any tax, duty or excise refunded to the Contractor).	Contractor	Unit Operator
4	All fuel for Drilling Unit during the term of this Agreement	Unit Operator	Unit Operator
5	Greases and dope for Contractor's DP and DC.	Contractor	Contractor
6	Greases and dope for casing, tubing and Unit Operator furnished Equipment.	Unit Operator	Unit Operator
7	Greases and lubricants for the Drilling Unit.	Contractor	Contractor
8	Hydraulic fluid and any additives for BOP and control unit.	Contractor	Contractor
9	Drilling water.	Unit Operator	Unit Operator
10	Potable water in excess of production of water distillation unit installed on board the Drilling Unit.	Unit Operator	Unit Operator
11	Drilling bits, diamond bits, core heads and catchers and bit breakers other than those supplied under this Agreement.	Unit Operator	Unit Operator
12	Screens for shale shaker and mud cleaner:		
	(a) Up to and including 120 mesh for shale shaker.	Contractor	Contractor
	(b) Above 120 mesh for shale shaker.	Contractor	Unit Operator
	(c) Up to and including 200 mesh for mud cleaner.	Contractor	Contractor
	(d) Above 200 mesh for mud cleaner.	Unit Operator	Unit Operator
13	Replacement parts for Contractor's hole openers, drilling bumper subs, reamers, stabilizers, safety joint, jars and fishing tools.	Contractor	Unit Operator
14	Casing protectors (DP Rubbers) for Contractor and Unit Operator furnished drill pipe.	Contractor	Contractor

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

<Table>		<C>	<C>
<S>			
15	Meals on board Drilling Unit for:		
	- Meals and lodging for Contractor's Employees and up to and including 15 Unit Operator personnel.	Contractor	Contractor
	- Meals and lodging for Unit Operator personnel or Unit Operator's authorized representatives and third party personnel contracted by Unit Operator in excess of 15 will be charged per meal or bed per person as detailed in EXHIBIT "A".	Contractor	Unit Operator
16	BOP spares replaced by reason of normal wear and tear.	Contractor	Contractor
17	BOP spares replaced by reason of other than fair, wear and tear.	Contractor	Unit Operator
18	BOP rubber goods as required by Phillips after initial inspection prior to spud of first well under this Agreement required only if rubber goods fail to test. All rubber goods used by the Contractor are to rated for use with Synthetic and Oil Based Muds.	Contractor	Contractor
19	Mud pump liners, pistons and swabs in sizes 6", 6-1/2", and 7".	Contractor	Contractor

20	Mud pump liners, pistons and swabs in sizes other than those supplied under this Agreement.	Contractor	Unit Operator
21	Ring gaskets to suit Contractor's BOP and associated equipment.	Contractor	Contractor

<Caption>			
F	DRILLING EQUIPMENT	PROVIDED BY:	AT COST TO:
<S>		<C>	<C>
1	Contractor supplied equipment as detailed in EXHIBIT "D".	Contractor	Contractor
2	Maintenance and rental of cementing unit.	Unit Operator	Unit Operator
3	Maintenance and spare parts for all Contractor furnished equipment unless otherwise provided.	Contractor	Contractor
4	Fishing tools supplied under this Agreement for fishing Contractor furnished in-hole equipment.	Contractor	Contractor

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[BAYU-UNDAN LOGO]

<Caption>			
<S>		<C>	<C>
5	Fishing Tools other than those supplied by the Contractor under this Agreement.	Unit Operator	Unit Operator
6	Deflection tools and other special tools for directional drilling.	Unit Operator	Unit Operator
7	Slick line Unit for running well survey equipment.	Contractor	Contractor
8	Well completion tools and equipment.	Unit Operator	Unit Operator
9	Tubing and tubing handling equipment.	Unit Operator	Unit Operator
10	3 1/2 " drill string including 4 3/4" DC, handling tools, cross-over subs, safety and stab valves and fishing tools, as specified in the schedule detailed in EXHIBIT "D".	Contractor	Contractor
11	Formation testers, sidewall samplers, squeeze tools etc.	Unit Operator	Unit Operator
12	Cementing heads.	Unit Operator	Unit Operator
13	Elevators, manual and power tongs and handling tools for 30", 20" and/or 18-5/8", 13-3/8", 10-3/4", 9-5/8", 7-5/8 and/or 7" casing as specified in the schedule detailed in EXHIBIT "D".	Contractor	Contractor
14	Hole openers, reamers, stabilizers other than those specified in the schedule detailed in EXHIBIT "D".	Unit Operator	Unit Operator
15	Drill pipe wipers.	Contractor	Contractor
16	Casing cutters and casing spears in excess of that supplied under this Agreement.	Unit Operator	Unit Operator
17	Replacement and/or repair of lost or damaged in-hole equipment (according to Agreement).	Contractor	Unit Operator
18	Thread protectors and Lift Nubbins for all Contractor's equipment.	Contractor	Contractor
19	Deluge system for well testing.	Contractor	Contractor
20	Burner Boom and mounting bases for the installation of 90' burner booms.	Contractor	Contractor

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[BAYU-UNDAN LOGO]

<Caption>			
G	WELL EQUIPMENT	PROVIDED BY:	AT COST TO:

<S>		<C>	<C>
1	All tubular goods, including casing, tubings, hangers and packers.	Unit Operator	Unit Operator
2	Casing shoes, collars, baskets, centralizers, float equipment, scrapers, baffles scratchers, etc.	Unit Operator	Unit Operator
3	Landing bases, guide bases and templates.	Unit Operator	Unit Operator
4	Well heads including casing and tubular heads, spacer tools, wear bushings, ring gaskets, etc.	Unit Operator	Unit Operator
5	Valves, xmas trees and necessary tools and equipment for installation.	Unit Operator	Unit Operator
6	All Running and Testing tools for Unit Operator wellhead furnished equipment.	Unit Operator	Unit Operator

</Table>

<Table>

<Caption>

H SAFETY

<S>

		PROVIDED BY:	AT COST TO:
<S>		<C>	<C>
1	Radio equipment for communication, including portable sets as reasonably required by Unit Operator.	Contractor	Contractor
2	Radio equipment for communication with supply vessels and helicopters including portable sets required by Contractor.	Contractor	Contractor
3	Permits, licences required for operation of Contractor's communication equipment (Unit Operator to assist).	Contractor	Contractor
4	First aid medical attention for all persons aboard the Drilling Unit.	Contractor	Contractor
5	First aid equipment and hospital room on board the Drilling Unit.	Contractor	Contractor
6	First aid and medical attention for Contractor's personnel onshore.	Contractor	Contractor
7	First aid and medical attention for Unit Operator's personnel onshore.	Unit Operator	Unit Operator

</Table>

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[BAYU-UNDAN LOGO]

<Table>

<S>

<S>		<C>	<C>
8	Transport and/or medivac service from the Drilling Unit to the Unit Operator's Base for injured persons requiring medical treatment onshore.	Unit Operator	Unit Operator
9	Safety hats, shoes, glasses, clothing and gloves for Contractor's personnel.	Contractor	Contractor
10	Safety hats, shoes, glasses, clothing and gloves for Unit Operator's personnel.	Unit Operator	Unit Operator
11	Safety goggles and face shields for grinding and impact work and welding gloves, aprons and masks for Contractor's personnel.	Contractor	Contractor
12	Safety gear for using oil mud and/or high density brine.	Contractor	Contractor
13	Fire fighting equipment according to all existing applicable laws and regulations.	Contractor	Contractor
14	Navigation aids as required by Government regulations in either stationary or moving mode.	Contractor	Contractor
15	Buoys for marking pattern on location, if required.	Unit Operator	Unit Operator
16	Approved safe storage, fuel transport and refuelling equipment on Drilling Unit for helicopter fuel.	Contractor	Contractor
17	All necessary life saving and safety equipment to conform to all existing applicable laws and regulations.	Contractor	Contractor
18	Connection of the Drilling Unit Fire and Gas and Emergency Shut Down system with production platform Fire and Gas and Emergency Shut Down systems.	Unit Operator	Unit Operator

19	Training and Induction courses for Contractor personnel for Combined Operations.	Contractor	Contractor
----	--	------------	------------

</Table>

<Table>

<Caption>

I	MISCELLANEOUS	PROVIDED BY:	AT COST TO:
<S>		<C>	<C>
1	Helicopter pad to accommodate a Sikorsky S-61 helicopter or larger.	Contractor	Contractor
2	All hand and power tools required for normal maintenance of Drilling Unit components.	Contractor	Contractor

</Table>

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[BAYU-UNDAN LOGO]

<Table>

<S>		<C>	<C>
3	Space for geologist's lab on Drilling Unit.	Contractor	Contractor
4	Offices for Unit Operator's P.E., geologist and Drilling Supervisors.	Contractor	Contractor
5	Radios as required by registry of the Drilling Unit and by applicable laws in Area of Operation.	Contractor	Contractor
6	Licensed and competent radio and telex Unit Operator aboard the Drilling Unit (24-hour watch).	Contractor	Contractor
7	Non directional radio beacon (including necessary licenses) to aid helicopter navigation.	Contractor	Contractor
8	All insurances required under this Agreement for Contractor's equipment, assets and personnel.	Contractor	Contractor
9	All insurances for the Unit Operator's equipment, assets and personnel.	Unit Operator	Unit Operator
10	Any items of clothing, additional to that which is normally supplied by Contractor, as a result of any change in legislation or reinterpretation thereof in the Area of Operations.	Unit Operator	Unit Operator

</Table>

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EXHIBIT "D"

CONTRACTOR'S INVENTORY OF DRILLING EQUIPMENT AND DESCRIPTION OF DRILLING UNIT

CHILES DISCOVERY SPECIFICATIONS

The Chiles Offshore DISCOVERY is a Keppel FELS Mod V B jackup mobile offshore drilling unit, designed and built by Keppel FELS, Singapore for delivery in March 2002. The unit will be classed by the American Bureau of Shipping (ABS) and comply with the IMO MODU Code. A cantilevered drilling structure and substructure allows the unit to drill or workover wells on existing fixed production platforms. The DISCOVERY CLASS is designed to work in water depths as shallow as 16 feet and up to 360 feet. Fully air-conditioned quarters can accommodate a crew of 94 persons.

A. GENERAL DESCRIPTION

Type:	Mod V Class B Independent Leg Cantilever Jackup
Builder:	Keppel FELS- Republic of Singapore
Delivery:	First Quarter 2002
Class:	ABS Maltese Cross A1 Self-Elevating Mobile Drilling Unit, 1997 Rules. IMO MODU Code for the Construction & Equipping of Mobile Offshore Drilling Units, 1989
Flag:	Panama
Elevating System:	Keppel FELS Electric Rack and Pinion Jacking System, 36 pinions rated at 36,000 Kips

1. Principal Dimensions

<Table>		<C>	
<S>			
Length Overall		225'-0"	
Breadth		208'-0"	
Depth of Hull		25'-0"	
Length of Legs *		517'-0"	
Spud Tank Diameter		46'-0"	

* Options provide for extending leg length to 545 feet.

2. Hull Draft and Displacement

<Table>		<C>	
<S>			
Lightship Draft - Minimum		14'-0"	
Loadline Draft - Maximum		16'-0"	
Lightship Displacement	(To be Determined by Incline)		
Loadline Displacement	(To be Determined by Incline)		

3. Quarters

Complete air-conditioned accommodations for a ninety-four (94) person crew. In addition to accommodations, the four-level quarter's structure contains a galley, mess room, treatment room, crew change rooms, offices, conference room, recreation rooms, training room, gymnasium, control room and radio room.

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4. Heliport

73' diameter octagonal steel cantilevered heliport designed to withstand loads imposed by a Sikorsky S-61N helicopter or equal. Heliport is lighted and equipped with tie downs, perimeter safety nets, and access stairs.

5. Storage Capacities

<Table>		<C>	
<Caption>			
<S>			
Diesel fuel		2,074 bbls.	
Drill water		11,622 bbls.	
Potable water		1,714 bbls.	
Liquid mud (in main mud pits)		2,500 bbls.	
Base Oil Storage		630 bbls.	
Brine Storage		780 bbls.	
Bulk Mud		6,000 cu. ft.	
Bulk Cement		5,100 cu. ft.	
Sack Storage		5,000 sacks	
Hook Load		1500 kips	
Rotary Load		1500 kips	
Setback Load		750 kips	

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B. LOADING AND ENVIRONMENTAL CONDITIONS

1. On Bottom Conditions

<Table>		<C>	
<Caption>			
<S>			
	Severe Storm	Operating	
	-----	-----	
	<C>	<C>	
Water Depth (feet) (1)	360	360	
Wind Velocity (knots)	100	70	
Current (knots)	1.0	1.0	
Wave Height (feet)	40	20	

Wave Period (sec)	14	15
Min. Air Gap (feet)	36	50
Max. Leg Can Penetration(feet)	25	25
Maximum Variable Load (kips) (2)	3,600	5,100
Comb.Rig.Flr.Loads (kips) (3)	750	1,500
Well Position (feet)		
Aft of Hull Transom (feet)	00.0	70.0
P/S off CL Vessel (feet)	00.0	15.0
Minimum Operating Temperature		-10o Atmosphere -2o Water

</Table>

2. Transit Condition:

<Table>

<S>

Minimum Draft (Lightship)	<C>
ABS Load Line (Hull Draft)	14'-0"
Total Variable Load Afloat (Kips)	3,600
Total Operating Variable Load (Kips)	5,500
Total Variable Load While Jacking (Kips)	3,600
Total Variable Load Storm (Kips)	3,600

</Table>

Notes:

- (1) Maximum water depth must include consideration for high tides and storm surge.
- (2) Does not include combined rig floor loads listed below.
- (3) Maximum individual rig floor loads are:

<Table>

<S>

	<C>
Hook Load.....	1,500 kips
Rotary Load.....	1,500 kips
Setback Load.....	750 kips

</Table>

Hook load varies according to well center location.
Max. combined drill floor load is 1,500 kips. Pipe rack load during skidding is 1,000 kips.

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C. PLATFORM EQUIPMENT

1. Primary Generators

Five (5) Caterpillar Model 3516-B diesel engines rated at 1,855 HP each powering a 2150 KVA continuous, 60 Hz, 600-volt AC SR-4 generators.

2. Standby/Emergency Generator

One (1) Caterpillar Model 3516-B diesel engine rated at 1,855 HP powering a 2150 KVA continuous, 60 Hz, 600 volt AC SR-4 generator complete with switch gear, automatic start, breakers and DC battery bank.

3. SCR System

Five (5) Ross Hill Controls 600V, 2200 amps each. Universal Switch Gear Inc. leg elevator contactors, AC breaker panels and two (2) ground detector panels: SCR room cooled by central air conditioner units.

4. Water Makers

One (1) WaterLink Model FD201-2 R.O. Watermaker rated @ 15,000 gpd capacity

5. Waste Treatment Unit

One (1) Omnipure 12 MC, 120-person marine sanitation device.

6. Air Compressors

- a. One (1) cold start air compressor powered by a diesel engine

with electric start.

b. Three (3) screw type air compressors, each rated at 500 CFM at 125 psi powered by 125 HP AC electric motors.

c. One (1) Refrigerated Air Dryer - 1,000 cfm @ 38 degrees F.

7. Welding Equipment

Two (2) 400 amp welding machines.

8. System Pumps

a. Four Bilge Pumps, (2) 3" diaphragm pumps, (2) 20 HP self-priming pumps.

b. Two (2) Salt Water/Fire Pumps, 60 HP, centrifugal pumps.

c. Two (2) Drill Water Pumps, 30 HP self-priming pumps.

d. One (1) Waste Oil Pump, gear type.

e. Two (2) Fuel Oil Transfer Pumps, 10 HP, horizontal rotary type.

f. Three (3) submersible salt-water service pumps. 125 HP rated @ 2,200 gpm @ 70 psi.

g. One (1) Each Potable and Salt Water Pressure Set with Specific Brand 150 2" centrifugal vertical type pumps powered by AC electric motors with 200-gallon pressure tanks.

h. Two (2) Brake Cooling Water Pumps, 20 HP, 2 x 3

9. Cranes

Three (3) pedestal cranes with 120' booms, 50 ton capacity at 20' radius.

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D. SAFETY AND LIFESAVING EQUIPMENT

1. Lifeboats/Life rafts

Two (2) self-propelled, enclosed lifeboats with launch davits approved for 90-person capacity each. Four (4) 25-man inflatable life rafts with hydrostatic release.

2. Life rafts

Four (4) 25 man inflatable life rafts with hydrostatic releases.

3. Rescue Craft

One (1) 21 ft. 6 person diesel powered jet rescue craft.

4. Miscellaneous

Life preservers, life rings, litters and first aid equipment in compliance with U.S. Coast Guard and IMO regulations.

