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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2000 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______________________ to ______________________

Commission file number 1-12289

SEACOR SMIT INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-3542736
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification No.)

11200 Richmond Avenue 400, Houston Texas	77082
(Address of principal executive offices)	(Zip Code)

(713) 782-5990

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

The total number of shares of Common Stock, par value $.01 per share, outstanding as of August 9, 2000 was 16,982,260. The Registrant has no other class of common stock outstanding.

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SEACOR SMIT INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEACOR SMIT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA, UNAUDITED)

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	June 30, 2000	December 31, 1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 175,854	$ 178,509
Marketable securities (available-for-sale)	23,173	18,196
Trade and other receivables, net of allowance for doubtful accounts of $1,557 and $1,567, respectively	94,701	69,501
Prepaid expenses and other	6,357	15,810

Total current assets	300,085	282,016
Investments, at Equity, and Receivables from 50% or Less Owned Companies	71,955	77,276
Available-for-Sale Securities	54,546	54,809
Property and Equipment	942,691	859,012
Less - Accumulated depreciation	183,951	143,815
Net property and equipment	758,740	715,197
Restricted Cash	10,823	21,985
Other Assets	45,822	45,708
	$ 1,241,971	$ 1,196,991

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current portion of long-term debt	$ 2,829	$ 2,832
Accounts payable and accrued expenses	35,882	29,757
Other current liabilities	38,752	16,403
Total current liabilities	77,463	48,992
Long-term Debt	458,594	465,661
Deferred Income Taxes	105,516	101,704
Deferred Gains and Other Liabilities	22,721	35,783
Minority Interest in Subsidiaries	55,076	36,721
Stockholders' Equity:		
Common stock, $.01 par value, 21,413,598 and 21,353,259 issued, respectively	214	214
Additional paid-in capital	277,123	274,979
Retained earnings	379,542	368,022
Less 4,431,338 and 4,401,426 treasury shares, respectively	(131,888)	(131,183)
Less unamortized restricted stock compensation	(1,439)	(1,110)
Accumulated other comprehensive income	(951)	(2,792)
Total stockholders' equity	522,601	508,130
	$ 1,241,971	$ 1,196,991

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The accompanying notes are an integral part of these financial statements and should be read in conjunction herewith.

SEACOR SMIT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA, UNAUDITED)

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Operating Revenues	$ 85,144	$ 68,475	$ 158,088	$ 146,196
Costs and Expenses:				
Operating expenses	51,075	41,176	93,608	82,871
Administrative and general	9,579	8,390	19,014	16,568
Depreciation and amortization	13,088	9,803	24,989	19,128
	73,742	59,369	137,611	118,567
Operating Income	11,402	9,106	20,477	27,629
Other Income (Expense):				
Interest on debt	(7,412)	(5,799)	(14,354)	(11,216)
Interest income	4,133	5,474	8,121	11,445
Gain from equipment sales and retirements, net	2,572	661	5,108	955
Other, net	(792)	(511)	181	(1,770)
	(1,499)	(175)	(944)	(586)
Income Before Income Taxes, Minority Interest, Equity in Earnings (Losses) of 50% or Less Owned Companies, and Extraordinary Item	9,903	8,931	19,533	27,043
Income Tax Expense	3,049	3,081	6,419	9,330
Income Before Minority Interest, Equity in Earnings (Losses) of 50% or Less Owned Companies, and Extraordinary Item	6,854	5,850	13,114	17,713

Minority Interest in (Income) Loss of Subsidiaries	(1,438)	93	(1,210)	(275)
Equity in Earnings (Losses) of 50% or Less Owned Companies	(376)	274	(384)	2,058
Income Before Extraordinary Item	5,040	6,217	11,520	19,496
Extraordinary Item - Gain from Extinguishment of Debt, net of tax	-	-	-	260
Net Income	$ 5,040	$ 6,217	$ 11,520	$ 19,756
Basic Earnings Per Common Share:				
Income before extraordinary item	$ 0.30	$ 0.34	$ 0.68	$ 1.06
Extraordinary item	-	-	-	0.01
Net income	$ 0.30	$ 0.34	$ 0.68	$ 1.07
Diluted Earnings Per Common Share:				
Income before extraordinary item	$ 0.29	$ 0.34	$ 0.68	$ 1.00
Extraordinary item	-	-	-	0.01
Net income	$ 0.29	$ 0.34	$ 0.68	$ 1.01
Weighted Average Common Shares:				
Basic	16,885,675	18,144,611	16,845,429	18,341,090
Diluted	17,114,389	18,343,571	17,057,075	22,769,846

</TABLE>

The accompanying notes are an integral part of these financial statements and should be read in conjunction herewith.

SEACOR SMIT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

<TABLE>
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	Six Months Ended June 30, 2000	1999
<S>	<C>	<C>
Net Cash Provided by Operating Activities	$ 19,618	$ 18,865

Cash Flows from Investing Activities:		
Purchase of property and equipment	(34,319)	(102,978)
Proceeds from sale of marine vessels and equipment	12,581	15,123
Purchase of available-for-sale securities	(17,388)	(7,400)
Proceeds from sale of available-for-sale securities	19,477	62,051
Investments in and advances to 50% or less owned companies	(927)	(7,419)
Principal payments on notes due from 50% or less owned companies	231	2,159
Net decrease in restricted cash	11,162	29,947
Dividends received from 50% or less owned companies	6,250	700
Cash settlement from commodity price hedging arrangements	(803)	2,443
Acquisitions, net of cash acquired	(14,666)	(4,959)
Other, net	(13)	124
Net cash used in investing activities	(18,415)	(10,209)
Cash Flows from Financing Activities:		
Payments of long-term debt	(15,396)	(3,639)
Payments of capital lease obligations	(826)	(783)
Payments of stockholders' loans	(258)	(240)
Proceeds from issuance of long-term debt	99	-
Proceeds from exercise of stock options	379	-
Common stock acquired for treasury	(4,776)	(23,511)
Proceeds from membership interest offering of Chiles Offshore LLC	17,651	-
Other	(102)	-
Net cash used in financing activities	(3,229)	(28,173)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(629)	(991)
Net Decrease in Cash and Cash Equivalents	(2,655)	(20,508)
Cash and Cash Equivalents, Beginning of Period	178,509	175,267
Cash and Cash Equivalents, End of Period	$ 175,854	$ 154,759

</TABLE>

The accompanying notes are an integral part of these financial statements and should be read in conjunction herewith.

SEACOR SMIT INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION --

The condensed consolidated financial information for the three and six-month periods ended June 30, 2000 and 1999 has been prepared by the Company and was not audited by its independent public accountants. In the opinion of management, all adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Company at June 30, 2000 and for all reported periods. Results of operations for the interim periods presented are not necessarily indicative of the operating results for the full year or any future periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

Unless the context otherwise indicates, any references in this Quarterly Report on Form 10-Q to the "Company" refer to SEACOR SMIT Inc. and its consolidated subsidiaries, and any references in this Quarterly Report on Form 10-Q to "SEACOR" refer to SEACOR SMIT Inc.

Certain reclassifications of prior year information have been made to conform with the current year presentation.

2. RECENT ACCOUNTING PRONOUNCEMENTS --

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair market value. SFAS 133 requires that changes in the derivative's fair market value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" ("SFAS 137"). SFAS 137 is an amendment of SFAS 133 and defers the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. The Company has not yet quantified the impact on its financial statements but does not believe adoption will have a material impact on net income, comprehensive income, and accumulated other comprehensive income.

3. COMPREHENSIVE INCOME --

For the three-month periods ended June 30, 2000 and 1999, total comprehensive income was $4,833,000 and $5,188,000, respectively. For the six-month periods ended June 30, 2000 and 1999, total comprehensive income was $13,360,000 and $17,853,000, respectively. Other comprehensive income in 2000 included unrealized holding gains on available-for-sale securities and losses from foreign currency translation adjustments and other comprehensive losses in 1999 included losses from foreign currency translation adjustments and unrealized holding losses on available-for-sale securities.

4. COMMON STOCK SPLIT --

On May 23, 2000, SEACOR's Board of Directors authorized a three-for-two stock split effected in the form of a dividend that was distributed on June 15, 2000. Shareholders of record as of June 2, 2000 received one additional share of SEACOR's common stock, par value $.01 per share ("Common Stock") for every two

shares they owned on that date, and 7,137,801 shares were distributed. Shareholders' Equity has been restated to give retroactive recognition to the stock split for all periods presented by reclassifying from additional paid-in capital to common stock the par value of the additional shares arising from the split. Additionally, except as otherwise indicated, share and per share amounts and stock option and convertible securities data have been restated.

5. 2000 EMPLOYEE STOCK PURCHASE PLAN --

On May 23, 2000, the stockholders of SEACOR approved the 2000 Employee Stock Purchase Plan (the "Stock Purchase Plan") that permits SEACOR to offer Common Stock for purchase by eligible employees at a price equal to 85% of the lesser of (i) the fair market value of Common Stock on the first day of the offering period or (ii) the fair market value of Common Stock on the last day of the offering period. Common Stock will be offered for purchase under the Stock Purchase Plan for six-month periods. 300,000 shares of Common Stock are available for issuance under the Stock Purchase Plan during the ten years following its adoption.

Eligible employees may accumulate savings through payroll deductions over an offering period in order to purchase Common Stock at the end of such period. Purchases of Common Stock under the Stock Purchase Plan may only be made with accumulated savings from payroll deductions, and an employee cannot complete such purchases using other resources. All employees who have been continuously employed by SEACOR's participating subsidiaries for at least six months and who regularly work more than 20 hours a week and more than five months a year are eligible to participate in the Stock Purchase Plan.

The Stock Purchase Plan is intended to comply with section 423 of the Internal Revenue Code of 1986, as amended (the "Code") but is not intended to be subject to section 401(a) of the Code or the Employee Retirement Income Security Act of 1974. The Board of Directors of SEACOR may amend or terminate the Stock Purchase Plan at any time; however, no increase in the number of shares of Common Stock reserved for issuance under the Stock Purchase Plan may be made without shareholder approval.

6. 2000 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS --

On May 23, 2000, the stockholders of SEACOR approved a 2000 Stock Option Plan for Non-Employee Directors (the "Non-Employee Director Plan"). Under the Non-Employee Director Plan, each member of the Board of Directors who is not an employee of SEACOR or any subsidiary will be granted an option to purchase 3,000 shares of Common Stock on the date of each annual meeting of the stockholders of SEACOR through and including the 2004 Annual Meeting of Stockholders. The exercise price of the options granted under the Non-Employee Director Plan will be equal to 100% of the fair market value per share of Common Stock on the date the options are granted. 150,000 shares of Common Stock have been reserved for issuance under the Non-Employee Director Plan.

Options granted under the Non-Employee Director Plan will be exercisable at any time following the earlier of the first anniversary of, or the first annual meeting of SEACOR's stockholders after, the date of grant, for a period of up to ten years from date of grant. Subject to the accelerated vesting of options upon a non-employee Director's death or disability, if a non-employee Director's service as a director of SEACOR is terminated, his or her options will terminate with respect to the shares of Common Stock as to which such options are not then exercisable. A non-employee Director's options that are vested but not exercised may, subject to certain exceptions, be exercised within three months after the date of termination of service as a director in the case of termination by reason of voluntary retirement, failure of SEACOR to nominate such director for re-election or failure of such director to be re-elected by stockholders after nomination by SEACOR, or within one year in the case of termination of service as a director by reason of death or disability.

7. EARNINGS PER SHARE --

Basic earnings per share were computed based on the weighted average number of common shares issued and outstanding during the relevant periods. Diluted earnings per share were computed based on the weighted average number of common shares issued and outstanding plus all potentially dilutive common shares that would have been outstanding in the relevant periods assuming the vesting of

restricted stock grants and the issuance of common shares for stock options and convertible subordinated notes through the application of the treasury stock and if-converted methods. In the three-month periods ended June 30, 1999 and 2000 and six-month period ended June 30, 2000, the assumed conversion of the Company's convertible subordinated notes and certain of its stock options and restricted stock grants into 4,271,241, 4,127,270, and 4,157,270 shares, respectively, of Common Stock and the add-back to income of interest charges on

the convertible subordinated notes, totaling $1,693,000, $1,650,000, and $3,301,000, respectively, were excluded from the computation of diluted earnings per share as the effect was antidilutive. The computation of diluted earnings per share for the six-month period ended June 30, 1999 excludes the assumed conversion of certain stock options and restricted stock grants into 46,601 shares of Common Stock as the effect was antidilutive.

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	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	Income	Shares	Per Share	Income	Shares	Per Share
2000						
BASIC EARNINGS PER SHARE:						
Income Before Extraordinary Item	$ 5,040,000	16,885,675	$ 0.30	$ 11,520,000	16,845,429	$ 0.68
EFFECT OF DILUTIVE SECURITIES, NET OF TAX:						
Options and Restricted Stock	-	228,714		-	211,646	
Convertible Securities	-	-		-	-	
DILUTED EARNINGS PER SHARE:						
Income Available to Common Stockholders Plus Assumed Conversions	$ 5,040,000	17,114,389	$ 0.29	$ 11,520,000	17,057,075	$ 0.68
1999						
BASIC EARNINGS PER SHARE:						
Income Before Extraordinary Item	$ 6,217,000	18,144,611	$ 0.34	$ 19,496,000	18,341,090	$ 1.06
EFFECT OF DILUTIVE SECURITIES, NET OF TAX:						
Options and Restricted Stock	-	198,960		-	184,440	
Convertible Securities	-	-		3,386,000	4,244,316	
DILUTED EARNINGS PER SHARE:						
Income Available to Common Stockholders Plus Assumed Conversions	$ 6,217,000	18,343,571	$ 0.34	$ 22,882,000	22,769,846	$ 1.00

</TABLE>

8. VESSEL ACQUISITIONS AND DISPOSITIONS --

On April 19, 2000, the Company completed the acquisition of all of the issued share capital of Putford Enterprises Ltd. and associated companies (collectively "Boston Putford"). The acquisition includes Boston Putford's standby safety vessels ("SBSV"), certain joint venture interests, and fixed assets, for an aggregate purchase price of approximately (pound)23,000,000 or $36,400,000 based upon exchange rates in effect on April 19, 2000. Boston Putford's SBSV fleet, including vessels held in joint ventures, but excluding vessels managed for third parties, consists of 18 vessels operating primarily in the southern UK sector of the North Sea. The purchase consideration consists of (pound)14,200,000 in cash, 83,615 shares of Common Stock (125,423 shares after adjustment for the stock split), a (pound)5,000,000 five year, fixed coupon note, and a (pound)2,500,000 five year, fixed coupon note, which is subject to offset if Boston Putford does not meet certain earnings targets. The notes combined had a fair value of (pound)6,200,000.

During the first six months of 2000, the Company took delivery of a recently constructed anchor handling towing supply and crew vessel and also acquired three towing supply vessels. The Company's obligation to pay for two of the towing supply vessels has been deferred until termination of existing bareboat charter-in arrangements. At June 30, 2000, the deferred obligation, approximating $14,800,000, is reported in Other Current Liabilities of the accompanying Condensed Consolidated Balance Sheet.

In the six-month period ended June 30, 2000, the Company sold 10 offshore marine vessels. Net pre-tax gains from those sales and the disposition of other equipment totaled $5,108,000. Proceeds from the sale of certain of the vessels were deposited into restricted cash accounts for purposes of acquiring newly constructed U.S.-flag vessels and qualifying for the Company's temporary deferral of taxable gains realized from the sale of the vessels.

9. SEGMENT DATA --

The Company aggregates its business activities into three primary operating segments: marine, environmental, and drilling. These operating segments represent strategic business units that offer different services. The marine service segment charters support vessels to owners and operators of offshore drilling rigs and production platforms. The marine segment also offers logistics services, which include shorebase, marine transport, and other supply chain management services in support of offshore exploration and production operations. The environmental service segment provides contractual oil spill response and other related training and consulting services. The drilling

service segment conducts its business affairs through Chiles Offshore LLC ("Chiles"), an entity in which the Company owns a majority ownership interest and whose business purpose is to own and operate offshore drilling rigs. Since inception in 1997 and until July 1999, Chiles operated as a development stage company, devoting substantially all its efforts to constructing two mobile offshore drilling rigs, raising capital, and securing contracts for the rigs. The first rig, the Chiles Columbus, entered service in June 1999 and the second rig, the Chiles Magellan, entered service in November 1999. In April 2000, Chiles commenced operation of the Tonala, a bareboat chartered-in rig.

The Company evaluates the performance of each operating segment based upon the operating profit of the segment and includes net gains from the sale of equipment and equity in the earnings (losses) of 50% or less owned companies but excludes minority interest in income (losses) of subsidiaries, interest income and expense, gains (losses) from the sale of marketable securities and commodity swap transactions, corporate expenses, and income taxes. Operating profit is defined as Operating Income as reported in the Consolidated Statements of Operations net of corporate expenses and certain other income and expense items. The accounting policies of the operating segments have not changed from those previously described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999. The table presented below sets forth operating revenues and profits by the Company's various business segments, in thousands of dollars, and these results may differ from separate financial statements of subsidiaries of the Company due to certain elimination entries required in consolidation.

<TABLE>
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<S>	Marine <C>	Environmental <C>	Drilling <C>	Other <C>	Total <C>
FOR THE THREE MONTHS ENDED JUNE 30, 2000:					
Operating Revenues -					
External Customers	$ 64,429	$ 6,406	$ 14,309	$ -	$ 85,144
Intersegment	74	-	-	(74)	-
Total	$ 64,503	$ 6,406	$ 14,309	$ (74)	$ 85,144
Operating Profit (Loss)	$ 5,847	$ 566	$ 5,901	$ (3)	$ 12,311
Gains from Equipment Sales and Retirements, net	2,569	3	-	-	2,572
Equity in Earnings (Losses) of 50% or Less Owned Companies	668	94	-	(1,635)	(873)
Minority Interest in Income of Subsidiaries	-	-	-	(1,438)	(1,438)
Interest Income	-	-	-	4,133	4,133
Interest Expense	-	-	-	(7,412)	(7,412)
Losses from Commodity Swap Transactions, net	-	-	-	(678)	(678)
Gains from Sale of Marketable Securities	-	-	-	393	393
Corporate Expenses	-	-	-	(1,417)	(1,417)
Income Taxes	-	-	-	(2,551)	(2,551)
Income before Extraordinary Item	$ 9,084	$ 663	$ 5,901	$ (10,608)	$ 5,040
FOR THE THREE MONTHS ENDED JUNE 30, 1999:					
Operating Revenues -					
External Customers	$ 61,811	$ 5,198	$ 528	$ 938	$ 68,475
Intersegment	-	38	-	(38)	-
Total	$ 61,811	$ 5,236	$ 528	$ 900	$ 68,475
Operating Profit (Loss)	$ 8,806	$ 1,140	$ (336)	$ 58	$ 9,668
Gains from Equipment Sales and Retirements, net	657	4	-	-	661
Equity in Earnings (Losses) of 50% or Less Owned Companies	540	136	-	(495)	181
Minority Interest in Loss of Subsidiaries	-	-	-	93	93
Interest Income	-	-	-	5,474	5,474
Interest Expense	-	-	-	(5,799)	(5,799)
Losses from Commodity Swap Transactions, net	-	-	-	(293)	(293)
Gains from Sale of Marketable Securities	-	-			

	Marine	Environmental	Drilling	Other	Total
			-	226	226
Corporate Expenses	-	-	-	(1,006)	(1,006)
Income Taxes	-	-	-	(2,988)	(2,988)
Income before Extraordinary Item	$ 10,003	$ 1,280	$ (336)	$ (4,730)	$ 6,217
FOR THE SIX MONTHS ENDED JUNE 30, 2000:					
Operating Revenues -					
External Customers	$ 124,508	$ 10,925	$ 22,655	$ -	$ 158,088
Intersegment	211	-	-	(211)	-
Total	$ 124,719	$ 10,925	$ 22,655	$ (211)	$ 158,088
Operating Profit (Loss)	$ 12,571	$ 842	$ 8,730	$ (3)	$ 22,140
Gains from Equipment Sales and Retirements, net	5,102	6	-	-	5,108
Equity in Earnings (Losses) of 50% or Less Owned Companies	1,371	270	-	(2,816)	(1,175)
Minority Interest in Income of Subsidiaries	-	-	-	(1,210)	(1,210)
Interest Income	-	-	-	8,121	8,121
Interest Expense	-	-	-	(14,354)	(14,354)
Losses from Commodity Swap Transactions, net	-	-	-	(1,079)	(1,079)
Gains from Sale of Marketable Securities	-	-	-	2,351	2,351
Corporate Expenses	-	-	-	(2,754)	(2,754)
Income Taxes	-	-	-	(5,628)	(5,628)
Income before Extraordinary Item	$ 19,044	$ 1,118	$ 8,730	$ (17,372)	$ 11,520

	Marine	Environmental	Drilling	Other	Total
FOR THE SIX MONTHS ENDED JUNE 30, 1999:					
Operating Revenues -					
External Customers	$ 134,208	$ 10,522	$ 528	$ 938	$ 146,196
Intersegment	-	106	-	(106)	-
Total	$ 134,208	$ 10,628	$ 528	$ 832	$ 146,196
Operating Profit (Loss)	$ 26,949	$ 2,118	$ (541)	$ 58	$ 28,584
Gains from Equipment Sales and Retirements, net	954	1			

			-	-	955
Equity in Earnings (Losses) of 50% or Less Owned Companies	2,209	412	-	(495)	2,126
Minority Interest in Income of Subsidiaries	-	-	-	(275)	(275)
Interest Income	-	-	-	11,445	11,445
Interest Expense	-	-	-	(11,216)	(11,216)
Gains from Commodity Swap Transactions, net	-	-	-	66	66
Losses from Sale of Marketable Securities	-	-	-	(740)	(740)
Corporate Expenses	-	-	-	(2,051)	(2,051)
Income Taxes	-	-	-	(9,398)	(9,398)
Income before Extraordinary Item	$ 30,112	$ 2,531	$ (541)	$ (12,606)	$ 19,496

</TABLE>

10. RECENT CHILES DEVELOPMENTS --

On April 6, 2000, Chiles entered into an agreement with Singapore shipyard Keppel FELS Limited ("Keppel") to build a KFELS MOD V "B" design, cantilevered jackup drilling rig (the "Chiles Discovery"). Construction cost is estimated not to exceed $110,000,000, including equipment furnished by the owner. The KFELS MOD V "B" is a proprietary design owned by Keppel that has been modeled on the MOD V "harsh-environment" jackups. It will be delivered with a leg length between 475 and 545 feet.

In connection with contracting for construction of the Chiles Discovery, Chiles signed a commitment letter with a Non-U.S. based lender, which is affiliated with the shipyard, to provide a maximum of $82,000,000 of floating rate debt to partially fund the rig's construction. The commitment letter relating to this loan provides for an interest rate equal to LIBOR plus 200 basis points on a $75,000,000 term loan due upon the earlier of 22 months from Chiles' first borrowing or delivery of the Chiles Discovery and LIBOR plus 300 basis points on a $7,000,000 revolving loan available to pay interest on the term loan. Chiles will be able to refinance the entire facility for an additional 18 months at a fixed rate to be determined at that time based on a bank cost of funds rate plus 300 basis points. Chiles expects to enter into a definitive loan agreement during the third quarter of 2000, but there is no assurance that Chiles will be able to successfully negotiate such agreement. Chiles expects the loan will be secured by a first mortgage on the Chiles Discovery and any other assets held by the rig owning subsidiary of Chiles.

In May 2000, Chiles raised an additional $33,000,000 of equity from existing and new equity investors that included $15,200,000 funded by the Company. Chiles received $32,800,000 of net proceeds after offering costs. After giving effect for this offering, the Company's ownership interest in Chiles declined from 58.3% to 55.4%. With borrowings from the Non-U.S. based lender described above and this equity offering, it is management's belief that adequate capital will be available to successfully complete the construction of the Chiles Discovery.