5. Fire Stations

Approximately twenty-five (25) salt-water fire stations with 50' hose each. Fixed CO2 fire extinguishing systems complete with cylinders, piping, nozzles, sensors and controls for engine room, paint locker, and galley. Complete fire and gas detection system.

6. Treatment Room

Fully equipped with Paramedic capability

7. Fog Horn

One (1) 2-mile Fog Signal with automatic signal device.

E. DRILLING EQUIPMENT

1. Derrick

Dreco 170' clear height x 35' x 32' base x 18' top, with a 1,500,000 lb. hook load capacity, designed for a 100 mph wind with full pipe setback.

2. Crown Block

Crown block, 750 ton rated with six (6) 60" diameter forged steel sheaves grooved for 1-5/8" drill line.

3. Drawworks

National-Oilwell 3,000 hp 1625-UDBE with disc brakes, nominal depth rating 30,000 feet

- a. Three (3) each GE-752 DC Hi-Torque electric motors rated 1130 HP each
- b. Elmagco Model 7838 Eddy Current Auxiliary Brake
- c. National Energy Monitoring System to Prevent Crown Contact
- d. Lebus grooved drum for 1-5/8" drilling line
- e. One (1) each breakout and makeup spinning catheads

4. Traveling Block

National-Oilwell, 650 ton, Type H Traveling Block with seven (7) 60" diameter sheaves grooved for 1-5/8" drill line.

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5. Power Swivel (Top Drive)

National-Oilwell PS2 650/650 Power Swivel rated at 650 tons. Two speed with maximum continuous torque rating of 47,859 foot pounds @ 109 RPM. Driven by one (1) GE 752 DC Hi-Torque electric motor. 7,500 psi WP. Maximum RPM in low gear - 113, in high gear - 231.

6. Rotary Table

National Model D-495, 49 1/2" rotary independently driven by a GE 752 DC Hi-Torque electric motor, 1130 HP.

7. Rotating Mouse Hole Assembly for Stand Building

- a. International Model 1994 rotating mouse hole for right or left hand rotation.
- b. International Model TT-1998 torque tool assembly. Operating range 3-1/2" drill pipe to 8-1/2" drill collars. Torque range 0 to 108,000 ft. lbs.

8. Mud Pumps

Three (3) National 14-P-220 triplex pumps, rated at 2,200 HP each, with 7,500 psi fluid ends, each driven by two (2) GE 752 DC Hi-Torque electric motors. Each mud pump is equipped with a PPDR-130-7500C5 discharge dampener and PPSC-80-025C5 flow through cellular suction stabilizer, and a reset type relief valve. Maximum speed - 95 spm. Maximum discharge pressure - 90% of liner rating.

9. Mud System

- a. Mixing Pumps: (2) 6 x 8 centrifugal pumps powered by 100 HP AC electric motors.
- b. Charging Pumps: (3) 6 x 8 centrifugal pump powered by 100 HP AC electric motor.
- c. Base Oil Pump: (1) 3 x 4 centrifugal pump powered by 25 HP AC electric motor.
- d. Brine Pump: (1) 6 x 8 centrifugal pump powered by 100 HP AC electric motor.
- e. Agitators: (12) 20 HP, 1,200 rpm for main &

brine pits.
(3) 10 HP, 1,200 rpm for auxiliary pits.
(4) 5 HP, 1,200 rpm for solids control pits.

- f. Mud Cleaner/Desilter: (1) Brandt LCM-2D-CMC Linear Motion Mud Conditioner with thirty-two (32) 4" cones, 1,920 gpm, discharging over a LCM-2D linear motion shaker deck. Supplied by two (2) 6 x 8 pumps with 100 HP AC motors.

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- g. Desander: Brandt LCM-2D-CMC Linear Motion Mud Conditioner with four (4) 12" cones, 2,000 gpm, discharging over a LCM-2D linear motion shaker deck. Supplied by (1) 6 x 8 pump with 100 HP AC motor.
- h. Shale Shakers: Five (5) Brandt LCM-2D Linear Motion Cascade Screen Separators, each rated at 400-600 gpm.
- i. Gumbo Scalper One (1) Brandt Nutec Gumbo Chain System.
- j. Vacuum Degasser: Two (2) Brandt DG-10 Degassers, supplied by (2) 6 x 8 pumps with 100 HP AC motors rated @1000 GFM each.
- k. Poor Boy Degasser: One (1) 48" dia. x 18" vertical atmospheric degasser with two (2) 4" dia. Inlets and one (1) 10" dia. vent line to crown
- l. Trip Tank: 2 x 34-barrel capacity with two (2) 3 x 4 x 10 pumps with 25 HP AC electric motors.

10. Stand Pipe and Manifold

Dual standpipes rated at 7,500 psi W.P. One (1) Standpipe manifold rated at 7,500-psi W.P.

11. Rotary Hose (2) - 5" ID x 90' Goodall rated at 7,500 psi W.P.

12. Bulk Storage Tanks

- a. Bulk Mud: Four (4) each, 1500 cu. ft. (6000 cu. ft. total)
- b. Bulk Cement: Three (3) each, 1700 cu. ft. (5100 cu. ft. total)
- c. Bulk Mud Surge Tank: One (1) each, 70 cu. ft.

13. Cementing Unit

Operators' Preference (On Main Deck)

14. Blow-Out Preventers

- a. 18 3/4" Blow-Out Preventers
- (1). Annular: One (1) Shaffer spherical preventer, 5,000 WP with 5,000# WP studded top and 10,000# WP flanged bottom connection, H2S trim.
- (2). Rams: Two (2) Cameron Type "U," 10,000-psi W.P. double ram preventers with three (3) sets of 5 1/2" pipe rams and

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one set of blind/shear rams.
Flanged top and bottom, H2S trim.

- (3). Drilling Spool One (1) 183/4" - 10,000 psi W.P. Drilling Spool with two (2) 3 1/6" 15,000 psi flanged outlet.
- (4). W/H Connector: One (1) Cameron Fast Lock Wellhead Connector. H2S trim.
- (5). Choke Line Valves: Two (2) 3-1/16" - 15,000 psi gate valves. One hydraulic, one manual. H2S trim.
- (6). Kill Line Valves: Two (2) 3-1/16" x 15,000-psi gate valves, one manual, one hydraulic. H2S trim.

b. Diverter System

Schaffer 30", 1,000 psi Diverter System designed for H2S service with diverter panel with auto open feature and two (2) 12" diverter outlets with ANSI 600 remote operating ball valves.

c. Choke Manifold

3-1/16" - 15,000 psi WP with one (1) Cameron hydraulically adjustable choke, two (2) manual chokes, and one (1) 4" full flow line. H2S trim.

d. BOP Control System

3,000 psi, Koomey J Series, Model TX392-15BT3X unit with 600 Gallon Reservoir

- (1) Minuteman Fast Response System. Facilitates fast closing times and permanent connection of the control lines via BOP mounted pod
- (2) Twenty-eight (28) -15 gal. bladder type accumulators
- (3) 60 HP triplex pump and three (3) 60:1 -- 8-1/2" air pumps
- (4) Ten (10) station control manifold with two (2) remote electric operated stations.

15. BOP Handling System

One (1) 200 ton capacity BOP handling system with two (2) 100 ton pneumatic hoists and pendant controls.

16. Instrumentation

One (1) HITEC Cyberbase Driller's Control Station with HITEC SDI 120 Instrumentation Package. Includes Cyberbase man-machine interface for controlling mud pumps, drawworks, top drive, rotary and SCR system. Equipped with CCTV system for monitoring racking and stabbing boards, BOP's, and shale shaker area. Interface to PLC controllers, sensors, and rig computer file server via fiber optics network. TCP/IP compatible and Ethernet capable.

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17. Air Hoists

Two (2) Ingersoll-Rand FA5A-MR-LMKI combination utility/man rider air hoists on rig floor, 11,000 lb. pull @ 51 fpm.

One (1) Ingersoll-Rand FA2A-GMR-SMKI dedicated man rider on rig floor, 2,500 lb. pull @ 165 FPM

18. Drilling Line

7,500' of 1-5/8" 6 x 19 EIPS IWRC regular right lay with "Tuff-Coat".

18. Wireline Unit

One (1) Mathey "Surveyor" Wireline Unit with 30,000 ft. of .108" wire.

19. Drive Pipe Support System

One (1) Drive Pipe Support System with tensioning capability to tension drive pipe to 300 kips vertical force and provide lateral restraint at wellhead.

20. Tubulars

677 joints - 5 1/2" O.D., Grade "S-135" drill pipe

50 joints - 5 1/2" O.D., Hevi-Wate drill pipe.

313 joints - 3 1/2" O.D., Grade "S-135" drill pipe

30 joints - 3 1/2" O.D., Hevi-Wate drill pipe.

Six (6) joints - 9 OD drill collars

Twenty-four (24) 8" OD drill collars

Twenty-four (24) 6 1/2" OD drill collars

Twenty-four (24) 4 3/4" OD drill collars

Necessary X-Over Subs, Kelly Subs, and Bit Subs for Contractor's drill string.

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F. COMPUTER AND COMMUNICATIONS EQUIPMENT

1. Radio Equipment

a. Two (2) fixed marine VHF transceivers, four (4) survival craft transceivers, six (6) hand held marine VHF transceivers.

b. One (1) VHF-AM aeronautical base station transceiver capable of 6-channel operation, with crystals for 3 channels installed, unity gain ground plane antenna, and manual, 115 VAC.

c. One (1) Global Maritime Distress & Safety System (GMDSS) as per SOLAS Regulations 5, 6, Part C.

2. Internal Telephone Communications and Public Address System

One (1) Multi-station Gaitronics System for platform intercommunication.

3. File Server, Computer, and External Communications System

All offices, training rooms, conference rooms, and certain staterooms will be wired into a rig LAN digital computer and telecommunications system. Microwave or Satellite voice and data links from offices, drill floor, conference room, and the rig LAN.

Additional capabilities of the computer and link system include:

a) Customer and contractor office on board rig have access to drilling and performance data in "real-time" personnel information, liquid and bulk variable inventories, and weather.

b) Internet access provided to certain computers for E-mail and file transfer.

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EXHIBIT "E"

CONTRACTOR'S SPARE PARTS INVENTORY

EXHIBIT "F "

MUTUAL HOLD HARMLESS AGREEMENT

THIS AGREEMENT is made the _____ day of _____, 2001, between PHILLIPS PETROLEUM (91-12) PTY LTD., a company incorporated under the laws of the State of _____ (hereinafter referred to as "UNIT OPERATOR"), of the first part, and CHILES OFFSHORE INC. (hereinafter referred to as "DRILLING CONTRACTOR"), of the second part, and each of the Companies listed in the Schedule hereto as execute this Agreement (hereinafter collectively referred to as the "COMPANIES"), of the third part.

WHEREAS:

- A. Unit Operator has entered into a drilling contract dated _____, with Drilling Contractor for the carrying out of drilling operations using the drilling unit Chiles Discovery, and either Unit Operator or the Drilling Contractor has entered or will enter into contracts with each of the Companies for the carrying out by each of the Companies of various services in connection with said drilling operations.
- B. Each signatory wishes to reduce its liability to each other signatory in connection with the aforesaid drilling operations by granting and receiving an indemnity in the manner and form hereinafter provided.

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL BENEFITS GRANTED TO EACH PARTY, IT IS HEREBY AGREED AS FOLLOWS:

- 1. For the purposes of this Agreement the following words shall have the following meanings:
 - a. "Affiliate" shall mean a company:
 - i. in which a Party owns directly or indirectly more than 50% of the issued and outstanding voting stock thereof; or
 - ii. which owns directly or indirectly more than 50% of the issued and outstanding voting stock of the Party; or
 - iii. in which a company described in ii. owns, directly or indirectly, more than 50% of the issued and outstanding voting stock.
 - b. "Contract(s)" shall mean, as the context so admits, either collectively or individually any of the contracts referred to in Recital A. above, namely: the drilling contract and the contracts between Unit Operator or the Drilling Contractor and each of the Companies.

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- c. "Gross Negligence" shall mean the willful and wanton disregard for harmful, avoidable and foreseeable consequences.
- d. "Invitee" shall mean any individual not a Party to this Agreement whose presence is at the invitation of a Party as a guest not under subcontract.
- e. "Party" shall mean and include Unit Operator, Drilling Contractor, and each of the Companies executing this Agreement.
- f. "Property" shall mean and include the said drilling unit, equipment, machinery, materials, supplies, and other objects or items owned by any Party or for which it has assumed contractual control in connection with the performance of its

Contract.

2. No Party shall have any responsibility towards any other Party in respect of damage to or loss or defect of such other Party's Property.
 3. Each Party, as "indemnitor", severally agrees to indemnify and hold harmless each other Party, as "indemnitee", from any and all claims, judgments, losses, expenses and any costs related thereto (including, but not limited to, court costs and attorney's fees) for which the indemnitee is not responsible in accordance with Paragraph 2. above.
 4. Each Party, as "indemnitor", severally agrees to indemnify and hold harmless each other Party, as "indemnitee", from any and all claims, judgments, losses, expenses and any costs related thereto (including but not limited to, court costs and attorney's fees) for personal injury to or death of indemnitor's employees and invitees.
 5. The exclusion of liability contained in Paragraph 2. and the indemnities contained in Paragraphs 3. and 4 above:
 - a. may not be relied upon by any Party to the extent that any claim or liability was caused by the Gross Negligence or willful misconduct of such Party;
 - b. shall not apply in place of any release or indemnity given by Unit Operator in any Contract, in respect of any claims, judgments, losses and costs related thereto for:
 - i. damage to or loss of any reservoir or production formation;
 - ii. injury to, destruction of, or loss or impairment of any property right in or to oil, gas or other mineral substance or water;
 - iii. damage to or loss of any well or hole;
 - iv. pollution due to blow-out or loss of control (including control and removal of the pollutant involved);
 - v. loss of equipment or tools in the hole or in the drill string below the rotary table.
 - c. Shall apply to claims or liabilities which arise directly or from related work or which occur going to or from related work, or which occurs at any place where a Party's employees or Property are located by reason of any Contract;
 - d. Shall apply without regard to the cause or causes thereof including, without limitation, unseaworthiness, strict liability, breach of warranty (express or implied), imperfection of materials, condition of any premises or transport to or from such premises, or the negligence (not amounting to Gross Negligence) of any Party or Parties, including indemnitees, or their respective employees or Party benefiting from an exclusion of liability and whether such negligence be sole, joint, or concurrent, active or passive, and whether the claim is based on statute, common or civil law, or maritime law.
 - e. Shall not apply in place of any release, exclusion of liability or indemnity for loss or damage to any Party's own Property as described in any Contract which loss has been specifically agreed as being the sole responsibility of the other Party to such Contract.
 - f. Shall apply and extend, mutatis mutandis, to the Affiliates of the respective Parties and the coventurers of Unit Operator.
6. Any Party charged under this Agreement with the sole responsibility for a claim shall have the sole and exclusive right and obligation to control and conduct settlement or litigation of any such claim. The Party benefiting from an exclusion of liability, or the indemnitee, as the case may be, shall promptly notify the other Parties of any claim of which it has knowledge and for which any other Party is responsible hereunder.

7. It is agreed that each of the Parties is an independent contractor and the employees on its payroll and for whom it provides employee benefits shall not be deemed to be employees of any other Party for the purpose of this Agreement notwithstanding that any such employee may be construed to be a borrowed servant of another Party at any time or from time to time. It is further understood and agreed that none of the Parties shall be deemed or construed to be an agent of any other Party for the purpose of this Agreement.
8. Save as hereinbefore provided in subparagraph 5.e., if there is any conflict between the terms of this Agreement and the terms of any Contract between

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Unit Operator, the Drilling Contractor or any of the Companies, then the terms of this Agreement shall prevail; provided, that in the event that the Agreement is found to be invalid or inapplicable, then to such extent the respective Contract shall prevail.