Chiles has also executed an option agreement with Keppel to construct three additional rigs. Subject to a successful completion of the Chiles IPO (as defined below), Chiles intends to exercise the first of the construction options and build a rig of similar design to the Chiles Discovery (the "New Option Rig"), at a cost estimated not to exceed $112,000,000. Chiles expects to finance the New Option Rig's construction costs with proceeds from its initial public offering, as described below, and issuance of notes or bonds guaranteed by the U.S. government under a ship financing program administered by the U.S. Maritime Administration ("MarAd") or borrowings under a new bank facility, the definitive terms of which are currently under negotiation, as described below.

Chiles has received a commitment for a new $120,000,000 bank facility (the "New Chiles Bank Facility"), which would replace its existing $40,000,000 bank

facility. Subject to a successful completion of the Chiles IPO (as defined below), Chiles expects to enter into a definitive credit agreement for the New Chiles Bank Facility during the third quarter of this year. The New Chiles Bank Facility will be secured by ship mortgages on the Chiles Columbus and the Chiles

Magellan, as well as assignments of the construction contract and related agreements regarding the New Option Rig. The New Chiles Bank Facility will bear interest at a variable rate equal to LIBOR plus a margin ranging between 150 to 200 basis points, depending on the extent of Chiles' borrowings. The commitment letter provides that the New Chiles Bank Facility will be a reducing revolving facility with a seven-year maturity. The New Chiles Bank Facility is expected to contain a number of restrictive covenants that would include the maintenance of certain financial ratios and limitations on levels of indebtedness.

On June 15, 2000, Chiles filed a registration statement for an initial public offering of its common stock (the "Chiles IPO"). If the Chiles IPO is consummated, Chiles expects to use the proceeds to retire its outstanding 10% Senior Notes Due 2008 (the "Chiles 10% Notes") and fund further growth and working capital. SEACOR currently owns approximately $26,700,000 aggregate principal amount of the Chiles 10% Notes and has an economic interest in substantially all of the remaining outstanding Chiles 10% Notes, comprising approximately $68,300,000 aggregate principal amount. SEACOR and the other holders of the Chiles 10% Notes have agreed to sell their holdings in the Chiles 10% Notes to Chiles at a price equal to the par value of the Chiles 10% Notes, plus accrued and unpaid interest to the purchase date. Retirement of the Chiles 10% Notes would result in SEACOR's recognition of pre-tax gain that would have approximated $9,100,000 at June 30, 2000.

The consummation of the Chiles IPO would result in SEACOR's deconsolidation of Chiles as a majority owned subsidiary and the commencement of accounting for its investment in Chiles under the equity method.

On July 20, 2000, Chiles entered into an agreement with Perforadora Central, S.A. de C.V. ("Perforadora"), Perforadora's parent and that parent's stockholders to acquire, through a series of transactions, all of the shares of capital stock of an entity that would own the Tonala, a rig that Chiles currently operates under a bareboat charter with Perforadora. Under the terms of that agreement, these stockholders would receive shares of Chiles common stock and Chiles would also assume approximately $64,600,000 aggregate principal amount of debt guaranteed by MarAd and incurred by Perforadora to construct the Tonala. Chiles' management estimates that following the completion of Chiles' IPO and the acquisition of the Tonala, former owners of the Tonala would hold approximately 13.8% of Chiles' outstanding common stock. The MarAd guaranteed debt bears interest at the rate of 5.6% per year until its maturity in 2010. The transaction is subject to a number of conditions, including approval by MarAd and consummation of the Chiles IPO.

11. COMMITMENTS AND CONTINGENCIES --

As of June 30, 2000, the Company was committed to the construction of nine crew vessels for an approximate aggregate cost of $39,000,000 of which $3,220,000 has been expended. These offshore marine vessels will be delivered during the next two years.

At June 30, 2000, the Company was committed to acquire 24 newly constructed hopper barges for an approximate aggregate cost of $6,288,000. Delivery of the barges is expected during the third quarter of 2000.

At December 31, 1999, joint venture corporations, in which the Company owns a 50% equity interest, were committed to the construction of two Handymax Dry-Bulk ships. During 2000, one of the ships was sold; however, one of the joint ventures remains committed to the construction of one ship for an approximate cost of $19,500,000, 75% of which is expected to be financed from external sources. The ship is expected to enter service in 2001.

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

When included in this Quarterly Report on Form 10-Q or in documents incorporated herein by reference, the words "expects," "intends," "anticipates," "believes," "estimates," and analogous expressions are intended to identify forward-looking statements. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, industry fleet capacity, changes in foreign and domestic oil and gas exploration and production activity, competition, changes in foreign political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, customer preferences and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company expressly disclaims any obligation or undertaking to release publicly any updates or any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

OFFSHORE MARINE SERVICES

The Company provides marine transportation, logistics, and related services largely dedicated to supporting offshore oil and gas exploration and production. Marine transportation services are provided through the operation, domestically and internationally, of offshore support vessels. The Company's vessels deliver cargo and personnel to offshore installations, tow and handle the anchors of drilling rigs and other marine equipment, support offshore construction and maintenance work, and provide standby safety support. The Company's vessels are also used for special projects, such as well stimulation, seismic data gathering, freight hauling, line handling, salvage, and oil spill emergencies. Logistics services include shorebase, marine transport, and other supply chain management services in support of offshore exploration and production operations.

Operating revenues are affected primarily by the number of vessels owned, average rates per day worked and utilization of the Company's fleet, and the number of vessels bareboat and time chartered-in.

Opportunities to buy and sell vessels are actively monitored by the Company to maximize overall fleet utility and flexibility. The size of the Company's fleet has grown substantially since 1994 due to the acquisition and construction of vessels and the investment in joint venture companies that own and operate vessels. The Company has also sold many vessels from its fleet, particularly those that are less marketable. Since 1997, proceeds from the sale of certain vessels have been deposited into restricted cash accounts for purposes of acquiring newly constructed U.S.-flag vessels and qualifying for the Company's temporary deferral of taxable gains realized from the sale of those vessels. At June 30, 2000, the Company was committed to the construction of nine crew vessels that are expected to enter service during the next two years.

Rates per day worked and utilization of the Company's fleet are a function of demand for and availability of marine vessels, which are closely aligned with the level of exploration and development of offshore areas. The level of exploration and development of offshore areas is affected by both short-term and long-term trends in oil and gas prices which, in turn, are related to the demand for petroleum products and the current availability of oil and gas resources. The table below sets forth rates per day worked and utilization data for the Company during the periods indicated.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,
	2000	1999	2000

				1999
<S>	<C>		<C>	
RATES PER DAY WORKED ($): (1) (2)				
Supply and Towing Supply	4,716	5,712	4,738	5,916
Anchor Handling Towing Supply	11,157	11,142	11,351	11,978
Crew	2,526	2,505	2,523	2,541
Standby Safety	5,466	5,826	5,518	6,236
Utility and Line Handling	1,627	1,681	1,644	1,742
Geophysical, Freight, and Other	5,880	5,880	5,880	5,338
Overall Fleet	3,643	3,881	3,658	4,100

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
OVERALL UTILIZATION (%): (1)				
Supply and Towing Supply	68.5	66.6	64.9	72.4
Anchor Handling Towing Supply	65.0	68.8	66.8	74.8
Crew	95.1	81.2	94.1	78.1
Standby Safety	75.5	83.4	68.6	80.8
Utility and Line Handling	58.8	65.1	56.8	68.7
Geophysical, Freight, and Other	33.3	50.0	41.6	61.1
Overall Fleet	74.1	71.6	72.0	73.5

</TABLE>

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(1) Rates per day worked is the ratio of total charter revenue to the total number of vessel days worked. Rates per day worked and overall utilization figures exclude owned vessels that are bareboat chartered-out, vessels owned by corporations that participate in pooling arrangements with the Company, joint venture vessels, and managed/operated vessels and include vessels bareboat and time chartered-in by the Company.

(2) Revenues for certain of the Company's vessels, primarily its standby safety vessels, are earned in foreign currencies, primarily British pounds sterling, and have been converted to U.S. dollars at the weighted average exchange rate for the periods indicated.

From time to time, the Company bareboat or time charters-in vessels. A bareboat charter is a vessel lease under which the lessee ("charterer") is responsible for all crewing, insurance, and other operating expenses, as well as the payment of bareboat charter hire to the providing entity. A time charter is a lease under which the entity providing the vessel is responsible for all crewing, insurance, and other operating expenses and the charterer only pays a time

charter hire fee to the providing entity. Operating revenues for vessels owned and bareboat or time chartered-in are incurred at similar rates. However, operating expenses associated with vessels bareboat and time chartered-in include charter hire expenses that, in turn, are included in vessel expenses, but exclude depreciation expense.

The Company also bareboat charters-out vessels. Operating revenues for these vessels are lower than for vessels owned and operated or bareboat chartered-in by the Company, because vessel expenses, normally recovered through charter revenue, are the burden of the charterer. Operating expenses include depreciation expense if the vessels chartered-out are owned. At June 30, 2000 and 1999, the Company had 18 and 14 vessels, respectively, bareboat chartered-out, which included 13 and 10, respectively, chartered to its joint ventures, entities affiliated with its joint venture operations, or the environmental service segment.

The table below sets forth the Company's marine fleet structure at the dates indicated:

FLEET STRUCTURE	AT JUNE 30, 2000	1999
Owned	234	220
Bareboat and Time Chartered-In	22	29
Managed	7	3
Joint Venture Vessels (1)	37	37
Pool Vessels (2)	9	9
Overall Fleet	309	298

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(1) 2000 and 1999 include 14 vessels owned or chartered-in from external sources by a joint venture between Transportacion Maritima Mexicana S.A. de C.V. and the Company (the "TMM Joint Venture"). 2000 and 1999 includes 15 and 17 vessels, respectively, owned by corporations in which the Company acquired an equity interest pursuant to a transaction with Smit Internationale N.V. in December 1996 (the "Smit Joint Ventures"). 2000 and 1999 also includes 8 and 6 vessels, respectively, operated by other joint venture businesses.

(2) 2000 and 1999 include 5 vessels owned by Toisa Ltd. that participate in a pool with Company owned North Sea standby safety vessels. Additionally, 2000 and 1999 includes 4 standby safety vessels in which the Company shares net operating profits after certain adjustments with the vessel owners (the "Avian Fleet Pool").

Vessel operating expenses are primarily a function of fleet size and utilization levels. The most significant vessel operating expense items are wages paid to marine personnel, maintenance and repairs, and marine insurance. In addition to variable vessel operating expenses, the offshore marine business segment incurs fixed charges related to the depreciation of property and equipment. Depreciation is a significant operating expense, and the amount related to vessels is the most significant component.

A portion of the Company's revenues and expenses are paid in foreign currencies. For financial statement reporting purposes, these amounts are translated into U.S. dollars at the weighted average exchange rates during the relevant period. The foregoing applies primarily to the Company's North Sea operations. Overall, the percentage of the Company's offshore marine operating revenues derived from foreign operations whether in U.S. dollars or foreign currencies approximated 35% and 44% for the six-month periods ended June 30, 2000 and 1999,

respectively. Foreign operating revenues declined between comparable six-month periods due primarily to reduced utilization and rates per day worked.

The Company's foreign offshore marine operations are subject to various risks inherent in conducting business in foreign nations. These risks include, among others, political instability, potential vessel seizure, nationalization of assets, fluctuating currency values, hard currency shortages, controls of currency exchange, the repatriation of income or capital, import-export quotas, and other forms of public and governmental regulation, all of which are beyond the control of the Company. Although, historically, the Company's operations have not been affected materially by such conditions or events, it is not possible to predict whether any such conditions or events might develop in the future. The occurrence of any one or more of such conditions or events could have a material adverse effect on the Company's financial condition and results of operations.

Regulatory drydockings, which are a substantial component of marine maintenance and repair costs, are expensed when incurred. Under applicable maritime regulations, vessels must be drydocked twice in a five-year period for inspection and routine maintenance and repair. The Company follows an asset management strategy pursuant to which it defers required drydocking of selected marine vessels and voluntarily removes these marine vessels from operation during periods of weak market conditions and low rates per day worked. Should the Company undertake a large number of drydockings in a particular fiscal quarter or six month period or put through survey a disproportionate number of older vessels, which typically have higher drydocking costs, comparative results may be affected. For the six-month periods ended June 30, 2000 and 1999, drydocking costs totaled $2.8 million and $3.0 million, respectively. During those same periods, the Company completed the drydocking of 32 and 40 marine vessels, respectively.