9. The interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of Western Australia, excluding any law, which would require application of another jurisdiction's law.
10. Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration under the Rules of the London Court of International Arbitration ("LCIA") effective at the time Notice of arbitration is served, which Rules are deemed to be incorporated by reference into this Paragraph.
- (a) The arbitration will be conducted in English in Western Australia by a single arbitrator applying Western Australian law. The arbitrator shall be a retired judicial figure of standing, or a Queen's Counsel practicing at the Independent Bar, or a similarly qualified Solicitor. Where appropriate, the arbitrator's decision shall state a time for compliance with the decision. Each party shall bear its own arbitration costs and expense, including the cost of its witnesses.
- (b) The parties waive any right to appeal to the court given under the Commercial Arbitration Act 1985 (WA) or otherwise.
- (c) Judgment upon the arbitration award may be entered in any Court having jurisdiction, or application may be made to such Court for a judicial acceptance of the award and an Order of Enforcement, as the case may be. This Paragraph shall be a complete defense of any suits or actions as to any arbitrable claim or dispute.
11. This Agreement may be executed in any number of counterparts, and it is recognized by the signatories to this Agreement that each of the companies has executed or will execute a separate counterpart, each of which when so executed shall be original, but all the counterparts shall together constitute one and the same instrument. Any company which wishes to become a Party to this Agreement subsequent to the date hereof may do so by executing and delivering to Unit Operator a counterpart hereof prior to commencement of performance of its respective Contract. In such event, the name of such Company shall be added to the Schedule and copies of the signed counterpart and the revised Schedule shall be promptly furnished to all Parties by Unit Operator.
12. If any provision of this Agreement is construed as illegal or invalid or void, the legality or validity or enforceability of any of the other provisions of this Agreement shall not be affected, and the illegal or invalid or void provisions

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shall be deemed to be deleted from this Agreement to the same extent and effect as if they were never incorporated, but all other provisions

shall continue in force and effect.

AS WITNESS the hand of the duly authorized representatives of the signatories hereof.

PHILLIPS PETROLEUM (91-12) PTY LTD

BY:

DRILLING CONTRACTOR: CHILES OFFSHORE INC.

BY:

COMPANIES:

BY:

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EXHIBIT "G"

CONTRACTOR, HEALTH, ENVIRONMENTAL & SAFETY (HES)

OFFSHORE REQUIREMENTS FOR INTERNATIONAL OPERATIONS

I. SAFETY RESPONSIBILITIES

Unit Operator continues to stress safety as its number one priority. It expects the same dedication to safety from its independent contractors. Because Unit Operator cannot and does not supervise or control the manner and means by which its contractors carry out work assignments, it must rely upon its contractors to adopt, implement and enforce rules and practices necessary for the safe performance of the Contractor's work. The following represent minimum HES responsibilities of the Contractor.

1. Contractor shall be solely responsible for the safety and health of all personnel on the Drilling Unit. The Contractor shall thoroughly familiarize itself with Unit Operator's operations on the Drilling Unit, including operations, which may pose a hazard to personnel.
2. Contractor shall comply with all applicable laws, regulations, policies, standards and codes pertaining to HES. Contractor's failure to observe such laws, regulations, policies, standards, or codes shall be deemed a material breach of this Agreement. If such laws, regulations, policies, standards and codes do not adequately protect against hazards arising from the Work, Contractor shall adopt appropriate practices according to International Association of Oil and Gas Producers or IADC HES guidelines. Contractor's failure to observe adopted practices according to International Association of Oil and Gas Producers or IADC HES guidelines shall be deemed a material breach of this Agreement.
3. Contractor shall endeavor in accordance with international petroleum industry practice to minimize the damage and destruction of marine organisms and their oceanic environment. Contractor shall make its best efforts to prevent pollution and damages to air, land and water. Contractor shall use all reasonable endeavors to eliminate promptly any pollution it may cause and to minimize its consequences.
4. Contractor shall be responsible for an ongoing HES loss prevention programme during the performance of the Work. During the performance of the Work, Contractor shall monitor

safety habits, and shall perform routine safety inspections of operations, facilities and equipment used in the performance of the Work. In addition, Contractor must furnish Unit Operator with copies of the minutes for all safety meetings held and copies of the findings of any safety

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inspections held during the performance of the Work. Contractor shall provide access to emergency medical treatment and first aid facilities.

5. Contractor shall require all personnel to utilize personal protective equipment necessary to complete the job in a safe manner. Fire retardant clothing shall be provided by the Contractor to personnel working in regulated confined spaces, below grade on equipment containing hydrocarbons, when performing hot tapping operations, and wherever required by local Unit Operator policy. Other personal protective equipment shall include, but not be limited to, goggles, face shields, gloves, slicker suits, footwear, hearing protection, hard hats, respirators, etc.
6. Contractor shall ensure that all personnel are indoctrinated in the Contractor's safety programme prior to commencement of Work.
7. Contractor shall ensure that all personnel are familiar and comply with the appropriate guidelines of Unit Operator's "Contractor Safety Requirement Guidelines" prior to commencement of Work.
8. Contractor shall ensure and document that its personnel receive appropriate safety training regarding the potential hazards of the job prior to commencement of Work. Understanding of the safety training received by personnel must be verified by the Contractor.
9. Contractor is responsible for providing all emergency medical and first aid care for all personnel, and for follow-up care, which may be necessary.
10. Contractor is responsible for training all designated first-aiders, fire brigade members and life boat crewmembers.
11. Contractor shall notify Unit Operator's representative, in writing, of any fires, gas/oil leaks, accidents or near misses associated with the Work within 24 hours. This notification will include as much information as is available at the time. A more comprehensive report providing the extent of injuries or damage, how the accident or near miss occurred, and what will be done to prevent a reoccurrence is required as soon as possible after the accident or near miss but in no event more than 10 days thereafter. Contractor shall furnish a written summary report detailing hours worked for all personnel, total number of accidents/near misses experienced, and the accident frequency rate by the third working day of each month.
12. This report shall be furnished monthly and at the conclusion of the Work. Personnel shall cooperate in the investigation of the accident or near miss and keep Unit Operator's representative informed of compliance with HES requirements imposed by the Agreement. The

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Contractor shall take corrective action to prevent a re-occurrence of the incident.

13. Contractor shall promptly report any fires or abnormal or unsafe conditions on the Drilling Unit to a Unit Operator representative. If a job cannot be completed in a safe manner, operations should be discontinued until safe conditions are

reestablished.

14. Contractor shall notify Unit Operator and the applicable governments as soon as possible in the event of blow-out, platform in danger, vessel damages, major environmental release, major fire, explosion, etc., serious injury, fatalities, or evacuation.
15. Contractor shall conduct safety meetings at weekly, and at other appropriate intervals, to assure all personnel are fully informed of potential hazards.
16. Contractor shall supply and be responsible for the condition and suitability of all equipment and tools necessary to perform the Work.
17. Contractor shall furnish only personnel who are fit and physically and mentally qualified to perform the Work. Personnel who have not had sufficient sleep, are unusually fatigued, or are under the influence of or impaired by the use of alcohol, drugs or medicine are not considered to be fit or physically and mentally qualified.
18. Contractor shall have a written electrical lock-out/tag-out procedure and provide each of its authorized personnel with unique energy lockout devices; i.e., locks to isolate all energy sources to protect personnel from injury due to an unexpected start-up or energization while working in, on or around equipment during repair or maintenance operations.
19. Contractor shall have a Drilling Unit specific Emergency & Oil Spill Response Plan specific to Contractor's operations. Contractor will assist Unit Operator in developing an Emergency & Oil Spill Response Plan tailored to the operation, which will include normal drilling and combined operational activities of the Unit Operator. The plans must be communicated to all personnel prior to beginning Work.
20. Contractor shall participate in a full-scale emergency drill once the rig is on location to test the Emergency & Oil Spill Plans. The Unit Operator's supervisor on location shall participate in and document the drill.
21. Contractor shall insure that a muster system is in place to account for personnel in an emergency. A T-Card, or equivalent system should be in place on the Drilling Unit.

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22. Contractor is responsible for:
 - a) providing a trained helideck crew. Minimum helideck crew compliment shall be three personnel.
 - b) ensuring that a helicopter safety orientation is provided for all inbound passengers.
 - c) helicopter fuel testing and monitoring capabilities onboard drilling rig.
 - d) testing and the documenting of regular tests of the helideck fire fighting system.
 - e) maintaining onboard wind measuring equipment in good working order for use in helicopter landing.
 - f) perform safety and Drilling Unit and combined Operations inductions for all personnel on arrival at the Drilling Unit and safety briefing for departing personnel.
23. Contractor is responsible for preparing manifests for personnel and cargo, including estimated weights, and providing manifests to the helicopter or boat contractor within 3 hours prior to departure, where practical.
24. Where Contractor is designated as being responsible under the Agreement for the provision of standby vessels, Contractor shall verify vessels used for standby duty are certified and

are equipped with all required standby boat equipment as required by the government or international conventions.

25. Where Contractor is designated as being responsible under the Agreement for the provision of standby vessels, Contractor shall insure that one vessel is always in the area to provide standby service. The deck of the vessel shall be sufficiently cleared to allow for the safe pick up of personnel from the sea, the launching and retrieval of the rescue vessel, personnel basket use and helicopter winching operations.

II. MINIMUM GENERAL SAFETY REQUIREMENTS ON ALL UNIT OPERATOR'S CONTRACTED DRILLING UNITS

The following represent minimum standards to be complied with by all personnel when they are on the Drilling Unit. It is the responsibility of the Contractor to instruct all personnel on all safety matters and to enforce the same. Contractor shall:

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1. Provide an offshore safety orientation to all personnel arriving the Drilling Unit. The safety orientation shall include a rig safety walk-through and a life boat orientation and assignment.
2. Have a sufficient number of personnel trained in first aid at each job and adequate first aid supplies.
3. Have an established written Hot Work procedure. Personnel must obtain Hot Work Permits from an authorized permit writer when using internal combustion engines and portable electric driven tools, when welding or doing other hot work, sand blasting, opening electrical enclosures, etc., in an operating / restricted area, or when using any other equipment that might be a source of ignition for combustible mixtures. This equipment shall immediately be shutdown in an emergency or when requested by a Unit Operator representative.
4. Have an established written Confined Space Entry Permit procedure. Personnel must obtain Confined Space Entry Permits from an authorized permit writer when entering a confined space. A confined space is defined as an enclosed space that is not designed for continuous employee occupancy and has one or more of the following characteristics: contains an actual or potentially hazardous atmosphere, makes ready escape difficult, or restricts entry for rescue purposes. The Confined Space to be entered shall be inspected to insure safe entry prior to issuing permit.
5. Furnish and man its own fire extinguishers in the work area for certain work as required on Hot Work or Confined Space Entry Permits. Fire extinguishers will be assigned for these types of activities and unless authorized by the permit writer representative, strategically placed fire extinguishers will not be used for this purpose. The Fire Guard must be trained so he can perform his duty.
6. Assume responsibility for fire prevention on the Drilling Unit.
7. Permit smoking only in designated areas within the living quarters of the Drilling Unit.
8. When maintenance or servicing is to be accomplished on power-driven equipment, the immediate sources of energy to the individual piece of equipment to be worked on shall be locked out and tagged. When maintenance or servicing is to be accomplished on electrical lines, air lines, gas lines or other lines containing hazardous materials or energy, the line being worked on shall be rendered safe by emptying, purging, disconnecting or other means before work may commence.
9. Not remove safety locks from main power breakers, disconnect switches, or valves until all persons are in the clear.

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10. Practice safe and orderly housekeeping in work areas at all times.
11. Establish rope-off areas during overhead work and around unguarded openings on the Drilling Unit. Post safety and caution signs as required.
12. Require personnel to wear hearing protection in posted / high noise areas and to wear hard hats when appropriate. Personal Protective Equipment, including but not limited to a hard hat, safety glasses, cotton coveralls or equivalent and safety boots, is required to be worn outside of the living quarters at all times excepting for personnel arriving or departing by helicopter.
13. Prohibit the possession of, or consumption of, any alcoholic beverage or narcotic. Prohibit working under the influence of intoxicants or narcotics.
14. Prohibit the possession of cameras, weapons or explosives without proper authorization from the Unit Operator representative. Cigarette lighters are prohibited.
15. Ensure that personnel comply with emergency alarms and emergency procedures. It is particularly critical that personnel understand the importance and necessity of shutting down all sources of ignition and leaving the area immediately when an emergency alarm is sounded.
16. Provide personnel who have been appropriately trained on the hazards, characteristics, safety precautions and emergency procedures associated with hydrogen sulfide prior to commencement of work on the Drilling Unit if the potential for encountering hydrogen sulfide exists. Where necessary, training services and related costs shall be provided by Unit Operator. Personnel are to be clean shaven in the area of the face-to-respirator seal prior to boarding the Drilling Unit if the potential for encountering hydrogen sulfide exists. An H2S plan must be developed if the well is classified as an H2S well.
17. Confine personnel to their assigned areas and prohibit loitering or wandering into areas beyond the boundary of their work assignment. Access to the drilling and production platforms shall be restricted to personnel required to perform a specific work function.
18. Ensure that fire fighting equipment such as hoses, fire extinguishers, fire hydrants, etc., are not used for any purpose other than fire fighting, except with approval from the Unit Operator's representative.
19. Unit Operator and contractors have the responsibility to communicate information regarding work-related hazards and safety and health

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- requirements to their employees. The communication of this information can involve many formats such as orientation, training, posters or written documents, understandable to all personnel.
20. Follow proper lighting instructions for fired equipment, such as boilers and flare booms.
 21. Ensure guards are installed around rotating equipment before operating/starting the equipment.
 22. Lifting equipment shall comply with the "APPEA Guidelines for Lifting Equipment" and the following guidelines concerning wire rope slings:
 - a) All slings shall be load tested and certified by a third party contractor acceptable to the Unit

Operator.

- b) Slings, their fittings and fastenings, when in use shall be inspected daily for evidence of overloading, excessive wear or damage. Slings found to be defective should be removed from service immediately.
- c) Suitable protection shall be provided between the sling and sharp unyielding surfaces of the load to be lifted.
- d) Proper storage shall be provided for slings while not in use.
- e) Sharp bends or knots shall not be permitted in wire rope.
- f) Slings shall never be choked in the splice.
- g) Written, dated and signed monthly inspections should be maintained and kept on file. Any slings found defective shall be immediately removed from service and discarded.

23. Announcements shall be made over rig PA when dangerous activities being performed (i.e. high pressure testing, perforating/radio silence, handling radio active sources, heavy lifts, etc) - announcements should include details of the activity and location. Area to be roped off and signs erected. Only personnel essential for that activity are to be in the area where the activity being performed.

III. EMERGENCY GUIDELINES

The following minimum guidelines are provided for Contractors in the event of an emergency on the Drilling Unit. Contractor shall comply with all established Emergency Plans and Procedures. In all cases where a situation exists or there is a high potential for one to exist where people are in

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excessive danger, the Contractor must consider the safety of all persons as a first priority before proceeding with the Emergency Procedures/Plans.

All non essential personnel or personnel not assigned tasks are to assemble at designated Muster Stations.

FIRE EMERGENCIES

- 1. If the attempt would not jeopardize personal safety, and Contractor's employees are trained to do so, the Contractor should attempt to extinguish a fire on the Drilling Unit in its initial stages and sound the fire alarm to muster all personnel.
- 2. If the fire is too large or any attempts of extinguishment fail, the Contractor should warn others in the area and evacuate the danger area to an upwind position and assemble.
- 3. Immediately notify the Unit Operator of the situation.
- 4. Make an immediate accounting for all of personnel.

GAS RELEASES

- 1. Upon notification of a release of flammable vapors, the Contractor should immediately shut down all sources of ignition in the area.
- 2. Contractor should immediately evacuate the danger area to an upwind position and assemble and account for all personnel. The assembly point shall be far enough from the source of release to remain safe should the vapors ignite.
- 3. Immediately notify the Unit Operator of the situation.
- 4. Continue monitoring the wind direction and stay upwind at all

times. All gas releases shall be assumed to contain toxic gas.

5. Do not re-enter the danger area until the emergency is under control and the Contractor representative provides clearance to re-enter.

IV. ADDITIONAL DRILLING REQUIREMENTS

The following additional minimum standards are to be complied with by all personnel when they are involved in oil and/or gas drilling and related operations. It is the responsibility of the Contractor to instruct all personnel on these safety matters and to enforce the same.

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1. Drilling operations shall at all times be under the immediate supervision of a Contractor's representative who has authority to modify the work methods as necessary to ensure safety.
2. Contractor shall perform daily inspections of critical and operational safety items; correct any deficiencies found; and, report any corrective action and deficiencies to the Unit Operator's representative.
3. Personnel shall be familiar with accumulator controls and instructed in their use. Controls should be properly marked. After each trip out of hole alternating between driller's and remote control panel, function test BOP blind rams only. Do not perform more than once every 24 hours.
4. Blowout prevention equipment supplied by the Contractor shall, at minimum, (1) be in accordance with Unit Operator's Well Control Procedures and/or applicable government regulations, whichever is more stringent; (2) be adequate to keep the well under control at all times; and, (3) be maintained in good working condition at all times.

V. OFFSHORE SAFETY REQUIREMENTS

The following represent minimum standards to be complied with by all personnel when they are going offshore. The Contractor shall be responsible for and shall assure that all personnel who go offshore read, understand and follow the requirements stated below.

HELICOPTER

1. All personnel shall have a current HUET certificate.
2. Minimum clothing requirements for personnel traveling on Unit Operator's helicopters shall be long trousers, shirt and closed shoes. Shorts and thongs shall not be worn on helicopters.
3. Attend helicopter safety orientation prior to each flight.
4. All passengers are to follow all instructions issued by the helicopter pilots or aircrew.
5. Do not approach or depart the helicopter without the pilot's approval or acknowledgment.
6. Walk (do not run) to and from the helicopter and stay in the pilot's view. Do not walk in back of the helicopter or under the tail boom.
7. Secure all articles, such as maps, hard hat, etc., to prevent them from being blown by the rotor blades.

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8. Keep head and objects low when near or under the rotor blades.
9. Long objects, such as meter tubing, are to be handled only by the HLO.
10. Wear an inflatable life preserver on all over water flights.

11. Fasten the seat belt and keep fastened during flight.
12. Learn the use and location of all emergency equipment and exits.
13. Do not smoke during flight or within 75 feet of the helicopter or fueling operations.
14. Do not stick hands out of the helicopter windows while in flight.
15. Do not throw any objects from the helicopter.
16. Do not release the seat belt or move about the cabin until the helicopter has completely landed and the pilot has signaled to disembark.
17. Wear hearing protection while onboard the helicopter.

HELICOPTER EMERGENCY LANDING PROCEDURES

1. Follow the pilot's instructions; he is in charge while enroute to or from your destination.
2. Do not panic; stay calm.
3. Do not inflate the life preserver or the life raft while in the helicopter.
4. Do not leave the helicopter unless so advised by the pilot.
5. Leave the scene immediately in case of a rupture in the fuel tank or fire.
6. Remain in the water close to the helicopter and stay together by aid of rope, belts, etc.
7. Make use of the life raft, emergency kit and all other means provided for emergency landing.

BOAT (VESSEL)

1. Attend safety orientation and/or familiarize ones self with the location of safety and survival equipment.

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2. Follow the captain's instructions, he is in charge while on route to or from your destination.
3. Remain inside the cabin at night and during rough weather. Go on deck only with the captain's approval.
4. Remain aboard the vessel until it is secured to the landing. On a small vessel remain seated while docking.
5. Do not visit the wheel house unless necessary.
6. Do not hang or lean on the hand rails.
7. Do not smoke when the vessel is alongside a fuel dock or an oil barge, or when receiving or discharging fuel. Smoke only in designated areas at all times.
8. Wear a life preserver when transferring between the vessel and the dock, platform rig or another boat.

PERSONNEL BASKET

1. All personnel are to be trained in the use of the personnel basket.
2. Wear a life preserver and make sure it is completely fastened.
3. Carry light luggage only in the personnel basket. All luggage is to be placed inside the basket.
4. Ride standing on the outside of the basket and stay on the

- basket until it lands.
5. Do not jump off the basket.
 6. Sitting or standing inside personnel basket is prohibited.
 7. Do not ride a basket with more than four persons aboard.
 8. Hoisting operations are to be carried out over water, not over the deck of the boat.
 9. Wind/weather conditions must be considered when transporting personnel with the personnel basket. The lift is voluntary and must be approved by the person in charge and the crane operator who will perform the lift.
 10. The personnel basket is to be certified by a body approved by the Unit Operator and in good working condition.

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11. Good communication between the vessel and crane operator is required.
12. Only certified crane operator shall perform personnel basket operations.
13. Proper training is required for the flagman on personnel basket operations.

RIG OR PLATFORM

1. Upon arrival report to the designated person in charge of safety on the Drilling Unit/platform for an Offshore Safety Orientation.
2. All personnel must check the station bill for emergency procedures upon arrival.
3. Wear a life preserver or a work vest when working in areas over water not protected by a guardrail, such as the Texas Deck.
4. A safety harness and lanyard (safety line) shall be worn when working more than one (1) meters above the deck in an unguarded area.
5. Wear well-fitted clothing that is in good condition and covers your legs and body. Minimum requirements are long sleeve shirts and trousers of cotton or other non-flammable material
6. Hard hats, gloves and safety shoes and approved safety glasses with side shields are required personal protective equipment when outside the living quarters / offices.
7. Wear prescription glasses that have safety lenses and with side shields. Wear safety goggles or face shield when performing hammering, grinding, buffing, chipping, welding high pressure washing and any type of work where hazards of an eye injury exist.
8. Keep at least one hand on handrails while on stairs.

GENERAL

1. Provide your employer with who should be contacted in case of an emergency.
2. Report all hazards, incidents, accidents and injuries to the person in charge as soon as possible. First aid kits are provided in various locations on the Drilling Unit. Personnel are to report all injuries to the

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Medic. All injuries must be treated by the Medic. Medic to report all injury or serious illness treatments to the person in charge.

3. Do not throw or discharge anything into the water from an aircraft, floating craft, dock, Drilling Unit or platform.

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EXHIBIT "H"
DRUG AND ALCOHOL PROHIBITION

- (a) To the extent permitted by local law, Contractor agrees to maintain a drug and alcohol policy which provides that its employees ("PERSONNEL") will abide by the following prohibitions regarding unauthorized, prohibited, illegal or controlled Substances, including alcohol, Substance-related paraphernalia and certain activities.
- (b) For purposes of this Exhibit, "SUBSTANCES" refers to alcohol, drugs, chemical(s) and any substance(s) of abuse. Unauthorized, illegal, prohibited or controlled Substances or Substances prescribed or restricted by law or regulation and additional substances which may affect a user in similar manner. Also included is the misuse of permitted, legal, authorized or controlled Substances (e.g., glue sniffing). Also included are prescription drugs and over-the-counter products if used inconsistently with prescribed or recommended usage or if they are not found to be compatible with safe job performance.
- (c) The consumption, use, manufacture, dispensation, possession, distribution, promotion, provision, purchase, sale, transportation, concealment, transfer, storage or similar transaction in or of Substances and/or Substance-related paraphernalia while performing the Work or on Unit Operator Premises (including a rig, work site, Unit Operator owned or leased offices or any place where the Work is being performed) are prohibited.
- (d) Legally prescribed drugs and over-the-counter products may be permitted on Unit Operator Premises provided the Substances are contained in the original prescription or distribution container, have a current date and are prescribed or recommended for the person who possesses them. Only the person for whom a Substance was prescribed may possess or use the Substance. Personnel are responsible for ascertaining the possible side effects of the Substance and are required to notify Unit Operator prior to beginning the Work if the side effects could affect their ability to perform Work. Contractor is responsible for monitoring Substances used by its Personnel, and it shall exercise reasonable judgment in allowing Personnel to work while using Substance(s) to ensure a safe, healthy and productive Work environment. Contractor will notify Unit Operator of any Substance usage, which has the potential to affect the Work, unless Contractor imposes appropriate restrictions. In such cases, the Personnel may be required to complete a "Medication" form, and Unit Operator may verify the prescribed or recommended usage and the duration of usage whether the Substance produces side effects which may be hazardous in the Work environment. Such Personnel may be barred from the Work or Unit Operator Premises for the duration of the usage or the potential for hazardous side effects.
- (e) Unit Operator may search Personnel and their effects or vehicles when the same enter, leave or are on Unit Operator Premises, while on Unit Operator Premises and when leaving Unit Operator Premises. Such searches may be initiated by Unit Operator without prior announcement and will be conducted at

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such times and locations as Unit Operator deems appropriate. Cooperation is voluntary. However, a refusal of any individual to cooperate can result in Unit Operator's barring the person from the Work or Unit Operator Premises. Dogs may be used in searches.

- (f) Unit Operator may require Contractor to conduct Substance tests on Personnel when Personnel are performing the Work or when Personnel are on Unit Operator Premises. Additionally, Unit Operator reserves the right to conduct Substance testing on Personnel when Personnel are performing the Work or when Personnel are on Unit Operator Premises. Contractor shall defend, indemnify and hold harmless Unit Operator, its Affiliates, and the employees of either and any testing facilities from

any and all liabilities, claims, judgments, losses, expenses and any costs related thereto (including but not limited to court costs and attorney's fees) arising out of or connected with any Substance testing conducted on Personnel, whether such liabilities, claims, judgments, losses, expenses and costs are caused by the negligence of the indemnitee, and whether such negligence be sole, joint, or concurrent, active or passive.

(g) Maximum detection levels for determining the level of unauthorized, prohibited, illegal or controlled Substances present in an individual's system are the lesser of legal limits or the following:

	Initial Screening Enzyme Multiplied Immunoassay Technique (EMIT)	Confirmation Testing Gas Chromatography/ Mass Spectrometry (GC/MS)
<S>	<C>	<C>
1. Amphetamines	1,000 ng/ml	500 ng/ml
2. Barbiturates	300 ng/ml	300 ng/ml
3. Benzodiazepines	300 ng/ml	300 ng/ml
4. Opiates	300 ng/ml	300 ng/ml
5. Cannabinoids	50 ng/ml	10 ng/ml
6. Cocaine	300 ng/ml	150 ng/ml
7. Methadone	300 ng/ml	200 ng/ml
8. Methaqualone	300 ng/ml	200 ng/ml
9. Pencyclidine	25 ng/ml	25 ng/ml
10. Propoxyphene	300 ng/ml	200 ng/ml

The detection level for unauthorized alcohol is .04 Blood Alcohol Level (BAL) (40 mg/dl).

(h) Personnel found or reasonably expected to be in violation of these prohibitions will be removed from Unit Operator Premises immediately and, when appropriate, such individuals will be barred from further Work on Unit Operator Premises and may be reported to the proper law enforcement authorities. Any Substance, Substance-related paraphernalia, prohibited item, or prohibited activity found on Unit Operator Premises may be turned over to law enforcement authorities. Violation of these prohibitions by Personnel will be grounds for termination of this Agreement.

EXHIBIT "I"

TRIPARTITE AGREEMENT

THIS AGREEMENT is made the ____ day of _____ 2000, BETWEEN _____, a corporation organized under the laws of _____ (hereinafter referred to as "Owners") of the first part, PHILLIPS, a corporation organized under the laws of _____ (hereinafter referred to as "Charterers") of the second part and _____, a corporation organized under the laws of _____ (hereinafter referred to as "Drilling Contractor") of the third part.

WHEREAS:

- Charterers have entered into a Drilling Contract dated _____, with Drilling Contractor for the use of the Drilling Unit _____ Drilling vessel (hereinafter referred to as the "Tow").
- Charterers have entered into a Charter Party with Owners dated _____ for the letting on hire by Owners to Charterers of a Vessel known as the M/V _____, (hereinafter referred to as the "Tug").
- Under said Drilling Contract, Drilling Contractor is exclusively responsible at all times for moving and navigating the Tow. Notwithstanding that the Tug is under charter to Charterers, Drilling Contractor may wish to use the Tug for towing and/or anchor handling of the Tow from time to time during the continuance of said Drilling Contract and such use being in the mutual interests of the parties hereto, the parties wish to set out below the terms and conditions upon which such towing and/or anchor handling shall be carried out.

NOW IT IS HEREBY AGREED AS FOLLOWS:

- If at any time during the continuance of said Charter Party and said

Drilling Contract, Owners are informed by Drilling Contractor or by Charterers on behalf of Drilling Contractor, that Drilling Contractor wishes to use the Tug for towing and/or anchor handling of the Tow, then pursuant to any provisions of said Charter Party relating to the carrying out of any towing and/or anchor handling and any provisions of said Drilling Contract relating to the towing and/or anchor handling of the Tow, the Tug shall be so used.

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2. The Tug shall be deemed to be on hire to Charterers for the duration of any such towing and/or anchor handling and Owners shall be entitled to receive hire from Charterers for time expended on, or in connection with, such towing and/or anchor handling. Charterers shall not be entitled to any extension of the Charter period as a consequence of any such tow and/or anchor handling.
3. Charterers shall at no time be under any responsibility or incur any liability whatsoever in respect of, or arising out of, any towing and/or anchor handling of the Tow by the Tug.
4. This Agreement is a contract for towage and/or anchor handling services and shall not be construed to be a charter of the Tug or to be, or give rise to, a personal contract or to an agency relationship between Owners and Drilling Contractor.
5. As between Owners and Drilling Contractor, each shall at all times be responsible for damage to or loss of its own property even if the damage or loss is caused or contributed to by the sole or concurrent negligence of the other, and despite the fact that one party's property may be under the sole or concurrent care, custody or control of the other. Owners agree to protect, defend, indemnify and hold Drilling Contractor and Charterer harmless from and against all claims, demands and causes of action of every kind and character, whether or not caused or contributed to by the sole or concurrent negligence, whether active or passive, of Drilling Contractor or any other party, arising in connection herewith in favor of Owners, Owners' employees, Owners' subcontractors or their employees, or the heirs, legal or personal representatives of any of said employees, on account of bodily injury, death or damage to their property.

Drilling Contractor agrees to protect, defend, indemnify and hold Owners harmless from and against all claims, demands and causes of action of every kind and character, whether or not caused or contributed to by the sole or concurrent negligence, whether active or passive, of Owners or any other party arising in connection herewith in favor of Drilling Contractor, Drilling Contractor's employees, subcontractors or their employees (other than Owners and Owners' subcontractors identified above) or the heirs, legal or personal representatives of any of said employees, on account of bodily injury, death or damage to their property.

6. Drilling Contractor's insurance for the Tow and its crew shall be arranged by Drilling Contractor for his own account. Owner's insurance on the Tug and crew shall be arranged by Owners for his own account. Drilling Contractor and Owners shall each furnish certificates of insurance to the other which shall set forth limits and be endorsed to provide that underwriters waive their rights of subrogation against the other.

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7. (a) The interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of Western Australia excluding any law which would require application of another jurisdiction's law.

(b) The Parties agree that they have entered into this Agreement solemnly, after a thorough consideration of the rights and obligations accorded to the parties under this Agreement, and with the firm belief and resolute determination that they will be dealt with by the other Party (or Parties) on the basis of good faith and fair dealings, and will govern themselves accordingly as to the other (or others).
8. Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration under the Rules of the London Court of International Arbitration (LCIA) effective

at the time Notice of arbitration is served, which Rules are deemed to be incorporated by reference into this Article.

- (a) The arbitration will be conducted in English in Western Australia by a single arbitrator applying Western Australian law. The arbitrator shall be a retired judicial figure of standing, or a Queen's Counsel practicing at the Independent Bar, or a similarly qualified Solicitor. Where appropriate, the arbitrator's decision shall state a time for compliance with the decision. Each Party shall bear its own arbitration costs and expense, including the cost of its witnesses.
- (b) The Parties waive any right to appeal to the court given under the Commercial Arbitration Act 1985 (WA) or otherwise.
- (c) Judgment upon the arbitration award may be entered in any Court having jurisdiction, or application may be made to such Court for a judicial acceptance of the award and an Order of Enforcement, as the case may be. This Article shall be a complete defense of any suits or actions as to any arbitrable claim or dispute.

9. This Agreement shall not be construed as amending any provisions of the Charter Party or the Drilling Contract except as herein expressly provided, and in the event of any conflict between this Agreement, the Charter Party and the Drilling Contract, the terms of this Agreement shall prevail.

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10. In the event of the Tow breaking away from the Tug during the course of the Tow, the Tug shall stand by and render all reasonable service in saving the Tow and reconnecting the towline. In no event shall owners of the Tug assert any claim for salvage of the Tow. The Tug may, while enroute to or in charge of the Tow, go to the assistance of vessels in distress for the purpose of saving life if required by law, or call at any port for fuel, repairs, supplies or other necessities.

11. If Charterers assign the Drilling Contract and the Charter Party to a third party it is hereby agreed by Drilling Contractor and Owners that all rights, benefits and obligations of Charterers under this Agreement, shall be assigned to such third party from the commencement of such assignment of the Drilling Contract until reassignment of the Drilling Contract to Charterers.

AS WITNESS THE HAND of the duly authorized representative of each party hereto:

For and on behalf of
PHILLIPS PETROLEUM (91-12) PTY LTD

For and on behalf of
CHILES OFFSHORE INC.

For and on behalf of
("OWNER")

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EXHIBIT "J"

UNIT OPERATOR'S PRE-ACCEPTANCE LIST FROM RIG AUDIT

TO BE JOINTLY DEVELOPED BY CONTRACTOR AND UNIT OPERATOR AND SHALL BE CARRIED OUT IN SINGAPORE. SUCH ACCEPTANCE PROCEDURES SHALL BE THE BASIS FOR AGREEMENT ON READINESS.

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EXHIBIT "K"

TAX ASSUMPTIONS

DOUBLE TAX AGREEMENTS

- (a) Double Tax Agreement principles will apply to contractors that are residents of countries having Double Tax Agreements with Indonesia as at 25 October 1999.
- (b) Service providers will become subject to income tax in East Timor upon creation of a "Permanent Establishment" in ZOCA or East Timor.
- (c) For the purpose of the tender, a "Permanent Establishment" will arise if the contractor is present in ZOCA or East Timor for more than 60 days in the aggregate.