Operating results were also affected by the Company's participation in (i) a joint venture arrangement with Vector Offshore Limited ("VOL"), a U.K. corporation (the "Veesea Joint Venture") that operated 11 standby safety vessels in the North Sea, (ii) the SEAVEC and Avian Fleet Pools, which coordinated the marketing of 20 standby safety vessels in the North Sea at June 30, 2000, of which 11 were owned by the Company; (iii) the TMM Joint Venture, which operated 20 vessels in Mexico, including 6 bareboat or time chartered-in from the Company, at June 30, 2000; (iv) the Smit Joint Ventures, which operated 15 vessels in the Far East, Latin America, the Middle East, and the Mediterranean at June 30, 2000; (v) the Vision Joint Venture, a majority owned subsidiary which operated 1 vessel in the U.S. Gulf of Mexico at June 30, 2000; (vi) the Logistics Joint Venture, which provided shorebase, marine transport, and other supply chain management services; and (vii) other joint ventures which operated 10 vessels in Latin America, the Mediterranean, the Far East, the North Sea, and the Pacific Rim.

On April 19, 2000, the Company completed the acquisition of all of the issued share capital of Putford Enterprises Ltd. and associated companies (collectively "Boston Putford"). The acquisition includes Boston Putford's standby safety vessels ("SBSV"), certain joint venture interests, and fixed assets for an aggregate purchase price of approximately (pound)23.0 million or $36.4 million based upon exchange rates in effect on April 19, 2000. Boston Putford's SBSV fleet, including vessels held in joint ventures, but excluding vessels managed for third parties, consists of 18 vessels operating primarily in the southern UK sector of the North Sea. The purchase consideration consists of (pound)14.2 million in cash, 83,615 shares of SEACOR's common stock, par value $.01 per share ("Common Stock") (125,423 shares after adjustment for the stock split), a (pound)5.0 million five year, fixed coupon note, and a (pound)2.5 million five year, fixed coupon note, which is subject to offset if Boston Putford does not meet certain earnings targets. The notes combined have a fair value of (pound)6.2 million.

During April 2000, the Company completed the purchase of the majority of VOL's equity interest in the Veesea Joint Venture. Management of the Company's 11 North Sea standby safety vessels in which VOL had an ownership interest and the SEAVEC Pool has been consolidated with the operations of Boston Putford.

Exploration and drilling activities, which affect the demand for vessels, are influenced by a number of factors, including the current and anticipated prices of oil and natural gas, the expenditures by oil and gas companies for exploration and development, and the availability of drilling rigs. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond the Company's control, including worldwide demand for oil and natural gas, the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and pricing, the level of production of non-OPEC countries, and the policies of various governments regarding exploration and development of their oil and natural gas reserves.

Improvements in oil prices have caused increased drilling activity and demand for drilling rigs. The improvement in oil prices follows a period of extremely low commodity prices during 1998 and early 1999 that resulted from an oil surplus. Management believes that higher commodity prices will likely further increase exploration and development by the oil companies both in the U.S. and foreign markets that would lead to improved drilling rig and offshore support vessel utilization. Demand and rates per day worked for offshore support vessels will also be influenced by an increase in supply resulting from the recent construction of offshore support vessels worldwide.

ENVIRONMENTAL SERVICES

The Company's environmental service business provides contractual oil spill response and other related training and consulting services. The Company's clients include tank vessel owner/operators, refiners and terminal operators, exploration and production facility operators, and pipeline operators. The Company charges a retainer fee to its customers for ensuring by contract the availability (at predetermined rates) of its response services and equipment. Retainer services include employing a staff to supervise response to an oil spill emergency and maintaining specialized equipment, including marine equipment, in a ready state for emergency and spill response as contemplated by response plans filed by the Company's customers in accordance with the Oil Pollution Act of 1990, as amended, and various state regulations. The Company maintains relationships with numerous environmental sub-contractors to assist with response operations, equipment maintenance, and provide trained personnel for deploying equipment in a spill response.

Pursuant to retainer agreements entered into with the Company, certain vessel owners pay in advance to the Company an annual retainer fee based upon the number and size of vessels in each such owner's fleet and in some circumstances pay the Company additional fees based upon the level of each vessel owner's voyage activity in the U.S. The Company recognizes the greater of revenue earned by voyage activity or the portion of the retainer earned in each accounting period. Certain vessel and facility owners pay a fixed fee or a fee based on volume of petroleum product transported for the Company's retainer services and such fee is recognized ratably throughout the year. The Company's retainer agreements with vessel owners generally range from one to three years, while retainer arrangements with facility owners are as long as ten years.

Spill response revenue is dependent on the magnitude of any one spill response and the number of spill responses within a given fiscal period. Consequently, spill response revenue can vary greatly between comparable periods and the revenue from any one period is not indicative of a trend or of anticipated results in future periods. Costs of oil spill response activities relate primarily to (i) payments to sub-contractors for labor, equipment and materials, (ii) direct charges to the Company for equipment and materials, (iii) participation interests of others in gross profits from oil spill response, and (iv) training and exercises related to spill response preparedness.

The Company charges consulting fees to customers for customized training programs, its planning of and participation in customer oil spill response drill programs and response exercises, and other special projects.

The principal components of the Company's operating costs are salaries and related benefits for operating personnel, payments to sub-contractors, equipment

maintenance, and depreciation. These expenses are primarily a function of regulatory requirements and the level of retainer business.

Operating results are also affected by the Company's participation in the Clean Pacific Alliance ("CPA"), a joint venture with Crowley Marine Services that operates on the West Coast of the United States. In November 2000, a retainer service contract expires with CPA's principal customer. Should this contract not be renewed, there could be a material adverse effect on CPA's future results of operations and cash flows.

DRILLING SERVICES

The Company's drilling service business is conducted through Chiles Offshore LLC ("Chiles"), a majority owned subsidiary. From its inception in 1997 and until July 1999, Chiles operated as a development stage company, devoting substantially all its efforts constructing two mobile offshore drilling rigs (the "Rigs"), raising capital, and securing contracts for the Rigs. In 1997, Chiles commenced construction of two premium jackup mobile offshore drilling rigs, the Chiles Columbus and the Chiles Magellan, which were delivered to Chiles in May 1999 and October 1999, respectively.

During November 1999, Chiles entered into a bareboat charter-in agreement for a jackup drilling rig, the Tonala, which was constructed for the owner at a U.S. shipyard and is similar in class to the Rigs. Under the bareboat charter agreement, Chiles is responsible for all crewing, insurance, and other operating expenses of the rig, as well as the charter payment to the vessel owner. Charter operations of the Tonala commenced in April 2000, and the initial term is 18 months. As discussed below, Chiles has entered into an agreement relating to transactions that, if consummated, would result in Chiles acquiring ownership of the Tonala.

The drilling service segment's operating revenues are affected by rates per day worked and utilization of the Rigs. The rates per day worked and utilization of the Rigs are a function of demand for and availability of rigs, which are closely aligned with the level of oil and gas exploration and development of offshore areas. The level of oil and gas exploration and development of offshore areas is affected by both short-term and long-term trends in oil and gas prices which, in turn, are related to the demand for petroleum products and the current availability of oil and gas resources.

The Company's drilling service segment's operating expenses are primarily a function of fleet size and utilization. The most significant variables in operating expenses are compensation and related expenses for personnel, maintenance and repairs, supplies, charter hire, and insurance. In addition to variable operating expenses, the drilling service segment also incurs fixed charges related to the depreciation of property and equipment. Depreciation is a significant fixed operating charge and the amount related to the Rigs is the most significant component.

The Company's drilling service business is influenced by the various economic and political factors that also affect its offshore marine service business as discussed above. The Company's drilling service business is focused in the U.S. Gulf of Mexico, which is the largest single market for jackup rigs in the world and which features the presence of an established pipeline and production infrastructure. The Company's drilling service business and operations will be particularly dependent upon the condition of the oil and natural gas industry in the U.S. Gulf of Mexico and on the exploration and production expenditures of oil and gas companies there.

Historically, the drilling service industry has been highly competitive and cyclical, with periods of high demand, short rig supply, and high rates per day worked followed by periods of low demand, excess rig supply, and low rates per day worked. During 1998 and early 1999, the decline in product prices in the oil and gas industry resulted in reduced rates per day worked and decreased utilization worldwide and particularly in the U.S. Gulf of Mexico jackup market. Should improvements in product prices in the oil and gas industry be sustained, owners of jackup rigs should benefit through an improvement in rates per day worked and utilization.

The Chiles Columbus was placed in service in June 1999. At June 30, 2000, it was operating under a contract in the U.S. Gulf of Mexico. If all wells planned by

the current customer of the Chiles Columbus are drilled, work under the existing agreement is expected to conclude during the third quarter of 2000. The Chiles Magellan was placed in service in November 1999. At June 30, 2000, it was operating in the U.S. Gulf of Mexico under a drilling contract with expected completion in the third quarter of 2001. The Tonala is presently working under a drilling contract in the U.S. Gulf of Mexico that is expected to conclude during the third quarter of 2000.

Utilization of the Rigs and the Tonala was 100% in the three and six-month periods ended June 30, 2000. Rates per day worked for the Rigs were $60,900 and $53,131 in the three and six-month periods ended June 30, 2000, respectively, and $39,727 for the Tonala in those same periods.

On April 6, 2000, Chiles entered into an agreement with Singapore shipyard Keppel FELS Limited ("Keppel") to build a KFELS MOD V "B" design, cantilevered jackup drilling rig (the "Chiles Discovery"). The KFELS MOD V "B" is a proprietary design owned by Keppel that has been modeled on the MOD V "harsh-environment" jackups. It will be delivered with a leg length between 475 and 545 feet. Chiles has also executed an option agreement with Keppel to construct three additional rigs. Subject to a successful completion of the Chiles IPO (as defined below), Chiles intends to exercise the first of these options for the construction of a rig of similar design to the Chiles Discovery (the "New Option Rig").

To finance construction of the Chiles Discovery, Chiles raised an additional $33.0 million of equity from existing and new equity investors that included $15.2 million funded by the Company. Chiles received $32.8 million of net proceeds after offering costs. Chiles also signed a commitment letter with a Non-U.S. based lender, which is affiliated with the shipyard, to provide a maximum of $82.0 million of floating rate debt to partially fund construction of the Chiles Discovery. Chiles expects to finance the New Option Rig's construction costs with proceeds from its initial public offering, see

discussion below, and issuance of notes or bonds guaranteed by the U.S. government under a ship financing program administered by the U.S. Maritime Administration ("MarAd") or borrowings under a new bank facility currently under negotiation. See "Liquidity and Capital Resources - Credit Facilities."

On June 15, 2000, Chiles filed a registration statement for an initial public offering of its common stock (the "Chiles IPO"). If the Chiles IPO is consummated, Chiles expects to use the proceeds to retire its outstanding 10% Senior Notes Due 2008 (the "Chiles 10% Notes") and fund further growth and working capital. SEACOR currently owns approximately $26.7 million aggregate principal amount of the Chiles 10% Notes and has an economic interest in substantially all of the remaining outstanding Chiles 10% Notes, comprising approximately $68.3 million aggregate principal amount. SEACOR and the other holders of the Chiles 10% Notes have agreed to sell their holdings in the Chiles 10% Notes to Chiles at a price equal to the par value of the Chiles 10% Notes, plus accrued and unpaid interest to the purchase date. Retirement of the Chiles 10% Notes would result in SEACOR's recognition of pre-tax gain that would have approximated $9.1 million at June 30, 2000.

The consummation of the Chiles IPO would result in SEACOR's deconsolidation of Chiles as a majority owned subsidiary and the commencement of accounting for its investment in Chiles under the equity method.

On July 20, 2000, Chiles entered into an agreement with Perforadora Central, S.A. de C.V. ("Perforadora"), Perforadora's parent and that parent's stockholders to acquire, through a series of transactions, all of the shares of capital stock of an entity that would own the Tonala. Under the terms of that agreement, these stockholders would receive shares of Chiles common stock and Chiles would also assume approximately $64.6 million aggregate principal amount of debt guaranteed by the MarAd and incurred by Perforadora to construct the Tonala. Chiles' management estimates that following the completion of Chiles' IPO and the acquisition of the Tonala, former owners of the Tonala would hold approximately 13.8% of Chiles' outstanding common stock. The MarAd guaranteed debt bears interest at the rate of 5.6% per year until its maturity in 2010. The transaction is subject to a number of conditions, including approval by MarAd and consummation of the Chiles IPO.