ARTICLE 26 TAXES

- (a) Withholding tax will apply in the same terms as under Article 26 of the Indonesian Tax Act which, absent a DTA provision to the contrary, requires withholding taxes to be imposed on compensation for technical, management, consultancy and certain other services (including, without limitation, dividends, interest, rents and royalties) that is paid to non-residents, including foreign taxpayers without Permanent Establishments in ZOCA or East Timor.
- (b) For purposes of the tender, assume that the rate of withholding is 10%.

ARTICLE 23 TAXES

- (a) Contractors will be responsible for all income tax liabilities including, without limitation, any withholding tax applied under Article 23.
- (b) For purposes of the tender, assume that both residents of East Timor and non-residents with a Permanent Establishment in East Timor will be subject to Article 23 taxes in the form of withholding tax at the rate of 3% imposed on compensation for technical, management, consultancy and certain other services (including, without limitation, dividends, interest, rents and royalties).
- (c) For contracts for the provision of drilling services, assume that the rate of withholding is 2.25%.

VALUE ADDED TAX

For purposes of the tender, assume that a value added tax at the rate of 5% will be imposed on:

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- o the transfer into ZOCA of goods manufactured in East Timor;
- o goods imported into East Timor from ZOCA; and
- o services provided in ZOCA or East Timor.

TAX RATES

All tax rates cited in these Tax Assumptions have been adjusted to reflect the effect of the application of the Taxation Code to the entire consideration payable under this Agreement that is subject to any tax cited in herein. For example, for purposes of these Tax Assumptions, the Article 23 tax rate for non-drilling services is cited as 3%, determined as follows:

<Table>	
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Statutory Rate -- Article 23 -- East Timor	6%
Effective Taxation Code Relief @ 50%	(3%)
	--
Tax Rate as cited above	3%
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All other tax rates cited in these Tax Assumptions were determined in an identical fashion (by reducing the statutory rate to account for effective Taxation Code relief @ 50%).

TREATY AMENDMENTS

Notwithstanding anything in this Agreement to the contrary, if the Treaty or Taxation Code is amended or replaced, and under the new or amended Treaty or Taxation Code, the percentage of tax being assessable or payable in East Timor is greater than that which would have been assessable or payable under the arrangement existing under the current ZOCA treaty (i.e., 50% for each

Contracting State), then any amount that is determined to be owing to the Contractor under Clause 21.6 of this Agreement shall be reduced to account for any reduction in the tax payable in or assessable by Australia as a result of such amendment or replacement.

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EXHIBIT "L"

TECHNICAL INFORMATION

The information included in this Exhibit provides the basic environmental and site criteria that the Drilling Unit shall meet.

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EXHIBIT "L"

TECHNICAL INFORMATION

The information included in this Exhibit provides the basic environmental and site criteria that the Drilling Unit is required to meet. Also included are the basic details of the WP1 & DPP platforms.

CONTENTS

<Table> <Caption>	TITLE -----	DOCUMENT / DRAWING NUMBER -----
<S>	<C>	<C>
GEOTECHNICAL DATA	Bayu Undan Geotechnical Site Conditions	BUGEN-00-106-R01-2000
ENVIRONMENTAL DATA	Bayu Undan Environmental Criteria	
WP1 PLATFORM DETAILS	WP1 Platform Isometric View	
	Wellhead Platform Elevation Looking East	BUWP1-00-28-D07-0205
	Wellhead Platform Cellar Deck Plot Plan	BuWP1-03-28-D07-0202
	Well head Platform Spider Deck, Sea Deck & Boat Landing Plot Plan	BUWP1-07-28-D07-0204
	WP1 Wellhead Platform Jacket - Steel Work	BUWP1-04-62-D34-1101
	WP1 Wellhead Platform Jacket Mudmats - General Arrangement	BUWP1-04-62-D35-1105
	Wellhead Platform Main Deck Plot Plan	BUWP1-02-28-D07-0201
DPP PLATFORM DETAILS	DPP Platform Isometric View	BUDPP-00-028-D07-2000
	DPP Platform Elevation Views Looking North & East	BUDPP-00-028-D07-2001
	DPP Platform Plot Plan Main Deck EL. 32000	BUDPP-01-028-D07-2003
	DPP Platform Plot Plan Main Deck EL. 25500 to 28000	BUDPP-01-028-D07-2002
	DPP Platform Equipment Arrangement South West Quarter Main Deck	BUDPP-010-028-D08-2003
	DPP Platform Equipment Arrangement South West Quarter of Cellar Deck	BUDPP-02-028-D08-2016
	DPP Platform Jacket - Primary Steel Work Elevation - Row H	BUDPP-03-062-D34-1100
	DPP Platform Jacket - Primary Steel Elevation - Row 1 & 4	BUDPP-03-62-D34-1102

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Bayu Undan Gas Recycle Project

REPORT

Geotechnical Site Conditions

Document No.: BUGEN-00-106-R01-2000

January 2000

[TIGA LOGO]
tiga joint venture
FLUOR DANIEL PTY LTD

<Table>
<Caption>

REVISION	DESCRIPTION	ORIGINATOR	CHECKER	APPROVAL	DATE	CLIENT ACCEPTANCE	DATE
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A	Issued for review	SN	MS	BS			

</Table>

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SYNOPSIS

This Report presents a summary of the geotechnical data obtained during the 1998 site investigation of the Bayu-Undan field, and provides relevant background geotechnical information to assist prospective installation contractors in the preparation of their bids.

The data has been summarised from the 1998 Site Investigation Interpretative Report, Doc. No. BUGEN-00-63-R01-0100 (TIGA, 1998). Extracts from the Geotechnical Factual Report (D&M, 1998) have also been included as attachments herein.

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3.4	Calcarenite
4	SITE DESCRIPTIONS
4.1	CPP Site
4.2	WHP Site
4.3	FSO Site
5	FUTURE SITE DATA
6	REFERENCES

ATTACHMENTS

PART A	The geotechnical Factual Report from the site investigation (Volume 1 only).
PART B	A summary of the borehole logs from the site investigation (extract from Factual Report Volumes 2 and 3).

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INTRODUCTION

This Report provides a summary of relevant geotechnical information relating to the infield facilities on the Bayu-Undan Development. The relevant data from a detailed site investigation carried out during 1998 is included in this Report in the following parts:

o PART A

- o The geotechnical Factual Report from the site investigation (D&M 1998, Volume 1 only).

o PART B

- o A summary of the borehole logs from the site investigation (extract from Factual Report Volumes 2 and 3). The complete Volumes 2 & 3 of the Factual Report containing detailed field and laboratory test data are available on request.

Reference is also made to the 1998 Site Investigation Interpretative Report (BUGEN-00-63-R01-0100), for a detailed discussion on the results of the field and laboratory testing, and the derivation of design soil parameters. An introductory summary on the site investigation and soil conditions at each of the facilities is provided in this covering document.

SITE INVESTIGATION DATA

A detailed site investigation was carried out at each of the facilities locations during the course of 1998. This site investigation included deep boreholes, shallow boreholes, cone penetration testing as well as extensive laboratory testing of the recovered samples. Laboratory tests included classification testing, UCS tests, oedometer tests, static and cyclic triaxial, CNS simple shear, and rod shear tests. The relevant data from this site investigation and laboratory testing is included as Part A and Part B of this Report. This data is summarised and interpreted in the Interpretative Report BUGEN-00-63-R01-0100. More detailed laboratory data is available at the TIGA offices on request (e.g. individual laboratory test data).

SOIL STRATIGRAPHY

GENERAL

The general stratigraphy at the Bayu-Undan location comprises a shallow layer of very soft silty sand (generally only several metres thick), overlying a variably cemented calcarenite/ calcisiltite rock. A very well cemented caprock of 1 to 2 m in thickness immediately underlies the surficial sand across the site. Below the caprock the cementation sequence of the calcarenite is highly variable. The widespread presence of small cavities, or vughs, contributes to this variability. Occasional zones of coarse grained calcarenite gravel appear in some of the boreholes, in addition to occasional thin layers of very well cemented limestone and weakly cemented carbonate silts.

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SEABED SILTY SAND

The seabed material comprises a calcareous silty sand, with small fractions of both clay sized and gravel sized particles. The gravel sized particles are primarily shells and shell fragments. There appears to be a trend of increasing particle size with depth over the first few metres, which is accompanied by increasing density and strength with depth.

The silty sand thickness varies considerably between the different facilities, which has important implications for design and installation of mudmats and piles. Care was taken during the 1998 site investigation to accurately measure the sand thickness at the corners of each of the jackets, to determine variability across the site. However, the hardware employed on the site investigation included a heavy seabed frame which penetrated into the sand to varying degrees. This affected the measurements of the surficial sand thickness because the datum for the sampling/probing (the bottom of the seabed frame) was not fixed with respect to the seabed. Corrections were applied to the data to compensate for this error (see Interpretative Report), nevertheless some uncertainty still exists as to the exact sand layer thickness.

High resolution seismic sub-bottom profiling will be undertaken in early 2000. The results of this survey will provide a more accurate determination of the sand thickness and its variation across the platform sites.

CAPROCK

Immediately beneath the surficial silty sand lies a very well cemented calcarenite caprock layer. Cone refusal ($q_c > 50$ MPa) was experienced in this layer at all cone penetration test sites. This makes it difficult to accurately determine the caprock thickness, but from all the available data it appears to be between 1 and 2 m in thickness. UCS test results on this material ranged between 3 and 7.5 MPa.

CALCARENITE

Beneath the caprock lies an irregular sequence of variably cemented calcarenite and calcisiltite. The cementation varies from very well cemented limestone, to very weakly cemented/ uncemented carbonate sandy gravel. From the recovered core samples it is evident that the calcarenite also contains many small cavities (or vughs). The vughiness varies with depth and from borehole to borehole, and can range from non existent to being very extensive at some locations.

There are layers at some of the facilities which appear relatively continuous across the site and these are discussed in more detail in the following sections.

SITE DESCRIPTIONS

The summary is divided into the following three main sites within the development:

- o Central Process and Production (CPP) Site, incorporating;
 - o Drilling, Procession and Production (DPP) platform.
 - o Compression, Utilities and Quarters (CUQ) platform.
 - o Flare Tripod (FT1).
- o Wellhead Platform (WP1) Site.
- o Floating Storage and Offloading Facility (FSO) Site.

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CPP SITE

The geotechnical data obtained to date indicates that the surficial silty sand layer varies between 1.4 and 2.4 m in thickness at the CPP location. The very well cemented caprock of 1 to 2 m in thickness underlies the surficial silty sand across the site. Below the caprock the cementation sequence of the calcarenite is highly variable. Several features were identified which appear relatively consistent across the site. These include a limestone layer at ML-16 m, and weaker layers at about ML-13 m and ML-23 m. However, there is also significant variation in the strength and extent of some of these layers from hole to hole, particularly at depths less than ML-40 m.

The most predominant feature is a very weakly cemented or uncemented carbonate gravel sandy layer commencing at a depth of about 47 m below mudline. This layer was intersected at all boreholes at the CPP site and ranges between 6 and 8 m in thickness.

WHP SITE

The stratification of the soil at the WHP location is similar to the CPP location insofar as it generally comprises soft surficial silty sand, which overlies a caprock, which in turn is underlain by variably cemented calcarenites.

The data indicates that the silty sand layer varies between 3.6 and 5.6 m in thickness. However, at BH215A the caprock was interpreted by the CPT data to be about 2.2 m below the seabed. This indicates that there may exist multiple cemented horizons within the sand layer, making interpretation of the layer thickness difficult to assess. The CPT data in the surficial sand also shows numerous 'spikes' which indicate thin hard layers within the sandy material.

Once again, a well cemented calcarenite caprock (1 - 2 m thick) underlies the sand layer. Below the caprock, the underlying calcarenite displayed large variability, in both vertical and lateral extent. There was no evidence of the thick gravel layer that was intersected from about 47 m at the CPP site, however, there are thinner layers of gravel at varying depths at the site.

FSO SITE

The site investigation results indicate that the silty sand layer varies between 1.0 and 2.0 m in thickness. The caprock layer was intersected at all FSO anchor locations. The main feature evident from a comparison of boreholes at this site is that BH111 is generally the weakest profile over the top 26 m. Also, BH113 has a very weakly cemented (or uncemented) layer in the region between 6 and 9 m below the seabed.

In general, there are few trends in surficial sand thickness and calcarenite layering sequence from borehole to borehole around the FSO anchor locations. This is primarily due to the fact that the boreholes are widely separated so that local trends in the layering sequence are no longer present.

FUTURE SITE DATA

A high resolution seismic survey is due to be undertaken during early 2000. This

survey will include detailed bathymetry at the platform sites, as well as high resolution sub-bottom profiling. The results from this survey will be useful to more accurately quantify the surficial sand thickness and its variation across the platform sites, and the levelness of the caprock. The results will be valuable at the CPP site

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[BAYU-UNDAN LOGO]

where the sand layer is quite thin and the potential may exist for outcropping of the caprock.

This data will also be useful to define the stratigraphy at the WHP and whether the spikes in the cone resistance in the sand layer are due to multiple cemented horizons, an undulating caprock or localised anomalies in the sand layer confined to a small area.

REFERENCES

TIGA (1998) "1998 Site Investigation Interpretative Report", Document Number BUGEN-00-63-R01-0100, Rev C.

Dames & Moore (1998) "Geotechnical Factual Report", Bayu-Undan Upstream Development, Contract No. 68000442, Bayu-Undan Geotechnical Investigation, 15 December 1998.

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[BAYU-UNDAN LOGO]

Bayu-Undan-Final Environmental Criteria-Fixed Platforms-June 20, 2001-Rev 2

<Table>
<Caption>

Parameter	Units	10	25	50	100	125	200	400
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<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Max Wind								
Gust Speed (3 sec)	U(g) ms(-1)	24.80	36.32	41.25	45.04	46.10	48.17	50.86
Mean Speed (1 min)	U(1) ms(-1)	19.91	29.16	33.11	36.15	37.01	38.67	40.83
Mean Speed (10min)	U(10) ms(-1)	18.05	26.44	30.02	32.78	33.55	35.06	37.02
Mean Speed (60 min)	U(60) ms(-1)	16.64	24.37	27.68	30.22	30.94	32.32	34.13
Coincident Wind								
Gust Speed (3 sec)	U(g) ms(-1)	21.23	30.45	34.94	38.53	39.56	41.57	44.25
Mean Speed (1 min)	U(1) ms(-1)	17.04	24.44	28.04	30.93	31.76	33.37	35.52
Mean Speed (10min)	U(10) ms(-1)	15.45	22.16	25.43	28.04	28.79	30.26	32.20
Mean Speed (60 min)	U(60) ms(-1)	14.24	20.43	23.44	25.85	26.54	27.90	29.69
Waves								
Significant Wave Height	H(s) m	3.85	5.36	6.24	7.00	7.23	7.68	8.30
Spectral Peak Wave Period	T(p) s	8.33	9.61	10.29	10.85	11.00	11.32	11.73
Spectral Mean Wave Period	T(m) s	6.56	7.57	8.10	8.54	8.66	8.91	9.24
Zero Crossing Period	T(z) s	6.16	7.11	7.61	8.02	8.14	8.37	8.68
Maximum Single Wave Height	EH(max) m	6.70	9.32	10.86	12.19	12.58	13.37	14.45
Period of Maximum Wave	TH(max) s	7.54	8.70	9.32	9.82	9.96	10.25	10.62
Jonswap Parameters								
Phillips parameter	(Alpha)	0.0125	0.0133	0.0135	0.0137	0.0138	0.0139	0.0140
Peakedness Parameter	(Gamma)	1.95	2.10	2.16	2.20	2.21	2.23	2.25
Sigma A	(Sigma) (a)	0.083	0.080	0.079	0.079	0.079	0.078	0.078
Sigma B	(Sigma) (b)	0.096	0.095	0.094	0.094	0.094	0.094	0.094
Water Levels								
Tidal MSL	h(msl) m	1.54	1.54	1.54	1.54	1.54	1.54	1.54
Tide Plus Surge	h(s) m	0.70	0.95	1.08	1.17	1.20	1.26	1.33
Crest Elevation Above Water Level	h(c) m	3.96	5.50	6.41	7.19	7.42	7.89	8.52
Total Steady Currents (storm & ambient)								
Speed @ -77m MSL	V(-77) ms(-1)	0.19	0.31	0.41	0.50	0.53	0.59	0.68
Speed @ -61m MSL	V(-61) ms(-1)	0.31	0.48	0.60	0.70	0.74	0.81	0.90
Speed @ -38m MSL	V(-38) ms(-1)	0.36	0.59	0.77	0.93	0.99	1.10	1.27
Speed @ -26m MSL	V(-26) ms(-1)	0.46	0.66	0.84	1.04	1.12	1.28	1.55
Speed @ -15m MSL	V(-15) ms(-1)	0.54	0.80	1.01	1.24	1.31	1.47	1.71
Speed @ -6m MSL	V(-6) ms(-1)	0.62	0.96	1.20	1.43	1.50	1.65	1.86