RESULTS OF OPERATIONS

The following table sets forth operating revenue and operating profit by the Company's various business segments for the periods indicated, in thousands of dollars.

<TABLE>
<CAPTION>

	Marine	Environmental	Drilling	Other	Total
FOR THE THREE MONTHS ENDED JUNE 30, 2000:					
Operating Revenues -					
External Customers	$ 64,429	$ 6,406	$ 14,309	$ -	$ 85,144
Intersegment	74	-	-	(74)	-
Total	$ 64,503	$ 6,406	$ 14,309	$ (74)	$ 85,144
Operating Profit (Loss)	$ 5,847	$ 566	$ 5,901	$ (3)	$ 12,311
Gains from Equipment Sales and Retirements, net	2,569	3	-	-	2,572
Equity in Earnings (Losses) of 50% or Less Owned Companies	668	94	-	(1,635)	(873)
Minority Interest in Income of Subsidiaries	-	-	-	(1,438)	(1,438)
Net Interest Expense	-	-	-	(3,279)	(3,279)
Losses from Commodity Swap Transactions, net	-	-	-	(678)	(678)
Gains from Sale of Marketable Securities	-	-	-	393	393
Corporate Expenses	-	-	-	(1,417)	(1,417)
Income Taxes	-	-	-	(2,551)	(2,551)
Income before Extraordinary Item	$ 9,084	$ 663	$ 5,901	$ (10,608)	$ 5,040
FOR THE THREE MONTHS ENDED JUNE 30, 1999:					
Operating Revenues -					
External Customers	$ 61,811	$ 5,198	$ 528	$ 938	$ 68,475
Intersegment	-	38	-	(38)	-
Total	$ 61,811	$ 5,236	$ 528	$ 900	$ 68,475
Operating Profit (Loss)	$ 8,806	$ 1,140	$		

			(336)	$ 58	$ 9,668
Gains from Equipment Sales and Retirements, net	657	4	-	-	661
Equity in Earnings (Losses) of 50% or Less Owned Companies	540	136	-	(495)	181
Minority Interest in Loss of Subsidiaries	-	-	-	93	93
Net Interest Expense	-	-	-	(325)	(325)
Losses from Commodity Swap Transactions, net	-	-	-	(293)	(293)
Gains from Sale of Marketable Securities	-	-	-	226	226
Corporate Expenses	-	-	-	(1,006)	(1,006)
Income Taxes	-	-	-	(2,988)	(2,988)
Income before Extraordinary Item	$ 10,003	$ 1,280	$ (336)	$ (4,730)	$ 6,217
FOR THE SIX MONTHS ENDED JUNE 30, 2000:					
Operating Revenues -					
External Customers	$ 124,508	$ 10,925	$ 22,655	$ -	$ 158,088
Intersegment	211	-	-	(211)	-
Total	$ 124,719	$ 10,925	$ 22,655	$ (211)	$ 158,088
Operating Profit (Loss)	$ 12,571	$ 842	$ 8,730	$ (3)	$ 22,140
Gains from Equipment Sales and Retirements, net	5,102	6	-	-	5,108
Equity in Earnings (Losses) of 50% or Less Owned Companies	1,371	270	-	(2,816)	(1,175)
Minority Interest in Income of Subsidiaries	-	-	-	(1,210)	(1,210)
Net Interest Expense	-	-	-	(6,233)	(6,233)
Losses from Commodity Swap Transactions, net	-	-	-	(1,079)	(1,079)
Gains from Sale of Marketable Securities	-	-	-	2,351	2,351
Corporate Expenses	-	-	-	(2,754)	(2,754)
Income Taxes	-	-	-	(5,628)	(5,628)
Income before Extraordinary Item	$ 19,044	$ 1,118	$ 8,730	$ (17,372)	$ 11,520
FOR THE SIX MONTHS ENDED JUNE 30, 1999:					
Operating Revenues -					
External Customers	$ 134,208	$ 10,522	$ 528	$ 938	$ 146,196
Intersegment	-	106	-	(106)	-
Total	$ 134,208	$ 10,628	$ 528	$ 832	$ 146,196

Operating Profit (Loss)	$ 26,949	$ 2,118	$ (541)	$ 58	$ 28,584
Gains from Equipment Sales and Retirements, net	954	1	-	-	955
Equity in Earnings (Losses) of 50% or Less Owned Companies	2,209	412	-	(495)	2,126
Minority Interest in Income of Subsidiaries	-	-	-	(275)	(275)
Net Interest Income	-	-	-	229	229
Gains from Commodity Swap Transactions, net	-	-	-	66	66
Losses from Sale of Marketable Securities	-	-	-	(740)	(740)
Corporate Expenses	-	-	-	(2,051)	(2,051)
Income Taxes	-	-	-	(9,398)	(9,398)
Income before Extraordinary Item	$ 30,112	$ 2,531	$ (541)	$ (12,606)	$ 19,496

</TABLE>

OFFSHORE MARINE SERVICES

OPERATING REVENUES. The Company's offshore marine service segment operating revenues increased $2.7 million, or 4%, in the three-month period ended June 30, 2000 compared to the three-month period ended June 30, 1999 and decreased $9.5 million, or 7%, in the six-month period ended June 30, 2000 compared to the six-month period ended June 30, 1999. The three and six-month periods ended June 30, 2000 included an increase in operating revenues due to the acquisition of the Boston Putford standby safety vessel fleet, the consolidation of Energy Logistics, Inc. and its subsidiaries' ("ELI") financial results with those of the Company, and the entry into service of vessels both constructed for and chartered-in by the Company. These increases were offset by a decline in operating revenues between comparable three and six-month periods due primarily to lower utilization and rates per day worked, the sale of vessels, and an increase in the number of vessels bareboat chartered-out.

Operating revenues declined approximately $3.4 million and $11.9 million between comparable quarters and six-month periods, respectively, due primarily to lower utilization of the Company's fleet of supply/towing supply, anchor handling towing supply, utility, and standby safety vessels. $2.5 million and $0.9 million of the decrease between comparable quarters and $10.0 million and $1.9 million of the decrease between comparable six-month periods occurred in the Company's foreign and domestic operations, respectively. These decreases were offset by a rise in operating revenues resulting primarily from an increase in the number of days worked by the Company's domestic crew vessels. Operating revenues also declined approximately $2.7 million and $10.3 million between comparable quarters and six-month periods, respectively, due primarily to lower rates per day worked in the Company's fleet of supply/towing supply, anchor handling towing supply, and standby safety vessels.

During 1999 and the first six months of 2000, there was a slight increase in the size of the Company's fleet. The construction, acquisition, and bareboat charter-in of 17 standby safety (the Boston Putford fleet), 5 crew, 4 anchor handling towing supply, 3 supply/towing supply, and 2 utility vessels resulted in a $10.6 million and $15.1 million increase in operating revenues between comparable three and six-month periods, respectively. The sale and charter-in cancellation of 9 utility, 7 crew, 6 anchor handling towing supply, 4 supply/towing supply, and 1 project vessel resulted in a $4.4 million and $6.1 million decline in operating revenues between comparable three and six-month periods, respectively. Operating revenues also declined $0.9 million and $2.5 million between comparable three and six-month periods, respectively, as certain vessels previously operated by the Company have been bareboat chartered-out.

During December 1999, the Company acquired a majority ownership interest in ELI, one of the Company's providers of logistics services that include shorebase, marine transport, and other supply chain management services in support of

offshore exploration and production operations. From December 1999, the financial condition, results of operations, and cash flows of ELI are reflected in the Company's consolidated financial statements. Prior to that date, the Company reported its interest in ELI as an investment in a 50% or less owned company that was accounted for under the equity method. Operating revenues rose by $3.2 million and $5.9 million in the three and six-month periods ended June 30, 2000, respectively, due to the consolidation of ELI with the Company.

OPERATING PROFIT. The Company's offshore marine segment operating profit declined $3.0 million, or 34%, and $14.4 million, or 53%, in the three and six-month periods ended June 30, 2000, respectively, compared to the three and six-month periods ended June 30, 1999 due primarily to those factors adversely affecting operating revenues as outlined above. Operating profits also declined between comparable periods due to an increase in insurance deductible expenses under policies that provide hull and machinery and protection and indemnification coverage to the Company. Deductible expenses associated with damage to machinery and equipment aboard anchor handling towing supply vessels and personal injury claims aboard crew vessels increased between periods. At June 30, 2000, the Company had 32 vessels out of service due to weak demand and low rates per day worked, including 29 that require drydocking prior to re-entering operations. Vessels out of service were primarily from the Company's utility fleet that operated in the U.S. Gulf of Mexico.

GAINS FROM EQUIPMENT SALES OR RETIREMENTS, NET. Net gains from equipment sales increased $1.9 million and $4.1 million in the three and six-month periods ended June 30, 2000, respectively, compared to the three and six-month periods ended June 30, 1999. 5 utility, 2 towing supply, 2 supply, and 1 crew vessel were sold in 2000, and 10 crew and 1 utility vessel were sold in 1999. In 1999, the

Company deferred the recognition of certain gains realized in connection with the sale of 5 crew vessels that were subsequently leased-back; no sale and leaseback transactions occurred in 2000. Gains realized in sale and leaseback transactions have been deferred to the extent of the present value of the minimum lease payments over the applicable lease terms and are being credited to income as reductions in rental expense over the lease terms.

EQUITY IN EARNINGS (LOSSES) OF 50% OR LESS OWNED COMPANIES. Equity earnings increased $0.1 million in the three-month period ended June 30, 2000 compared to the three-month period ended June 30, 1999 and declined $0.8 million in the six-month period ended June 30, 2000 compared to the six-month period ended June 30, 1999. Profits improved between comparable quarters due primarily to a reduction in repair and maintenance expenses. Between comparable six-month periods, operating profits declined in the SMIT and TMM Joint Ventures due primarily to lower rates per day worked and utilization and a decrease in the size of the fleets they operated resulting from vessel sales and terminations of certain vessel charters.

ENVIRONMENTAL SERVICES

OPERATING REVENUES. The environmental business segment's operating revenues increased $1.2 million, or 22%, and $0.3 million, or 3% in the three and six-month periods ended June 30, 2000, respectively, compared to the three and six-month periods ended June 30, 1999 due primarily to an increase in the number and severity of oil spills managed by the Company. OPERATING PROFIT. The environmental business segment's operating profit decreased $0.6 million, or 50%, and $1.3 million, or 60%, in the three and six-month periods ended June 30, 2000, respectively, compared to the three and six-month periods ended June 30, 1999 due primarily to an increase in operating expenses resulting primarily from the addition of a marine operating base in St. Croix and higher drydocking expenses. The expansion of operations in the Caribbean was pursuant to a 10-year contract with a major customer.

EQUITY IN EARNINGS (LOSSES) OF 50% OR LESS OWNED COMPANIES. Equity earnings decreased $0.1 million in the three and six-month periods ended June 30, 2000 compared to the three and six-month periods ended June 30, 1999 due primarily to a decrease in the severity of oil spills managed by CPA.

DRILLING SERVICES

OPERATING REVENUES. The drilling business segment's operating revenues increased $13.8 million and $22.1 million in the three and six-month periods ended June

30, 2000, respectively, compared to the three and six-month periods ended June 30, 1999. The Chiles Columbus was placed in service during June 1999 and the Chiles Magellan was placed in service during November 1999. Prior to such time, and since its inception, Chiles has not engaged in operations other than managing construction of the Rigs and related matters. Revenues also increased due to the commencement of operations in April 2000 of the Tonala.

OPERATING PROFIT. The drilling business segment's operating profit increased $6.2 million and $9.3 million in the three and six-month periods ended June 30, 2000, respectively, compared to the three and six-month periods ended June 30, 1999 due primarily to the factors affecting revenues outlined above. Prior to the delivery and commissioning of the Rigs, Chiles had incurred operating losses.

OTHER

EQUITY IN LOSSES OF 50% OR LESS OWNED COMPANIES. Equity losses in the three and six-month periods ended June 30, 2000 resulted primarily from the Company's recognition of its share of the operating losses of Globe Wireless, LLC ("Globe Wireless"). Due to an ability to significantly influence the operating activities of Globe Wireless, the Company began accounting for its investment in Globe Wireless under the equity method during the second quarter of 1999. Prior to this time, the Company carried its investment in Globe Wireless at cost.

NET INTEREST INCOME (EXPENSE). During the three and six-month periods ended June 30, 2000, the Company incurred net interest expense totaling $3.3 million and $6.2 million, respectively; whereas, in the comparable three and six-month periods ended June 30, 1999, the Company realized net interest expense totaling $0.3 million and net interest income totaling $0.2 million, respectively. Interest expense rose between comparable periods due primarily to a decline in interest capitalized after substantial completion of the Company's offshore marine vessel and rig construction programs in 1999. This increase was partially offset by lower interest expense resulting primarily from a decline in outstanding indebtedness pursuant to the Company's debt repurchase program and entry into swap agreements with respect to the Chiles 10% Notes. A reduction in

funds invested in interest bearing securities due primarily to the Company's use of cash for the purchase of property and equipment and Common Stock and retirement of certain indebtedness resulted in a decline in interest income. During the first six months of 2000 and 1999, the Company capitalized interest of $0.5 million and $6.1 million, respectively, with respect to the construction of rigs and offshore marine vessels.

GAINS (LOSSES) FROM COMMODITY SWAP TRANSACTIONS, NET. During the three and six-month periods ended June 30, 2000, the Company recognized a net loss of $0.7 million and $1.1 million, respectively, from commodity price hedging arrangements; whereas, in the three and six-month periods ended June 30, 1999, the Company recognized a net loss of $0.3 million and a net gain of $0.1 million, respectively. During the first six months of 2000, the net loss was due primarily to the settlement prices quoted on the New York Mercantile Exchange ("NYMEX") exceeding the contract prices for various natural gas and crude oil positions; whereas, during the first six months of 1999, the net gain was due primarily to the contract prices exceeding the settlement prices quoted on the NYMEX for various natural gas and crude oil positions.

GAINS (LOSSES) FROM SALE OF MARKETABLE SECURITIES, NET. During the three and six-month periods ended June 30, 2000, the Company realized net gains of $0.4 million and $2.4 million, respectively. During the first six months of 2000, the net gain resulted primarily from the sale of equity securities during periods when the market values were greater than those at the dates of purchase. These gains were partially offset by losses realized from the sale of interest bearing securities during periods when interest rates exceeded those in effect at the dates of purchase. The Company realized net gains of $0.2 million and net losses of $0.7 million during the three and six-month periods ended June 30, 1999, respectively. Losses during the first six months of 1999 resulted primarily from the sale of interest bearing securities during periods when interest rates exceeded those in effect at the dates of purchase.

CORPORATE EXPENSES. In the three and six-month periods ended June 30, 2000 compared to the three and six-month periods ended June 30, 1999, corporate expenses increased $0.4 million and $0.7 million, respectively, due primarily to

an increase in wage and related benefit costs.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL. The Company's ongoing liquidity requirements arise primarily from its need to service debt, fund working capital, acquire, construct, or improve equipment and make other investments. Management believes that cash flow from operations will provide sufficient working capital to fund the Company's operating needs. The Company may, from time to time, issue shares of its common stock, preferred stock, debt or a combination thereof, or sell vessels to finance the acquisition of equipment and businesses or make improvements to existing equipment.

The Company's cash flow levels and operating revenues are determined primarily by the size of the Company's offshore marine vessel and rig fleets, rates per day worked and overall utilization of the Company's offshore marine vessels, and retainer, spill response, and consulting activities of the Company's environmental service business. The Company's marine and drilling service businesses are directly affected by the volatility of oil and gas prices, the level of offshore production and exploration activity, and other factors beyond the Company's control.

CASH AND MARKETABLE SECURITIES. Since December 31, 1999, the Company's cash and investments in marketable securities decreased by $9.1 million. At June 30, 2000, cash and marketable securities totaled $264.4 million, including $175.9 million of unrestricted cash and cash equivalents, $77.7 million of marketable securities, and $10.8 million of restricted cash. Restricted cash at June 30, 2000 is intended for use in defraying costs to construct offshore marine vessels for the Company. At June 30, 2000, the Company had funded $6.0 million in offshore marine vessel construction costs from unrestricted cash balances, and subject to prior written approval from the Maritime Administration, the Company expects such amounts to be reimbursed from its restricted cash accounts. See discussion below regarding Cash Generation and Deployment.

STOCK AND DEBT REPURCHASE PROGRAM. In March 2000, SEACOR's Board of Directors increased its previously announced securities repurchase authority by $15.0 million. The securities covered by this repurchase program (the "Stock and Debt Repurchase Program") include Common Stock, the Company's 5 3/8% Convertible Subordinated Notes Due 2006, the Company's 7.2% Senior Notes Due 2009, and the Chiles 10% Notes (collectively, the "SEACOR Securities"). Repurchases of SEACOR Securities will be effected from time to time through open market purchases,

privately negotiated transactions, or otherwise, depending on market conditions. In the six-month period ended June 30, 2000, the Company acquired 103,900 shares of Common Stock (157,400 shares after adjustment for the stock split) and $0.01 million principal amount of the Chiles 10% Notes for an aggregate cost of $4.8 million. At June 30, 2000, the Company had approximately $36.9 million of available authority for the repurchase of additional SEACOR Securities.

CAPITAL STRUCTURE. At June 30, 2000, the Company's capital structure was comprised of $461.4 million in long-term debt, including the current portion, and $522.6 million in stockholders' equity. Since year end, long-term debt declined due primarily to Chiles' repayment of $15.0 million previously borrowed under its revolving credit facility and the Company's regularly scheduled repayment of outstanding indebtedness. This decline in long-term debt was partially offset by the issuance of fixed coupon notes in connection with the acquisition of Boston Putford. Stockholders' equity rose since year end due primarily to an increase in retained earnings from net income, the issuance of Common Stock from treasury in connection with the acquisition of Boston Putford, and an increase in other comprehensive income that resulted from unrealized gains on available-for-sale securities. This increase was partially offset by a decline resulting from the Company's repurchase of Common Stock.

On May 23, 2000, SEACOR's Board of Directors authorized a three-for-two stock split effected in the form of a dividend that was distributed on June 15, 2000. Shareholders of record as of June 2, 2000 received one additional share of Common Stock for every two shares they owned on that date, and 7,137,801 shares were distributed.

CASH GENERATION AND DEPLOYMENT. Cash flow provided from operating activities during the six-month period ended June 30, 2000 totaled $19.6 million and increased between comparable quarters due primarily to the commencement of rig

operations and the favorable effect of changes in working capital. This increase was partially offset by the adverse effect of lower utilization and rates per day worked of the Company's offshore marine vessels.

During the six-month period ended June 30, 2000, the Company generated $67.8 million from investing and financing activities. Available-for-sale securities were sold for $19.5 million. Chiles completed an offering of membership interests and the Company realized $17.7 million, net of offering costs. After giving effect to this offering, SEACOR's equity interest in Chiles declined from 58.3% to 55.4%. Ten offshore support vessels were sold for $12.6 million. Restricted cash balances declined by $11.2 million as withdrawals from vessel joint depository construction reserve fund accounts exceeded deposits into such accounts generated from the sale of equipment. Dividends received from 50% or less owned companies totaled $6.3 million. Additional cash was generated primarily from the exercise of employee stock options.

During the six-month period ended June 30, 2000, the Company used $89.4 million in its investing and financing activities. Capital expenditures for property and equipment, primarily related to rig construction and the acquistion and construction of offshore marine vessels, totaled $34.3 million. Marketable securities were acquired for $17.4 million. Chiles repaid $15.0 million of outstanding indebtedness borrowed under the Amended Chiles Bank Facility, as defined below. The Company paid $14.7 million to acquire Boston Putford, net of cash acquired, and VOL's equity interest in the VEESEA Joint Venture. SEACOR Securities were repurchased pursuant to the Stock and Debt Repurchase Program for $4.8 million. Additional cash was used primarily for scheduled repayments of outstanding indebtedness, advances to 50% or less owned companies for the purchase of vessels, and the settlement of certain commodity price hedging arrangements.

CAPITAL EXPENDITURES. As of June 30, 2000, the Company was committed to the construction of nine crew vessels for an approximate aggregate cost of $39.0 million, of which $3.2 million has been expended. The crew vessels are expected to enter service during the next two years.

Chiles has contracted to build the Chiles Discovery, at Keppel shipyard in Singapore for a cost estimated not to exceed $110.0 million, including equipment furnished by the owner. At June 30, 2000, Chiles had expended $15.3 million toward the construction of the Chiles Discovery. Subject to successful completion of the Chiles IPO, Chiles also intends to have Keppel build the New Option Rig at a cost estimated not to exceed $112.0 million.

At June 30, 2000, the Company was committed to acquire 24 newly constructed hopper barges for an approximate aggregate cost of $6.3 million. Delivery of the barges is expected during the third quarter of 2000.

At December 31, 1999, joint venture corporations, in which the Company owns a 50% equity interest, were committed to the construction of two Handymax Dry-Bulk

ships. During 2000, one of the ships was sold; however, one of the joint ventures remains committed to the construction of one ship for an approximate cost of $19.5 million, 75% of which is expected to be financed from external sources. The ship is expected to enter service in 2001.

CREDIT FACILITIES. Under the terms of an unsecured reducing revolving credit facility (the "DnB Credit Facility") with Den norske Bank ASA that was established in November 1998, the Company may borrow up to $100.0 million aggregate principal amount (as such amount may be adjusted, the "Maximum Committed Amount") of unsecured reducing revolving credit loans maturing on November 17, 2004. The Maximum Committed Amount will automatically decrease semi-annually by 4.54% beginning November 17, 1999, with the balance payable at maturity. Outstanding borrowings will bear interest at annual rates ranging from 45 to 110 basis points (the "Margin") above LIBOR. The Margin is determined quarterly and varies based upon the percentage the Company's funded debt bears to EBITDA, as defined, and/or the credit rating maintained by Moody's and Standard & Poor's, if any. The DnB Credit Facility requires the Company, on a consolidated basis, to maintain a minimum ratio of vessels' values to Maximum Committed Amount, a minimum cash and cash equivalent level, a specified interest coverage ratio, specified debt to capitalization ratios, and a minimum net worth. The DnB Credit Facility limits the amount of secured indebtedness that the Company and its subsidiaries may incur, provides for a negative pledge with respect to certain activities of the Company's vessel owning/operating

subsidiaries, and restricts the payment of dividends. At June 30, 2000, the Company had approximately $90.9 million available for future borrowings under the DnB Credit Facility.

During April 1998, Chiles entered into a bank credit agreement that provided for a $25.0 million revolving credit facility (the "Chiles Bank Facility") maturing December 31, 2004. In December 1999, the Chiles Bank Facility was amended and available borrowings rose from $25.0 million to $40.0 million (the "Amended Chiles Bank Facility"). The Amended Chiles Bank Facility provides for a floating interest rate of LIBOR plus 1 3/8% per annum (approximately 7.9% at June 30, 2000) on amounts outstanding under the Amended Chiles Bank Facility and provides for repayment of such amounts in eight quarterly installments of $1.875 million beginning March 31, 2003, followed by eight quarterly installments of $3.125 million, with the remaining balance payable on December 31, 2006.