<Caption>

Parameter	500	1000	2000	5000	10000
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>

Max Wind					
Gust Speed (3 sec)	51.66	53.96	56.04	58.52	60.24
Mean Speed (1 min)	41.47	43.31	44.98	46.98	48.36
Mean Speed (10min)	37.60	39.27	40.78	42.59	43.84
Mean Speed (60 min)	34.66	36.21	37.60	39.27	40.42
Coincident Wind					
Gust Speed (3 sec)	45.04	47.36	49.48	52.05	53.83
Mean Speed (1 min)	36.16	38.02	39.72	41.78	43.22
Mean Speed (10min)	32.78	34.47	36.01	37.88	39.18
Mean Speed (60 min)	30.23	31.78	33.20	34.92	36.12
Waves					
Significant Wave Height	8.49	9.05	9.58	10.23	10.69
Spectral Peak Wave Period	11.85	12.21	12.53	12.92	13.19
Spectral Mean Wave Period	9.33	9.61	9.87	10.18	10.39
Zero Crossing Period	8.77	9.03	9.27	9.56	9.76
Maximum Single Wave Height	14.78	15.75	16.66	17.79	18.59
Period of Maximum Wave	10.73	11.05	11.35	11.70	11.95
Jonswap Parameters					
Phillips parameter	0.01	0.01	0.01	0.01	0.0143
Peakedness Parameter	2.26	2.28	2.29	2.31	2.32
Sigma A	0.07	0.07	0.07	0.07	0.077
Sigma B	0.09	0.09	0.09	0.09	0.093
Water Levels					
Tidal MSL	1.54	1.54	1.54	1.54	1.54
Tide Plus Surge	1.35	1.41	1.47	1.54	1.59
Crest Elevation Above Water Level	8.72	9.29	9.83	10.50	10.97
Total Steady Currents (storm & ambient)					
Speed @ -77m MSL	0.71	0.80	0.88	1.00	1.09
Speed @ -61m MSL	0.93	1.02	1.11	1.22	1.30
Speed @ -38m MSL	1.32	1.48	1.64	1.86	2.02
Speed @ -26m MSL	1.64	1.95	2.30	2.82	3.25
Speed @ -15m MSL	1.79	2.03	2.29	2.64	2.91
Speed @ -6m MSL	1.93	2.13	2.33	2.59	2.78

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

WPI PLATFORM DETAILS

<Table>	
<S>	
WPI Platform Isometric	<C>
Wellhead Platform Elevation Looking East	BUWP1-00-28-D07-0205
Wellhead Platform Cellar Deck Plot Plan	BuWP1-03-28-D07-0202
Well head Platform Spider Deck, Sea Deck & Boat Landing Plot Plan	BUWP1-07-28-D07-0204
WPI Wellhead Platform Jacket - Steel Work	BUWP1-04-62-D34-1101
WPI Wellhead Platform Jacket Mudmats - General Arrangement	BUWP1-04-62-D35-1105
Wellhead Platform Main Deck Plot Plan	BUWP1-02-28-D07-0201
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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

DPP PLATFORM DETAILS

<Table>	
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DPP Platform Isometric View	BUDPP-00-028-D07-2000
DPP Platform Elevation Views Looking North & East	BUDPP-00-028-D07-2001
DPP Platform Plot Plan Main Deck EL. 32000	BUDPP-01-028-D07-2003
DPP Platform Plot Plan Main Deck EL. 25500 to 28000	BUDPP-01-028-D07-2002
DPP Platform Equipment Arrangement South West Quarter of Main Deck	BUDPP-010-028-D08-2003
DPP Platform Equipment Arrangement South West Quarter of Cellar Deck	BUDPP-02-028-D08-2016
DPP Platform Jacket - Primary Steel Work Elevation - Row H	BUDPP-03-062-D34-1100
DPP Platform Jacket - Primary Steel Elevation - Row 1 & 4	BUDPP-03-62-D34-1102
</Table>	

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[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

EXHIBIT "M"

MODIFICATIONS AND ADDITIONS TO DRILLING UNIT

The required modifications and additions to the Drilling Unit shall be determined by mutual agreement of the Unit Operator and Contractor. A draft list is attached hereto, however the parties agree that this list is subject to further review and discussion and does not necessarily represent the final requirements. Once the final requirements have been determined and agreed by both parties, a revised Exhibit "M" shall be issued as an Amendment to the Agreement.

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

EXHIBIT "M"

MODIFICATIONS AND ADDITIONS TO DRILLING UNIT (DRAFT - SUBJECT TO AGREEMENT)

AMORTIZATION PERIOD: 1.644 years or 600 days
 AMORTIZATION RATE: 15%

<Table>
 <Caption>

ITEM	DESCRIPTION	REFERENCE	BEST ESTIMATED COST	RESIDUAL VALUE RATE
<S>	<C>	<C>	<C>	<C>
	VESSEL MODIFICATIONS:			
1	Increase brine tank storage to 1,100 bbls.	Discussions 03/01	\$ 75,000	50%
2	Increase main mud storage to 3,000 bbls.	Discussions 03/01	250,000	50%
3	Increase base oil storage to 1,500 bbls.	Discussions 03/01	125,000	40%
4	Global mud system piping changes (new runs and sizes)	Discussions 03/01	75,000	15%
5	Install mud engineer's office and laboratory in mud pit area	Discussions 03/01	100,000	50%
6	Move cement unit to top of solids control structure	Discussions 03/01	150,000	--
7	Install well test equipment and piping	Discussions 03/01	75,000	--
8	Install brine filtration unit inside hull (equipment from others)	Discussions 03/01	35,000	--
9	Install cuttings injection system (equipment from others)	Discussions 03/01	75,000	--
10	Install platform starboard side of drill floor for mud logging	Discussions 03/01	50,000	50%
11	Install two (2) anchor winches and related hardware	Discussions 03/01	300,000	50%
12	Increase deluge system for 100 mmcf/d	Discussions 03/01	50,000	--
13	Install cement standpipe	Discussions 03/01	35,000	100%
14	Install additional surge tank over hoppers	Discussions 03/01	125,000	50%
15	Install venturi system on hoppers for mixing liquid chemicals	Discussions 03/01	5,000	100%
16	Add third mixing pump and related piping	Discussions 03/01	100,000	50%
17	Install automated mud pit cleaning system	Discussions 03/01	75,000	50%
18	Add additional steam cleaners and high pressure washdown	Discussions 03/01	45,000	50%
19	Install rack chocks and related hardware	Discussions 03/01	3,200,000	35%
	TOTAL VESSEL MODIFICATIONS		\$ 4,945,000	NA

<Caption>

ITEM	DESCRIPTION	RESIDUAL VALUE	AMORTIZED AMOUNT	DAILY RATE
<S>	<C>	<C>	<C>	<C>
	VESSEL MODIFICATIONS:			
1	Increase brine tank storage to 1,100 bbls.	37,500	\$ 37,500	\$ (71)
2	Increase main mud storage to 3,000 bbls.	125,000	125,000	(235)
3	Increase base oil storage to 1,500 bbls.	50,000	75,000	(141)
4	Global mud system piping changes (new runs and sizes)	11,250	63,750	(120)
5	Install mud engineer's office and laboratory in mud pit area	50,000	50,000	(94)
6	Move cement unit to top of solids control structure	0%	150,000	(282)
7	Install well test equipment and piping	0%	75,000	(141)
8	Install brine filtration unit inside hull (equipment from others)	0%	35,000	(66)
9	Install cuttings injection system (equipment from others)	0%	75,000	(141)
10	Install platform starboard side of drill floor for mud logging	25,000	25,000	(47)
11	Install two (2) anchor winches and related hardware	150,000	150,000	(282)
12	Increase deluge system for 100 mmcf/d	0%	50,000	(94)
13	Install cement standpipe	35,000	--	--
14	Install additional surge tank over hoppers	62,500	62,500	(118)
15	Install venturi system on hoppers for mixing liquid chemicals	5,000	--	--
16	Add third mixing pump and related piping	50,000	50,000	(94)
17	Install automated mud pit cleaning system	37,500	37,500	(71)
18	Add additional steam cleaners and high pressure washdown	22,500	22,500	(42)
19	Install rack chocks and related hardware	1,120,000	2,080,000	(3,912)
	TOTAL VESSEL MODIFICATIONS	\$ 1,781,250	\$ 3,163,750	\$ (5,951)

</Table>

[PHILLIPS PETROLEUM LOGO]

[BAYU-UNDAN LOGO]

EXHIBIT "N"

BANKER'S UNDERTAKING

TO: Phillips Petroleum (91-12) Pty Ltd (ABN 73 064 963 346)
(UNIT OPERATOR)
Level 3, 1 Mill Street
PERTH WA 6000

IN CONSIDERATION of the Unit Operator accepting this undertaking in satisfaction of the Unit Operator's requirement for (A.C.N. []) (CONTRACTOR) to provide the Unit Operator with Security for Performance in relation to Agreement [INSERT CONTRACT DETAILS] (Contract) the BANK of (Bank) UNDERTAKES irrevocably and unconditionally to pay to the Unit Operator on demand in writing any sum or sums which may from time to time be demanded by the Unit Operator to an amount not exceeding (\$) (sum) in the aggregate.

Such payment or payments will be made by the Bank to the Unit Operator without reference by the Bank to the Contractor and notwithstanding any notice to the Bank by the Contractor not to pay to the Unit Operator any moneys hereunder and irrespective of the performance or non-performance by the Contractor or the Unit Operator of the terms of the Agreement.

The Bank's liability hereunder will not be impaired or discharged by any alterations which may be made in the terms of the Agreement or by any extension of time or other forbearance on the part of either the Unit Operator or the Contractor to the other.

This undertaking will continue in force either until notification in writing has been received by the Bank from the Unit Operator that this undertaking is no longer required by the Unit Operator or until payment to the Unit Operator by the Bank of the whole of the sum or the balance thereof remaining after any part payment or payments or until this Guarantee is returned to the Bank.

Notwithstanding anything hereinbefore contained the Bank reserves the right to terminate this undertaking at any time upon payment to the Unit Operator of the sum or the balance thereof remaining after any part payment or payments or such lesser amount as the Unit Operator may require.

On expiry or when no longer required please return this document for cancellation to the Manager, Bank,

DATED at Perth this day of .

SIGNED for and on behalf of [BANK] by -----

its Attorney under Power of Attorney who certifies that he is -----

Of [BANK] in the presence of -----

SEPARATION AND RELEASE AGREEMENT

William A. Thorogood, of Bellaire, Texas, an individual (hereinafter sometimes referred to as "Employee"), and Chiles Offshore Inc., incorporated under the laws of the State of Delaware, in consideration of the mutual agreements and covenants set forth in this Separation and Release Agreement (this "Agreement"), hereby agree as follows:

1. TERMINATION OF EMPLOYMENT.

Upon receipt of the mutual consideration referenced below, Employee agrees to terminate his employment with Chiles and its subsidiaries (sometimes collectively referred to hereinafter as "Chiles") and Chiles accepts the written resignation of Employee effective January 31, 2002 (the "Termination Date"). Employee hereby confirms his resignation as an officer of Chiles and, to the extent applicable, as an officer and/or director of any subsidiary or affiliate of Chiles.

2. FULL COMPENSATION.

(a) Notwithstanding the resignation and departure of the Employee as of the Termination Date, Chiles agrees to continue to pay the compensation and provide the benefits to Employee for the periods described herein:

(i) Base Salary. From the Termination Date until January 31, 2003 (the "Payment Continuation Period"), Chiles shall continue to pay Employee his base salary at the annual rate of \$130,000.00. Chiles shall pay Employee \$1,000 of such amount per month. In addition, Chiles shall pay Employee such amount (or portions thereof) as directed in writing by Employee from time to time, within fifteen (15) days after the receipt by Chiles of such written instruction from Employee, subject to all applicable federal, state and local withholding, including but not limited to federal income tax, FICA, FUTA and state unemployment tax withholding (collectively referred to as "Applicable Withholding"). On or before February 15, 2003, Chiles shall pay to Employee any portion of such base salary that was not paid by Chiles to Employee during the Payment Continuation Period, subject to Applicable Withholding.

(ii) Bonus. On the Termination Date, Chiles shall pay to Employee the balance of the unpaid bonus payable to Employee in the amount of \$9,385.00, subject to Applicable Withholding.

(iii) Medical Benefits.

(A) The Company and Employee anticipate that Employee will elect to continue his medical and health benefits during the eighteen (18) month period following the Termination Date (the "COBRA Period") to the extent and on the terms permitted under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and the regulations under such Act and other applicable law. The Company shall reimburse Employee for the amount paid each month by Employee for such medical and health benefits during the first twelve (12) months of the COBRA Period.

(B) Prior to the end of the COBRA Period, the Company shall use its best efforts in assisting Employee to obtain medical coverage for Employee beginning when the COBRA Period expires. For the first twelve (12) months following the expiration of the COBRA Period, the Company shall reimburse Employee for the difference between the amount paid each month by Employee for such medical coverage and the monthly cost of the medical coverage payable by Employee under COBRA.

(C) All such amounts payable by the Company under this Section 2(a)(iii) shall be payable by the Company on a monthly basis within thirty (30) days after Employee presents reasonable documentation of the amounts paid by Employee for medical coverage for the prior month, and shall be subject to Applicable Withholding, if any.

(iv) Stock Options. The Agreement between Chiles and Employee with respect to (1) the stock options to purchase 23,224 shares of common stock of Chiles granted on March 31, 1998, (2) the stock options to purchase 2,956 shares of common stock of Chiles granted on December 8, 1999, (3) the stock options to purchase 16,099 shares of common stock of Chiles granted on September 22, 2000, and (4) the stock options to purchase 7,000 shares of common stock of Chiles granted on January 19, 2001 (collectively, all such stock options are hereinafter referred to as the "Employee Options"), shall be amended as follows:

(A) To the extent not already vested on the Termination Date, all of the Employee Options shall become fully vested as of the Termination Date; and

(B) The period in which the Employee Options shall be exercisable by Employee shall be one (1) year from the Termination Date.

(b) Subject to the timely payment of the amounts described above, Employee acknowledges that as of the date of this Agreement, he has received, in full, all amounts of salary, bonuses, compensation, reimbursements, vacations, holidays, leaves of absences, allowances, stock options, stock warrants, and other monies, payments, properties and benefits of any kind or nature to which he is or might have been entitled to receive from Chiles by virtue of his employment.

3. BENEFITS RESERVATION.

Employee and Chiles agree that nothing in this Agreement is intended to

impair, modify, or terminate any legal rights which Employee may have with respect to any vested interest in the Chiles Offshore Inc. 401(k) plan and with respect to any insurance company with respect to medical or health benefits which have been provided to Chiles employees generally and in which Employee has or may have had an employee benefit or coverage; and Employee, at his option

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and at his sole cost and expense may elect, within the time permitted by or applicable to such Plans or policies, continue coverage for up to eighteen (18) months following the Termination Date to the extent and on the terms permitted, subject to the Employee Retirement Income Security Act of 19764 (ERISA) and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and to the regulations under each of said Acts. Notwithstanding any other provision of this Agreement, all provisions of this Section are subject to the Employee Retirement Income Security Act of 1974 (ERISA) and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and to the regulations under each of said Acts; and nothing in this Agreement is intended to waive, modify or release any duties or rights of Employee under any of such Acts or regulations applicable to any of the Plans or insurance policies.

4. RELEASE OF CLAIMS.

(a) In consideration of the payment of the amounts described in Section 2 above and other valuable consideration; and of the agreements of Chiles as stated in this Agreement, Employee hereby agrees to execute this Agreement and knowingly and voluntarily releases and waives any and all of his rights and claims, if any, on behalf of himself, his heirs, executors, administrators, successors and assigns and further agrees not to institute any action against Chiles and its subsidiaries or any director, officer, employee, parent, affiliate, or agent of Chiles or its subsidiaries, existing or arising or which may exist or arise under (i) any offer of employment letter, oral understandings, employee manual or handbook, or written employment agreement; (ii) the Employee Retirement Income Security Act of 1974, as amended, 28 U.S.C. ss.ss.1001-1461 (1982); (iii) any federal, state or local employment opportunity laws, ordinances, orders or regulations, including but not limited to Title VII of the Civil Rights Act of 1964, 42U.S.C. ss.2000e et seq., as amended, the Texas Commission on Human Rights Act, Chapter 21 Tex. Lab. Code; (iv) any claims for slander, libel, or defamation; (v) any rights, claims, or causes of action for costs, damages, indemnity, compensatory damages, liquidated damages, exemplary damages, punitive damages, injunctive relief, front pay, back pay, reinstatement, attorneys' fees, unpaid wages, unpaid vacation, bonuses, salary, or expenses severance pay, bonuses, salary, or expenses, including the Texas Pay Day Act; as well as (vi) any claims of wrongful discharge or constructive discharge; (vii) any claims in tort or contract regarding employment; (viii) any claims for breach of contract under any state laws or decisions; (ix) any claims or causes of action for assault, assault and battery; and (x) any claims for infliction of emotional distress, including mental pain and suffering, whether

statutory or tortious, for his, his heirs, executors, legal administrators, successors or assigns, during or by reason of his employment and separation from that employment with Chiles, except for any cause of action for breach of this Agreement.