The subsidiaries of Chiles that own the Rigs (the "Guarantors") guarantee the Amended Chiles Bank Facility and such guarantees are secured by first priority mortgages on the Rigs, assignment of earnings of the Rigs (which may continue to be collected by Chiles unless there occurs an event of default), and assignments of insurance proceeds. The Amended Chiles Bank Facility contains customary affirmative covenants, representations, and warranties and is cross-defaulted to the related promissory notes; provided, however, should there occur an event of default under the Amended Chiles Bank Facility (other than arising from enforcement actions undertaken by a holder of other indebtedness of Chiles, enforcement actions arising from in rem claims against either of the Rigs or bankruptcy events with respect to Chiles or a Rig Owner), the lenders under the Amended Chiles Bank Facility have agreed on a one-time basis not to enforce remedies for a period of 60 days during which the holders of the Chiles 10% Notes (the "Noteholders") or Chiles may cure such event of default or prepay all of the indebtedness outstanding under the Amended Chiles Bank Facility. The Amended Chiles Bank Facility also contains certain negative covenants applicable to Chiles and the Guarantors, including prohibitions against the following: certain liens on the collateral under the Amended Chiles Bank Facility; material changes in the nature of their business; sale or pledge of an Guarantor's membership interests; sale or disposition of a Rig or other substantial assets; certain changes in office locations; consolidation or mergers; certain Restricted Payments (as defined in the Amended Chiles Bank Facility), including distributions on membership interests in Chiles (the "Membership Interests"); the exercise of a right to call the Chiles 10% Notes; or any material amendment or modification of the Indenture. The Amended Chiles Bank Facility further requires Chiles to prevent the Guarantors from making certain loans and advances, except in their normal course of business or to certain affiliates; assuming, guaranteeing or (except in their ordinary course of business) otherwise becoming liable in connection with any obligation other than guarantees for the benefit of the lenders under the Amended Chiles Bank Facility, guarantees in favor of the Noteholders or pre-existing guaranties; paying out any funds, except in their ordinary course of business for the business of Chiles or service of certain indebtedness permitted under the Amended Chiles Bank Facility; and issuing or disposing of any of their own membership interests (except to Chiles). In addition, the Amended Chiles Bank Facility requires that the fair market value of the Rigs, as determined by appraisers appointed by the lenders thereunder, at all times equals or exceeds 200% of indebtedness outstanding under the Amended Chiles Bank Facility. At June

30, 2000, Chiles had $33.0 million available for future borrowings under the Amended Chiles Bank Facility.

Chiles has received a commitment for a new $120.0 million bank facility (the "New Chiles Bank Facility"), which would replace the Amended Chiles Bank Facility. Subject to successful completion of the Chiles IPO, Chiles expects to enter into a definitive credit agreement during the third quarter of this year. The New Chiles Bank Facility will be secured by ship mortgages on the Chiles Columbus and the Chiles Magellan, as well as assignments of the construction contract and related agreements regarding the New Option Rig. The New Chiles Bank Facility will bear interest at a variable rate equal to LIBOR plus a margin ranging between 150 to 200 basis points, depending on the extent of Chiles' borrowings. The commitment letter provides that the new facility will be a reducing revolving bank facility with a seven-year maturity. The New Chiles Bank Facility is expected to contain a number of restrictive covenants that would include the maintenance of certain financial ratios and limitations on levels of indebtedness.

In connection with ordering the construction of the Chiles Discovery, Chiles signed a commitment letter with a Non-U.S. based lender, which is affiliated with the shipyard, to provide a maximum of $82.0 million of floating rate debt to partially fund construction of the Chiles Discovery. The commitment letter relating to this loan provides for an interest rate equal to LIBOR plus 200 basis points on a $75.0 million term loan due upon the earlier of 22 months from Chiles' first borrowing or delivery of the Chiles Discovery and LIBOR plus 300 basis points on a $7.0 million revolving loan available to pay interest on the term loan. Chiles will be able to refinance the entire facility for an additional 18 months at a fixed rate to be determined at that time based on a bank cost of funds rate plus 300 basis points. Chiles expects to enter into a definitive loan agreement during the third quarter of 2000, but there is no assurance that Chiles will be able to successfully negotiate such agreement. Chiles expects the loan will be secured by a first mortgage on the Chiles Discovery and any other assets held by the rig owning subsidiary of Chiles. For additional information concerning the construction of the Chiles Discovery, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Drilling Services."

STOCK PURCHASE AND OPTION PLANS. On May 23, 2000, the stockholders of SEACOR approved the 2000 Employee Stock Purchase Plan (the "Stock Purchase Plan") that permits SEACOR to offer Common Stock for purchase by eligible employees at a price equal to 85% of the lesser of (i) the fair market value of the Common Stock on the first day of the offering period or (ii) the fair market value of the Common Stock on the last day of the offering period. Common Stock will be offered for purchase under the Stock Purchase Plan for six-month periods. 300,000 shares of Common Stock are available for issuance under the Stock Purchase Plan during the ten years following its adoption.

Eligible employees may accumulate savings through payroll deductions over an offering period in order to purchase Common Stock at the end of such period. Purchases of Common Stock under the Stock Purchase Plan may only be made with accumulated savings from payroll deductions, and an employee cannot complete such purchases using other resources. All employees who have been continuously employed by SEACOR's participating subsidiaries for at least six months and who regularly work more than 20 hours a week and more than five months a year are eligible to participate in the Stock Purchase Plan.

The Stock Purchase Plan is intended to comply with section 423 of the Internal Revenue Code of 1986, as amended (the "Code") but is not intended to be subject to section 401(a) of the Code or the Employee Retirement Income Security Act of 1974. The Board of Directors of SEACOR may amend or terminate the Stock Purchase Plan at any time; however, no increase in the number of shares of Common Stock reserved for issuance under the Stock Purchase Plan may be made without shareholder approval.

On May 23, 2000, the stockholders of SEACOR approved a 2000 Stock Option Plan for Non-Employee Directors (the "Non-Employee Director Plan"). Under the Non-Employee Director Plan, each member of the Board of Directors who is not an employee of SEACOR or any subsidiary will be granted an option to purchase 3,000 shares of Common Stock on the date of each annual meeting of the stockholders of SEACOR through and including the 2004 Annual Meeting of Stockholders. The exercise price of the options granted under the Non-Employee Director Plan will be equal to 100% of the fair market value per share of Common Stock on the date the options are granted. 150,000 shares of Common Stock have been reserved for issuance under the Non-Employee Director Plan.

Options granted under the Non-Employee Director Plan will be exercisable at any time following the earlier of the first anniversary of, or the first annual meeting of SEACOR's stockholders after, the date of grant, for a period of up to

ten years from date of grant. Subject to the accelerated vesting of options upon a non-employee Director's death or disability, if a non-employee Director's service as a director of SEACOR is terminated, his or her options will terminate with respect to the shares of Common Stock as to which such options are not then exercisable. A non-employee Director's options that are vested but not exercised may, subject to certain exceptions, be exercised within three months after the date of termination of service as a director in the case of termination by reason of voluntary retirement, failure of SEACOR to nominate such director for re-election or failure of such director to be re-elected by stockholders after nomination by SEACOR, or within one year in the case of termination of service

as a director by reason of death or disability.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair market value. SFAS 133 requires that changes in the derivative's fair market value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" ("SFAS 137"). SFAS 137 is an amendment of SFAS 133 and defers the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. The Company has not yet quantified the impact on its financial statements but does not believe adoption will have a material impact on net income, comprehensive income, and accumulated other comprehensive income.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has foreign currency exchange risks primarily related to its offshore marine service vessel operations that are conducted from ports located in the United Kingdom, where its functional currency is pounds sterling. To protect certain of the U.S. dollar value of pound sterling denominated net assets of the Company from the effects of volatility in foreign exchange rates that might occur prior to their conversion to U.S. dollars, the Company has entered into forward exchange contracts. The forward exchange contracts enable the Company to sell pounds sterling in the future at fixed exchange rates to offset the consequences of changes in foreign exchange on the amount of U.S. dollar cash flows to be derived from the net assets. The Company considers these forward exchange contracts as economic hedges of a net investment of its United Kingdom subsidiaries' net assets.

The Company has entered into and settled various positions in natural gas and crude oil via swaps, options, and futures contracts pursuant to which, on each applicable settlement date, the Company receives or pays an amount, if any, by which a contract price for a swap, an option, or a futures contract exceeds the settlement price quoted on the NYMEX or receives or pays the amount, if any, by which the settlement prices quoted on the NYMEX exceeds the contract price. The general purpose of these hedge transactions is to provide value to the Company should the price of natural gas and crude oil decline, which, if sustained, would lead to a decline in the Company's offshore assets' market values and cash flows. For accounting purposes, the Company records the change in market value of its commodity contracts at the end of each month and recognizes a related gain or loss. At June 30, 2000, the Company's positions in commodity contracts were not material.

In order to reduce its cost of capital, the Company entered into swap agreements during 1999 with a major financial institution with respect to notional amounts equal to a portion of the outstanding principal amount of the Chiles 10% Notes. Pursuant to each such agreement, such financial institution has agreed to pay to the Company an amount equal to interest paid by Chiles on the notional amount of Chiles 10% Notes subject to such agreement, and the Company has agreed to pay to such financial institution an amount equal to interest currently at the rate of approximately 6.9% per annum on the agreed upon price of such notional amount of Chiles 10% Notes as set forth in the applicable swap agreement.

PART II - OTHER INFORMATION

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

(a) The 2000 Annual Meeting of Stockholders of SEACOR was held on May 23, 2000 (the "Annual Meeting").

(b) At the Annual Meeting, Messrs. Charles Fabrikant, Granville E. Conway, Michael E. Gellert, Stephen Stamas, Richard M.

Fairbanks III, Pierre de Demandolx, Antoon Kienhuis, and Andrew R. Morse were elected as directors to serve until the 2001 Annual Meeting of Stockholders of SEACOR or until their respective successors are earlier elected and qualified. 10,389,623 shares were voted in favor of the election of Charles Fabrikant with 28,390 shares against. 10,360,938 shares were voted in favor of the election of Granville E. Conway with 57,075 shares against. 10,389,923 shares were voted in favor of the election of Michael E. Gellert with 28,090 shares against. 10,389,923 shares were voted in favor of the election of Stephen Stamas with 28,090 shares against. 10,389,321 shares were voted in favor of the election of Richard M. Fairbanks III with 28,692 shares against. 10,389,521 shares were voted in favor of the election of Pierre de Demandolx with 28,492 shares against. 10,389,923 shares were voted in favor of the election of Antoon Kienhuis with 28,090 shares against. 10,389,923 shares were voted in favor of the election of Andrew Morse with 28,090 shares against. There were no shares withheld.

(c) At the Annual Meeting, SEACOR's stockholders ratified the appointment of Arthur Andersen LLP to serve as SEACOR's independent auditors for the fiscal year ending December 31, 2000. 10,416,848 shares were voted in favor of the appointment of Arthur Andersen LLP with 880 shares voted against such appointment and 285 withheld. 10,385,829 shares were voted in favor to approve the 2000 Employee Stock Purchase Plan with 29,909 against such approval and 2,275 withheld. 10,173,405 shares were voted in favor to approve the 2000 Stock Option Plan for Non-Employee Directors with 239,999 against such approval and 4,609 withheld.

Numbers of shares reported in this Item 4. Submission of Matters to a Vote of Security Holders represent actual shares voted and have not been restated to reflect the June 15, 2000 stock split.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits:

10.1 SEACOR SMIT Inc. 2000 Stock Option Plan for Non-Employee Directors.

10.2 Platform Construction Agreement by and between Keppel FELS Limited and Chiles Offshore LLC, dated April 6, 2000.

10.3 Agreement with respect to Ownership of the Tonala dated as of July 20, 2000, among Chiles Offshore LLC, Perforadora Central, S.A. de C.V., Grupo Industrial Atlantida, S.A. de C.V. and the individuals identified therein.

27.1 Financial Data Schedule.

B. Reports on Form 8-K:

Current Report on Form 8-K, dated June 15, 2000, and filed with the Securities and Exchange Commission on June 16, 2000.

SIGNATURES

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

SEACOR SMIT Inc.
(Registrant)

DATE: AUGUST 14, 2000 By: /s/ Charles Fabrikant

Charles Fabrikant, Chairman of the Board,
President and Chief Executive Officer

(Principal Executive Officer)

DATE: AUGUST 14, 2000 By: /s/ Randall Blank

Randall Blank, Executive Vice President,
Chief Financial Officer and Secretary
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
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27.1	Financial Data Schedule

Exhibit 10.1

SEACOR SMIT INC.

2000 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

ARTICLE I PURPOSES

1.01. Retention. SEACOR SMIT Inc. (the "Company") desires to attract and retain the services of outstanding non-employee directors by affording them an opportunity to acquire a proprietary interest in the Company through automatic, non-discretionary awards of options ("Options") exercisable to purchase shares of Common Stock (as defined below), and thus to create in such directors an increased interest in and a greater concern for the welfare of the Company and its subsidiaries.