(b) Chiles, on behalf of itself and its subsidiaries, and each of their successors and assigns, hereby releases and waives any and all of its and their rights and claims, if any, and further agrees not to institute any action, against Employee or his heirs, executors, administrators, successors and assigns, based in whole or in part on any acts or omissions of Employee in the course of his employment by Chiles or its subsidiaries (but excluding any claim for breach of this Agreement by Employee).

5. PERSONAL PROPERTY.

Employee acknowledges that he has removed, or will remove within ten (10) business days after the date of this Agreement, all of his personal effects and personal belongings from the premises of the offices of Chiles and shall, on or after sixty (60) days from the Termination Date, effect a change of his mailing address from the offices of Chiles to another mailing address for purposes of all personal correspondence and deliveries. Employee agrees and consents that all business correspondence and deliveries addressed to him in care of or at the address of Chiles and relating to the business of Chiles may be opened by Chiles or, if forwarded to Employee, shall be promptly returned by Employee to Chiles. Employee agrees that he will not remove any written correspondence, memos, reports, manuals, policies, decisions, data, computer programs and information, or any similar material, which were prepared either by him or by others that relate to the business of Chiles, and any such material currently in Employee's possession will be returned immediately to Chiles.

6. CONTINUED RELATIONS.

Employee agrees not to serve as a voluntary expert witness in any lawsuit or legal proceeding against Chiles, its assigns, successors, agents, trustees, directors, officers, parent, affiliates, or employees.

7. BREACH OF PROVISIONS.

In the event that Employee fails or refuses to abide by the provisions of this Agreement, specifically but not limited to Sections 6, 9, 10, 12, and 19, Chiles shall have no further obligations to Employee under this Agreement, but Employee shall remain bound by all provisions of this Agreement, including but not limited to his waiver of any rights of any kind released herein. To the extent that Employee has received any payments under this Agreement and breaches the provisions of this Agreement, he shall be obligated to repay Chiles for all such sums received, without limiting the rights of Chiles for other remedies.

8. PRIOR RIGHTS AND OBLIGATIONS.

Except as otherwise provided in Sections 2 and 3 hereof, this Agreement extinguishes all pre-existing rights, which Employee has or may have, relating to his employment with Chiles.

9. PROPRIETARY AND CONFIDENTIAL INFORMATION.

Employee agrees and acknowledges that Chiles has developed, and owns "Proprietary and Confidential Information" which constitutes valuable and unique property including, without limitation, concepts, ideas, software, plans, strategies, analyses, surveys, and proprietary information related to the past, present or anticipated business of Chiles. Except as may be required by law, Employee agrees that he will not at any time disclose to others, permit to be disclosed, use, permit to be used, copy, or permit to be copied, any such Proprietary and Confidential Information (whether or not developed by him) without the prior written consent of Chiles. Except as may be required by law, Employee further agrees to maintain in confidence

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any Proprietary and Confidential Information of Chiles received by him, or of which he has knowledge as a result of his employment.

10. COOPERATION.

Employee shall cooperate with Chiles to the extent reasonably required in all matters relating to the transfer of his pending work on behalf of Chiles and the orderly transfer of any such pending work as designated by Chiles. Employee shall take such further action and execute documents as may be reasonably necessary or appropriate in order to carry out the provisions and purposes of this Section.

11. INDEMNIFICATION.

(a) As a part of the consideration for the payment of the above sum, Employee for himself, his heirs, executors, administrators and assigns, releases and agrees to indemnify and hold harmless Chiles and all persons released above from and against all claims, including attorneys' fees and costs of defending any such claims, and causes of action of any nature, without limitation, which may be asserted by any person, firm, or entity claiming by, through, or under Employee for any claim released by Employee under this Agreement.

(b) As a part of the consideration for Employee's agreements contained herein, Chiles for itself, its successors and assigns, releases and agrees to indemnify and hold harmless Employee from and against all claims, including attorneys' fees and costs of defending any such claims, and causes of action of

any nature, without limitation, which may be asserted by any person, firm or entity claiming by, through or under Chiles for any claim released by Chiles under this Agreement.

12. CONFIDENTIALITY OF AGREEMENT.

Employee further agrees that, hereafter, any facts, events, or incidents occurring during his employment (except for such facts, events or incidents as may have become, through no action of Employee, public information) and the terms, amounts, or other incidents related to this Agreement and any documents, papers, and writings related to it, as well as the fact of settlement, shall remain confidential and shall not be disclosed by him to any other person, except to his spouse, professional advisors, accountants, and attorneys representing him in this matter, or as is necessary to carry out any obligations under this Agreement, and as may be required by any federal or state agency or court. In the event of any disclosure to any authorized person, Employee shall instruct such individuals of the provisions of this Section. In the event of necessary disclosure to such agency or court (except tax filings), Employee shall promptly notify Chiles in writing of such necessity, prior to any disclosure.

13. WAIVER OF REEMPLOYMENT.

Employee further agrees that he will not apply for employment or reemployment with Chiles or any of its subsidiaries.

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14. UNDERSTANDING OF WAIVER.

Employee agrees that prior to the execution of this Agreement, he has had a reasonable period of time within which to consider this Agreement, and he understands the terms and conditions of this Agreement and agrees to abide by this document and knowingly and voluntarily executes it without hidden reservations.

15. ASSIGNMENT.

Employee and Employer affirm to each other that they have not assigned, pledged, sold, transferred, or otherwise conveyed any right, claim, or interest that they have or may have in any matters released herein, except to their attorneys, if any. Employee's right to payments hereunder shall be enforceable by his heirs, legatees, successors, assigns and legal representatives.

16. WAIVER.

The failure at any time of either party to this Agreement to require performance by the other party of any provision of this Agreement shall in no

way affect the right to require full performance at any time thereafter, nor shall the waiver by either party of a breach of or default under any provision of this Agreement be taken or held to be or operate as a waiver of any succeeding breach or default, whether similar to or different from the breach or default waived, or as a waiver of the provision itself. No provision of this Agreement, or breach of or default under any provision of this Agreement, may be waived except in a writing signed by the party charged with such waiver.

17. NOTICE.

Any and all notices and other communications required or permitted to be given under this Agreement shall be given in writing and shall be sent by (i) United States mail, postage prepaid, registered or certified mail, return receipt requested, or (ii) personal delivery, or (iii) expedited delivery service with proof of delivery, or (iv) fax (provided that such fax is confirmed by expedited delivery service or by mail in the manner previously described), addressed as follows:

WHEN BEING SENT TO CHILES:

Chiles Offshore Inc.
11200 Richmond Avenue, Suite 490
Houston, Texas 77082
Fax No. (713) 339-3888
Attention: William E. Chiles, President and CEO

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WHEN BEING SENT TO EMPLOYEE:

William A. Thorogood
105 Calvi Court
Bellaire, Texas 77401
Fax No. (713) 654-6564

Change of any such address shall be valid if and when notice of such change is given to the other party in accordance with this Agreement. Any such notice or other communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of fax, upon receipt.

18. MERGER.

This Agreement supersedes, replaces and merges all previous agreements and discussions relating to the same or similar subject matters between Employee and Chiles and constitutes the entire agreement between the parties with respect

to be the subject matter of this Agreement. This Agreement may not be changed or terminated orally, and no change, termination or waiver of this Agreement or any of the provisions herein contained shall be binding unless made in writing and signed by all parties.

19. NO DEROGATORY COMMENTS.

Employee and Chiles shall refrain from making public or private comments relating to each other which are derogatory or which may intend to injure Employee or Chiles or the employees, officers, directors, agents or affiliates, of Chiles in its or their business, public or private affairs. Chiles shall use reasonable efforts to refer any inquiries regarding Employee's performance during his term of employment with Chiles to a designated representative of Chiles and such representative shall limit all responses to confirming the term of Employee's employment with Chiles and his title while in the employ of Chiles.

20. APPLICABLE LAW.

This Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of Texas, without giving effect to any conflict of law rule or principle.

21. RESOLUTION OF CLAIMS AND DISPUTES.

Any claim, controversy or dispute between the parties arising under, out of or relating to this Agreement, or the breach thereof, shall be determined exclusively by a state or federal court located in Harris County, Texas. Notwithstanding the foregoing, any claim, dispute or controversy regarding a party's right to receive payments pursuant to the terms of this Agreement may be decided at the election of such party by arbitration utilizing a single arbitrator in accordance with the Rules of the American Arbitration Association. The arbitration shall be held in Houston, Texas. The decision of the arbitrator shall be final, binding, non-appealable and

enforceable in any court of competent jurisdiction. All statutes of limitation that would otherwise be applicable shall apply to any arbitration proceeding. The arbitrator shall be empowered to award the cost of the arbitration, interest and attorneys' fees and expenses to the prevailing party.

22. CAPTIONS AND HEADINGS.

The captions, headings and titles to the Sections of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part of this Agreement.

23. EXECUTION OF THIS AGREEMENT; ORIGINAL COUNTERPARTS.

Chiles and Employee shall execute and deliver two (2) original counterparts of this Agreement simultaneously with the execution and delivery of this Agreement. Each Party may retain one (1) such executed original counterparts. Each such executed counterpart of this Agreement shall be deemed an original document, but both such executed counterparts shall together constitute only one (1) and a single agreement between the Parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement at Houston, Texas, as of the Effective Date.

/s/ WILLIAM A. THOROGOOD

WILLIAM A. THOROGOOD

CHILES OFFSHORE INC.

By: /s/ WILLIAM E. CHILES

Name: William E. Chiles
Title: President and CEO

DRILL PIPE RENTAL AGREEMENT

THIS DRILL PIPE RENTAL AGREEMENT (this "Agreement") is entered into effective the 25th day of February, 2002 (the "Effective Date"), by and between Chiles Offshore Inc., a Delaware corporation ("Lessor"), and Hercules Offshore Corporation, a Texas corporation ("Lessee").

TERMS AND CONDITIONS

1. DRILL PIPE. Lessor hereby rents to Lessee the drill pipe described on the attached Exhibit A (the "Pipe").

2. TERM OF AGREEMENT. The "Term" of this Agreement shall begin when the Pipe leaves the yard of Hadco Services, Inc. located at 3830 Pinhook, Broussard, Louisiana 70518 (the "Yard"), and continue until the first anniversary of the Effective Date. Lessee shall pay Lessor the Rental (as defined below) throughout such twelve (12) month Term whether or not Lessee uses or retains possession of the Pipe during all of the Term.

3. RENTAL CHARGES.

3.1. Rental Rate. Lessee will pay Lessor, and Lessor will accept as payment from Lessee, as rental for the Pipe, a Rental charge of Seven Hundred and No/100 Dollars (\$700.00) per day (the "Rental") for each day during the Term, and for each day of any additional period after the Term up to and including the day on which (i) Lessee returns all of the Pipe F.O.B. the Yard or (ii) Lessor receives from Lessee the Purchase Price (as defined below) upon Lessee's timely exercise of the Purchase Option (as defined below), whichever occurs first.

3.2. No Setoff. Lessee agrees to pay rent when due irrespective of any claims, demands, setoffs, actions, suits or proceedings that it may have or assert against Lessor or any supplier or manufacturer of Pipe or any portion thereof, or any one or more others.

4. TRANSPORTATION CHARGES. All transportation charges, including, without limitation, transportation by truck, rail or vessel, and drayage charges shall be borne by Lessee even though Lessor may arrange such transportation on behalf of Lessee.

5. WELL CONDITIONS. Well or other drilling conditions that prevent satisfactory utilization of the Pipe do not relieve Lessee of its responsibility for Rental, repair costs, and/or any other obligations assumed by Lessee.

6. TERMS OF PAYMENT. Lessor shall invoice Lessee during each month of the

Term for the Rental payable for such month. All Rental charges or other amounts payable by Lessee hereunder shall be due and payable to Lessor at its address in Houston, Texas within thirty (30) days following the date of the invoice from Lessor. Interest may be charged by Lessor and be payable by Lessee at a rate of 1 1/2% per month or at the maximum legal rate of interest, whichever is lower, on all amounts due hereunder not paid within such thirty (30) day period. If

the overdue account is placed in the hands of an attorney for collection or if suit is filed to collect the account, or any part thereof, Lessee agrees to pay all costs and a reasonable sum as attorney's fees in addition to the amount owing on the account.

7. CONDITION AND RETURN OF PIPE.

7.1. Lessee's Inspection. Lessee represents and warrants to Lessor that Lessee has inspected the Pipe and accepts the Pipe "AS IS, WHERE IS" with all faults and defects. Lessee warrants that the Pipe is in proper operating condition and that, as between Lessee and Lessor, the Pipe was delivered in premium condition. Lessee assumes all responsibility for the Pipe while out of the possession of Lessor and agrees to return the Pipe to Lessor in premium condition. Subject to Lessee acquiring the Pipe pursuant to the Purchase Option, Lessee shall return the Pipe to Lessor at the Yard at the end of the Term. Upon return of the Pipe to the Yard, Lessee shall pay for inspecting the Pipe to DSI, Category 5 standard by the operator of the Yard as directed by Lessor. Based on the results of such inspection, Lessee shall pay for any repairs or replacements required to place the Pipe in premium condition, as further described in Section 8 hereof.

7.2. WARRANTY DISCLAIMER. LESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO THE PIPE. LESSEE UNDERSTANDS AND AGREES THAT NO WARRANTY, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, IS GIVEN BY LESSOR OR TO BE IMPLIED WITH RESPECT TO THE CONDITION OF THE PIPE OR ITS UTILITY, SPECIFICATIONS, SUITABILITY, SALABILITY OR VALUE, OR WITH RESPECT TO ANY INFRINGEMENT CREATED BY ITS POSSESSION, OWNERSHIP OR USE. LESSOR SHALL NOT IN ANY EVENT BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

8. DAMAGED OR LOST PIPE. All Pipe lost or damaged beyond repair, will be paid for by the Lessee at the replacement value for new drill pipe inspected to DSI, Category 5. In the event Lessee shall return the Pipe to the Lessor in a damaged but repairable condition, Lessee shall promptly arrange and pay for all repairs to such damaged Pipe. Notwithstanding the foregoing, Lessor shall have the option to arrange and pay for all repairs necessary to restore the Pipe to its original condition, and to charge Lessee for such expense. In the event Lessor arranges and pays for the necessary repairs, Lessee agrees to pay Lessor for said repairs in accordance with Section 6 hereof. Accrued Rental charges cannot be applied against the Purchase Price or cost of repairs of such damaged

or lost Pipe.

9. DEFAULT. If (i) Lessee breaches its obligation to pay Rental charges when due, (ii) Lessee breaches any of the terms or conditions hereof, (iii) Lessee becomes insolvent, bankrupt, its financial responsibility becomes impaired, (iv) the Pipe or any part of it is abused or misused, or (v) Lessor deems itself insecure regarding its right to the Rentals or the Pipe or regarding the performance by Lessee of its obligations hereunder, then all Rental charges and/or repair charges and/or other claims of indebtedness arising hereunder shall at the sole option of Lessor and without notice be accelerated and becomes due and payable forthwith, and Lessee authorizes Lessor to enter, with or without legal process, any premises where the Pipe may be and take

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possession thereof without being liable to any suit or action or proceeding by Lessee. Upon Lessor's retaking possession of the Pipe, this Agreement shall terminate but said termination shall be without prejudice to the right of Lessor to receive all Rental payable during the twelve (12) month Term of this Agreement, any arrears of Rental, if any, or for damages on account of any preceding breach or breaches of the terms and conditions hereof.

10. LESSOR'S LIABILITY. All Pipe is used at the Lessee's sole risk and expense. Lessee assumes and shall be solely responsible for the entire risk and each and every cause or hazard of loss of any and all Pipe, whether caused by the manner of the use of said Pipe or any defect in the materials (latent or patent), workmanship, assembling or otherwise. Furthermore, Lessor shall not be liable for damages or losses of any kind whatsoever, whether subsurface or not, to any person, firm and/or corporation occasioned by or related to the use of the Pipe, whether used or operated by Lessee or its employees or whether resulting from the acts or omissions of any of the Lessor Group.

11. PURCHASE OPTION. Lessee shall have an option to purchase the Pipe at the end of the Term (the "Purchase Option"). Lessee may exercise the Purchase Option by providing written notice to Lessor that Lessee is exercising the Purchase Option at least thirty (30) days before the expiration of the Term. If Lessee timely exercises the Purchase Option, Lessee shall pay to Lessor Two Hundred Four Thousand Five Hundred and No/100 Dollars (\$204,500.00) (the "Purchase Price") on or before the last day of the Term. Lessor and Lessee acknowledge and agree that the Purchase Price represents a fair estimation of the depreciated value of the Pipe at the end of the Term. Notwithstanding any exercise of the Purchase Option by Lessee, Rental shall be payable for the full twelve (12) month Term of this Agreement and for any time thereafter prior to Lessor's receipt of the full amount of the Purchase Price from Lessee. If Lessee timely exercises the Purchase Option but fails to pay the full amount of the Purchase Price within fifteen (15) days after the end of the Term, Lessor at its sole option may terminate Lessee's right to acquire the Pipe pursuant to the Purchase Option, by providing written notice of such termination to Lessee. Any purchase

of the Pipe by Lessee pursuant to the Purchase Option shall be on an "AS IS, WHERE IS" basis, without any express or implied warranties by Lessor, including, without limitation, the implied warranties of merchantability and fitness for a particular purpose.

12. INDEMNITY BY LESSEE.

12.1. Release and Indemnity. Lessee hereby releases, and shall protect, indemnify, defend and hold harmless, Lessor Group from every kind and character of damages, losses, expenses, demands, claims, fines, penalties, liabilities, obligations, causes of action, costs, and expenses, including, without limitation, reasonable attorney's fees (collectively, a "Claim"), arising in favor of any of the Lessee Group or any third party on account of personal injuries, emotional illness or suffering, psychological injury, death or damage to or loss of property, or any other economic harm, arising, directly or indirectly, in connection with the Pipe (including, without limitation, Lessee's possession, use and transportation thereof) or this Agreement (but excluding Claims by Lessee for breach of this Agreement by Lessor). Lessee at its own expense shall defend any Claim brought against any of Lessor Group and shall pay all damages, costs and expenses, including, without limitation, attorney's fees, in connection therewith or in any manner resulting therefrom.

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12.2. Automatic Reduction of Insurance and Indemnities. If it is judicially determined that the monetary limits of insurance required hereunder or of the indemnities voluntarily and mutually assumed hereunder (which shall be supported either by available liability insurance, under which the insurer has no right of subrogation against the indemnities, or voluntarily self-insured in part or whole) exceed the maximum limits permitted under applicable law, the insurance requirements or indemnities shall automatically be amended to conform to the maximum monetary limits permitted under applicable law.

12.3. UNIVERSAL PROVISION APPLICABLE TO ALL INDEMNITY OBLIGATIONS IN THIS AGREEMENT. THE INTENT AND EXPRESS AGREEMENT OF THE PARTIES HERETO IS THAT ALL INDEMNITY OBLIGATIONS AND LIABILITIES ASSUMED BY LESSEE IN FAVOR OF LESSOR GROUP UNDER THE TERMS OF THIS AGREEMENT BE WITHOUT MONETARY LIMIT AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF, INCLUDING, BUT NOT LIMITED TO (A) PRE-EXISTING CONDITIONS OR DEFECTS, (B) THE UNSEAWORTHINESS OF ANY VESSEL OR VESSELS, (C) THE NEGLIGENCE OR OTHER MISCONDUCT OF ANY OF LESSOR GROUP (WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, OR CONCURRENT, ACTIVE OR PASSIVE, ORDINARY OR GROSS), (D) THE FAULT OR RESPONSIBILITY OF ANY OF LESSOR GROUP UNDER ANY OTHER CONTRACT OR ANY STATUTE, RULE, OR THEORY OF LAW, INCLUDING, BUT NOT LIMITED TO, BREACH OF EXPRESS WARRANTY AND STRICT LIABILITY, (E) MISREPRESENTATION,

(F) LIABILITY DUE TO BREACH OF ANY LEGAL DUTY, AND (G) AN INDEMNIFICATION AGREEMENT WITH A THIRD PARTY. THIS AGREEMENT SHALL CREATE NO RIGHT OF ACTION IN ANY PERSON NOT A PARTY HEREUNDER OR NOT SPECIFICALLY IDENTIFIED AS A MEMBER OF LESSOR GROUP. LESSEE AGREES TO INVESTIGATE, DEFEND AND/OR SETTLE ANY CLAIM OR SUIT FOR WHICH IT IS OBLIGATED TO PROVIDE INDEMNIFICATION HEREUNDER, TO BEAR ALL COSTS AND EXPENSES RELATED THERETO AS THEY ARE INCURRED (INCLUDING, BUT NOT LIMITED TO, COURT COSTS AND ATTORNEY'S FEES), AND TO SATISFY ANY JUDGMENTS OR DECREES WHICH MAY BE ENTERED THEREIN.

12.4. Certain Definitions. As used herein, "Lessee Group" shall mean each of Lessee and its affiliates, subsidiaries, partners, joint venturers, customers and contractors of any tier, and each of their respective officers, directors, shareholders, owners, members, managers, agents, servants, employees, guests, invitees and insurers, and "Lessor Group" shall mean each of Lessor and its affiliates, subsidiaries, joint venturers, partners, and contractors of any tier, and each of their respective officers, directors, shareholders, owners, members, managers, agents, servants, employees, guests, invitees and insurers, but Lessor Group shall not include any of the Lessee Group.

12.5. Modification for Use of Pipe in State Waters. Lessee acknowledges that Lessor has entered into the provisions of this Section 12 based on Lessee's use of the Pipe in federal waters. Lessee shall give Lessor thirty (30) days prior written notice of any intent by Lessee to utilize the Pipe in any waters or other area subject to the jurisdiction of any state. In such event, Lessee agrees to enter into an amendment to this Agreement on such terms as reasonably requested by Lessor to ensure the maximum enforceability of Lessee's

assumption of the indemnity obligations and liabilities assumed by Lessee hereunder during such use of the Pipe while in the jurisdiction of any state.

13. REQUIRED INSURANCE.

13.1. Insurance Obligations. Without affecting the indemnity obligations or liabilities of Lessee Group or its insurer(s), at all times during the term of this Agreement, Lessee shall, at Lessee's sole expense, maintain with an insurance company or companies satisfactory to Lessor and authorized to do business in all areas, including but not limited to each state or country and adequate territorial and navigational limits, where the Pipe is or will be located, insurance coverages of the kind, and in the minimum amounts, as follows:

(a) Worker's Compensation Insurance in accordance with all applicable

state and federal laws and regulations, including occupational disease coverage. If the use of the Pipe hereunder will involve the use of watercraft or the Pipe will be used over water, Lessee shall provide insurance coverage, with territorial limits extended to include areas of transportation and operation under this Agreement, for liability under the U.S. Longshoreman and Harbor Worker's Compensation Act, the Outer Continental Shelf Lands Act, Death on the High Seas Act, and liability for admiralty benefits and damages under the Jones Act and general maritime law, with Marine and Voluntary Compensation Endorsement for transportation, maintenance, wage, and cure, and with limits of not less than \$500,000 per person and \$1,000,000 per occurrence. Such coverage shall further provide that a claim "in rem" shall be treated as a claim "in personam."

(b) Employer's Liability Insurance with minimum limits of \$1,000,000 per occurrence and maritime endorsement coverage, covering injury or death to any employee which may be outside the scope of the Worker's Compensation statute of each state in which the Pipe is or will be located or outside the scope of similar federal statutes if the Pipe is or will be located outside state jurisdiction.

(c) Comprehensive General Liability Insurance, including contractual liability insuring the indemnity agreement as set out in this Agreement and Lessee's Protective Liability Insurance covering work sublet, with minimum limits of \$1,000,000 applicable to bodily injury, sickness or death in any one occurrence and \$1,000,000 for loss or damage to property in any one occurrence. Such insurance shall also include (1) coverage for property damage due to blasting and explosion, structural property damage, underground property damage, and surface damage from blowout and cratering, (2) Completed Operations and/or Products Liability coverage, and (3) an endorsement to the policies stating that a claim "in rem" shall be treated as a claim "in personam."

(d) Comprehensive Automobile Liability Insurance covering owned, non-owned and hired vehicles used by Lessee with minimum limits of (1) \$500,000 applicable to bodily injury, sickness, or death of any one person, (2) \$1,000,000 for more than one person in any one occurrence, and (3) \$500,000 for damage to property in any one occurrence.

(e) Lessee shall carry or require the owners of the watercraft to carry: (1) Hull and Machinery insurance (including Collision Liability) in an amount not less than the market value of the watercraft, and (2) Protection and Indemnity Insurance in an amount not less than the market value of the watercraft or \$1,000,000, whichever is greater. Both of such insurance coverages shall provide adequate navigation limits to cover the use of the Pipe hereunder and shall have the Charterer's and/or Owner's

Limitation Clause deleted.

(f) Lessee shall carry or require the owners of the aircraft to carry: (1) All Risks Hull Insurance in an amount equal to the replacement value of the aircraft, and (2) Bodily Injury Liability, including Passenger Liability and Public Liability, of not less than \$1,000,000 per passenger seat in any one occurrence and \$1,000,000 for loss of or damage to property in any one occurrence. Such insurance shall include an endorsement for Guest Voluntary Settlement.

(g) Lessee shall carry a minimum limit of \$10,000,000 insurance coverage for each and every occurrence, which may be the combination of primary and excess liability or umbrella coverages.

13.2. Waiver of Subrogation Endorsements. Lessee shall cause all of Lessee's insurance policies to be endorsed to provide that all underwriters waive subrogation (whether by loan receipt, equitable assignment, or otherwise) against members of Lessor Group.

13.3. Additional Insured and Primary Coverage. Lessee shall cause all insurance policies provided by Lessee pursuant to Section 13.1 hereof to name Lessor Group as additional insured under all such policies, except for Worker's Compensation Insurance and Employer's Liability Insurance. All such insurance policies, except Worker's Compensation Insurance and Employer's Liability Insurance, shall be endorsed to provide that all such insurances are primary and non-contributing with any other insurance maintained by any member of Lessor Group.

13.4. Furnishing of Insurance Certificates and Policies. Within thirty (30) days after the Effective Date, Lessee shall furnish Lessor with Certificates of Insurance satisfactory to Lessor, which shall evidence that the coverages specified herein are in full force and effect and provide that such insurance policies shall not be canceled, reduced, or materially changed without thirty (30) days prior written notice to Lessor. If Lessor requests copies, Lessee moreover agrees to furnish Lessor with legible, complete copies of all insurance policies called for under this Agreement, including, but not limited to, all declarations pages, coverage provisions, terms, conditions, exclusions, endorsements and amendments. Failure of Lessor to object to Lessee's failure to furnish such Certificates of Insurance or to object to any defect therein shall not be deemed a waiver of Lessee's obligation to furnish the Certificates of Insurance and the insurance coverage described herein. Any deficiency in the coverages or amounts or policy limits of Lessee's insurance coverages required hereunder shall be the responsibility of Lessee.

14. TAXES AND CLAIMS.

14.1. Lessee Payment of Taxes, Licenses and Fees. Lessee shall pay all taxes, licenses, and fees levied or assessed on Lessee or on Lessee's payments to Lessor (excluding federal income taxes) in connection with or incident to Lessee's rental of the Pipe or this Agreement by any governmental agency. Lessee shall reimburse Lessor on demand for all taxes or governmental charges, state or federal, which Lessor may be required, or deem necessary, to pay on account of Lessee Group.

14.2. Liens and Indemnification for Liens. Lessee shall pay all claims for labor, materials, services, and supplies furnished to Lessee or Lessee Group and agrees to allow no lien or charge to be fixed on the Pipe or any other property of the Lessor Group. Lessee shall save, indemnify, protect, and hold harmless Lessor from and against all such claims and liens.

15. ASSIGNMENT. Lessee may not assign this Agreement in whole or in part without the prior written consent of Lessor. If Lessor consents to any assignment of this Agreement, Lessee (a) shall remain primarily liable for all liabilities and obligations of Lessee hereunder, and (b) agrees to have its assignee comply with all provisions of this Agreement. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the successors and assigns of Lessor and Lessee.

16. EXAMINATION AND INSPECTION. Lessee agrees to afford Lessor access to the Pipe for the purpose of examination and inspection at all reasonable times during the Term hereof.

17. NOTICES. All notices under this Agreement other than billing shall be in writing and shall be hand delivered or deposited in the U.S. mail, postage prepaid, addressed as follows:

To Lessee:

Attn:

To Lessor:

Chiles Offshore Inc.
11200 Richmond Avenue, Suite 490
Houston, Texas 77082
Attn: Accounts Receivable Dept.

18.1. The parties agree that time is of the essence under this Agreement.

18.2. The section and paragraph headings in this Agreement are for convenience only, and they shall not be employed to construe or interpret the provisions of this Agreement.

18.3. The rights herein given to either party hereto may be exercised from time to time, singularly or in combination, and the waiver of one or more of such rights shall not be deemed to be a waiver of such right in the future, or of any one or more of the other rights

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which the exercising party may have. No waiver of any breach of a term, provision or condition of this Agreement by one party shall be deemed to have been made by the other party hereto, unless such waiver is expressed in writing and signed by an authorized representative of such party. The failure of either party to insist upon the strict performance of any term, provision or condition of this Agreement, or to exercise any option herein given, shall not be construed as a waiver or relinquishment in the future of the same or any other term, provision, condition or option.

18.4. If any one or more of the provisions of this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been a part hereof.

18.5. If any litigation is commenced between the parties concerning this Agreement, the party prevailing in such litigation shall be entitled to the reasonable attorneys' fees and expenses of counsel, courts costs and other litigation expenses incurred by reason of such litigation.

19. GOVERNING LAW AND VENUE. THIS AGREEMENT SHALL BE CONSTRUED AND THE RELATIONS BETWEEN THE PARTIES DETERMINED IN ACCORDANCE WITH, TO THE EXTENT APPLICABLE, THE GENERAL MARITIME LAW OF THE UNITED STATES OF AMERICA, AND TO THE EXTENT NOT APPLICABLE, THE LAWS OF THE STATE OF TEXAS, NOT INCLUDING, HOWEVER, ANY OF THEIR CONFLICTS OF LAW RULES OR PROVISIONS WHICH WOULD DIRECT OR REFER TO THE LAWS OF ANOTHER JURISDICTION. THE EXCLUSIVE VENUE AND JURISDICTION FOR THE ENFORCEMENT OF ANY RIGHT, BENEFIT, REMEDY OR CAUSE OF ACTION UNDER OR DECLARATION REFERABLE TO THIS AGREEMENT SHALL BE THE FEDERAL OR STATE DISTRICT COURTS IN HARRIS COUNTY, TEXAS. EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO BE SUBJECT TO SUCH VENUE AND JURISDICTION IN HARRIS COUNTY, TEXAS AND ACKNOWLEDGES THAT SAID COUNTY IS THE EXCLUSIVE COUNTY FOR VENUE AND JURISDICTIONAL PURPOSES.

20. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between Lessee and Lessor regarding the subject matter hereof, and supersedes all previous communications, representations, or agreements, either oral or written, with respect to such subject matter. No agreement or understanding varying or extending the terms hereof will be binding on either party unless written and duly executed by an authorized representative of each party. The execution by any Company employee or representative of any receipt or similar document prepared by Lessee and containing any contrary or additional terms shall not modify or add to the terms of this Agreement or create a new agreement.

IN WITNESS WHEREOF, Lessor and Lessee have caused their duly authorized representatives to execute this Agreement effective as of the date first referenced above.

CHILES OFFSHORE INC.

By: /s/ DONALD B. GREGG

Name: Donald B. Gregg

Title: Senior VP - Operations and Engineering

HERCULES OFFSHORE CORPORATION

By: /s/ THOMAS J. SEWARD II

Name: Thomas J. Seward II

Title: _____

EXHIBIT A

To
Drill Pipe Rental Agreement
Between Hercules Offshore Corporation and Chiles Offshore Inc.
Dated February 25, 2002

521 Joints (approximately 16,150 linear feet) 5" Grade S-135 upset H Series
Drill Pipe as follows:

Pipe O.D. 5" 19.50 lb., IUE Upset, Range 2, NC 50 Connections, 6 5/8' O.D.
Tool Joints. Tool Joint I.D. 3 1/4", 9" Pin, 12" Box Arnco 200XTHard
Banding, Box Only. Internally Plastic Coated.

Manufactured in accordance with Chiles Offshore Inc. Specification CODPSpRv4