1.02. Not in Lieu of Compensation. The Options offered pursuant to this SEACOR SMIT Inc. Stock Option Plan for Non-Employee Directors (the "Plan") are a matter of separate inducement and are not in lieu of any other compensation for the services of any director.

1.03. Not Incentive Stock Options. The Options granted under the Plan are intended to be options that do not meet the requirements for incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

1.04. Certain Definitions. As used in the Plan, the term "parent corporation" and "subsidiary corporation" shall mean a corporation coming within the definition of such terms contained in Sections 424(e) and 424(f) of the Code, respectively.

ARTICLE II AMOUNT OF STOCK SUBJECT TO THE PLAN

2.01. Common Stock Options. Options granted under the Plan shall be exercisable for shares of the Company's common stock, par value $.01 per share ("Common Stock").

2.02. Authorized Shares. The total number of shares of Common Stock authorized for issuance under the Plan upon the exercise of Options (the "Shares"), shall not exceed, in the aggregate, 100,000 of the currently authorized shares of Common Stock of the Company, such number to be subject to adjustment in accordance with Section 13.01 of the Plan.

2.03. Shares Acquired Under Plan. Shares that may be acquired under the Plan may be either authorized but unissued Shares, Shares of issued stock held in the Company's treasury, or both. If and to the extent that Options granted under the Plan expire or terminate without having been exercised, the Shares covered by such expired or terminated Options may again be subject to a later-granted Option under the Plan.

ARTICLE III EFFECTIVE DATE AND TERM OF THE PLAN

The Plan shall become effective at 5:00 p.m., New York City time, on the date of the Company's 2000 Annual Meeting of Stockholders (the "Effective Date"), which meeting is currently scheduled for May 23, 2000, if the Plan is approved by a vote of the stockholders of the Company at such annual meeting. If the Plan is not so approved, the Plan shall be of no force or effect. If so approved, the Plan shall terminate at the close of business on the date of the Company's 2004 Annual Meeting of Stockholders (the "Termination Date"), unless sooner terminated in accordance with its terms.

ARTICLE IV ADMINISTRATION

The Plan shall be administered by the Board of Directors of the Company (the "Board of Directors"), which may designate from among its members a committee to exercise all power and authority of the Board of Directors at any

time and from time to time to administer the Plan. References herein to the Board of Directors shall be deemed to include references to any such committee, except as the context otherwise requires. Subject to the express provisions of the Plan, the Board of Directors shall have authority to construe the Plan and the Options granted hereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other ministerial determinations necessary or advisable for administering the Plan. However, the timing of grants of Options under the Plan and the determination of the amounts and prices of such Options shall be effected automatically in accordance with the terms and provisions of the Plan without further action by the Board of Directors. The determination of the Board of Directors on matters referred to in this Article IV shall be conclusive.

ARTICLE V ELIGIBILITY

Each member of the Board of Directors who is not an employee of the Company or any subsidiary corporation or parent corporation of the Company shall be eligible to be granted Options under the Plan ("Eligible Directors"). The Plan does not create a right in any person to participate in, or be granted Options under, the Plan.

ARTICLE VI OPTION GRANTS; VESTING

6.01. Option Grants. On the Effective Date, each Eligible Director then in office shall automatically be granted an Option to purchase 2,000 Shares (subject to adjustment as provided in Article XIII). Thereafter, effective on the date of each subsequent annual meeting of stockholders of the Company through and including the Company's 2004 Annual Meeting of Stockholders, each Eligible Director in office immediately following each such annual meeting shall automatically be granted an Option to purchase 2,000 Shares (subject to adjustment as provided in Section 13.01). Each Option granted to an Eligible Director pursuant to the Plan shall be evidenced by a written agreement between the Company and such Eligible Director. Any Eligible Director entitled to receive an Option grant pursuant to the Plan may elect to decline the Option.

6.02. Vesting. Subject to Articles VIII, IX and X hereof, Options granted pursuant to Section 6.01 will be exercisable for all Shares subject thereto at any time following the earlier to occur of (a) the first anniversary of the date of grant and (b) the date of the first annual meeting of the Company's stockholders that occurs after the date of grant. Notwithstanding the foregoing, the vesting of Options granted pursuant to Section 6.01 shall automatically accelerate and the Options shall be exercisable in full upon (i) the Eligible Director's death, (ii) the Eligible Director's termination of service as a director as a result of disability (as described in Section 22(c)(3) of the Code) or (iii) the occurrence of a Change in Control (as hereinafter defined). The determination of the Board of Directors that any of the foregoing conditions has been met shall be binding and conclusive on all parties.

ARTICLE VII OPTION PRICE AND PAYMENT

7.01. Option Price. The price for each Share purchasable upon exercise of any Option granted hereunder shall be an amount equal to the fair market value per Share on the date of grant. For purposes of the Plan, fair market value per Share shall be the closing price for Common Stock on the date of determination (or on the last preceding trading date if Common Stock was not traded on such date) if the Common Stock is readily tradable on a national securities exchange or other market system, and if the Common Stock is not readily tradable, fair market value per Share shall be determined in good faith by the Board of Directors.

7.02. Payment. Upon the exercise of an Option granted hereunder, the Company shall cause the purchased Shares to be issued when it shall have received the full purchase price for the Shares in cash. In lieu of cash, the holder of an Option may, to the extent permitted by applicable law, exercise an Option in whole or in part, by delivering to the Company shares of Common Stock (in proper form for transfer and accompanied by all requisite stock transfer tax stamps or cash in lieu thereof) owned by such holder having a fair market value equal to the cash exercise price applicable to that portion of the Option being exercised by the delivery of such shares. In lieu of the actual delivery to the Company of such shares of Common Stock, the holder of an Option may exercise an Option by providing the Company with a notarized statement attesting to the number of shares of Common Stock owned which are intended to be exchanged and, if the

stock certificates representing such shares are held by the option holder, with such certificate numbers, and upon receipt of such notarized statement and upon verification of the existence of such shares, the Company shall cause to be issued to the option holder only the number of incremental Shares to which the option holder is entitled upon exercise of the Option. The fair market value per Share of shares so delivered by the option holder to the Company shall be determined as of the date immediately preceding the date on which the Option is exercised in accordance with Section 7.01, or as may be required in order to comply with or to conform to the requirements of any applicable laws or regulations. The Board of Directors may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purposes of the Plan.

ARTICLE VIII TERMS OF OPTIONS AND LIMITATIONS ON THE RIGHT OF EXERCISE

8.01. Expiration. To the extent that an Option is not exercised within the period of exercisability specified therein, it shall expire as to the then unexercised part.

8.02. Quantity of Shares. In no event shall an Option granted hereunder be exercised for a fraction of a Share or for less than one hundred Shares (unless the number purchased is the total balance for which the Option is then exercisable).

8.03. No Rights as Shareholder. A person entitled to receive Shares upon the exercise of an Option shall not have the rights of a shareholder with respect to such Shares until the date of issuance of a stock certificate to him or her for such Shares; provided, however, that until such stock certificate is issued, any holder of an Option using previously acquired shares of Common Stock in payment of an option exercise price shall continue to have the rights of a shareholder with respect to such previously acquired shares of Common Stock.

ARTICLE IX OPTION PERIOD AND EXERCISE OF OPTIONS

9.01. Exercisability. Any Option granted to an Eligible Director shall be exercisable for a period beginning on the date of grant and ending ten (10) years from the date of grant of such Option, except to the extent such exercise is further limited or restricted pursuant to the provisions hereof.

9.02. Method of Exercise. Subject to the express provisions of the Plan, Options granted under the Plan shall be exercised by the optionee as to all or part of the Shares covered thereby by the giving of written notice of the exercise thereof to the Corporate Secretary of the Company at the principal business office of the Company, specifying the number of Shares to be purchased, the proposed form of payment and specifying a business day not more than ten (10) days from the date such notice is given for the payment of the purchase price against delivery of the Shares being purchased. Subject to the terms of Articles XV, XVI and XVII hereof, the Company shall cause certificates for the Shares so purchased to be delivered at the principal business office of the Company, against payment of the full purchase price, on the date specified in the notice of exercise.

ARTICLE X TERMINATION OF DIRECTORSHIP

10.01. Options Terminate. If an Eligible Director's service as a director of the Company is terminated, any Option previously granted to such Eligible Director shall, to the extent not theretofore exercised, terminate and become null and void; provided, however, that:

(a) if an Eligible Director holding an outstanding Option dies (including during either the three (3) month or one (1) year period, whichever is applicable, specified in clause (b) immediately below), such Option shall, to the extent not theretofore exercised, remain exercisable for one (1) year after such Eligible Director's death, by such Eligible Director's legatee, distributee, guardian or legal or personal representative; and

(b) if the service of an Eligible Director holding an outstanding Option is terminated by reason of (i) such Eligible Director's

disability (as described in Section 22(e)(3) of the Code), (ii) voluntary retirement from service as a director of the Company, (iii) failure of the Company to nominate for re-election such Eligible Director who is otherwise eligible, except if such failure to nominate for re-election is due to any act of (A) fraud or intentional misrepresentation or (B) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any subsidiary corporation or parent corporation of the Company (in which case, such Option shall terminate and no longer be exercisable), or (iv) the failure of such Eligible Director to be re-elected by stockholders following nomination by the Company, such Option shall, to the extent not previously exercised, remain exercisable at any time up to and including (X) three (3) months after the date of such termination of service in the case of termination by reason of voluntary retirement, failure of the Company to nominate for re-election such Eligible Director who is otherwise eligible (subject to the above exceptions thereto stated in this clause (b)), or failure of such Eligible Director to be re-elected by stockholders following nomination by the Company, and (Y) one (1) year after the date of termination of service in the case of termination by reason of disability.

10.02. Exercise by Legal Representative. If an Option granted hereunder shall be exercised by the legal representative of a deceased Eligible Director or former Eligible Director, or by a person who acquired an Option granted hereunder by bequest or inheritance or by reason of the death of any Eligible Director or former Eligible Director, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or equivalent proof of the right of such legal representative or other person to exercise such Option.

10.03. No Exercise After Expiration. Notwithstanding anything to the contrary contained in this Article X, in no event shall any person be entitled to exercise any Option after the expiration of the period of exercisability of such Option, as specified therein.

ARTICLE XI USE OF PROCEEDS

The cash proceeds of the sale of Shares subject to the Options granted hereunder are to be added to the general funds of the Company and used for its general corporate purposes as the Board of Directors shall determine.

ARTICLE XII NON-TRANSFERABILITY OF OPTIONS

An Option granted hereunder shall not be transferable, whether by operation of law or otherwise, other than by will or the laws of descent and distribution. Except to the extent provided above, Options also may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

ARTICLE XIII ADJUSTMENT OF SHARES; CHANGE IN CONTROL

13.01. Shares Subject to Options. Notwithstanding any other provision contained herein, in the event of any change in the Shares subject to the Plan or to any Option granted under the Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or other like change in the capital structure of the Company), an adjustment shall be made to each outstanding Option such that each such Option shall thereafter be exercisable for such securities, cash and/or other property as would have been received in respect of the Shares subject to such Option had such Option been exercised in full immediately prior to such change, and such an adjustment shall be made successively each time any such change shall occur. The term "Shares" after any such change shall refer to the securities, cash and/or property then receivable upon exercise of an Option. In addition, in the event of any such change, the Board of Directors shall make any further adjustment to the maximum number of Shares which may be acquired under the Plan pursuant to the exercise of Options, the maximum number of shares for which Options may be granted to any one

Eligible Director and the number of Shares and price per Share subject to outstanding Options as shall be equitable to prevent dilution or enlargement of rights under such Options, and the determination of the Board of Directors as to these matters shall be conclusive and binding on the optionee.

13.02. Change in Control. Notwithstanding any other provision of this Plan, if there is a Change in Control of the Company, all then outstanding Options shall immediately become exercisable. For purposes of this Section 13.02, a "Change in Control" of the Company shall be deemed to have occurred upon any of the following events:

(a) A change in control of the direction and administration of the Company's business of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); or

(b) During any period of two (2) consecutive years, the individuals who at the beginning of such period constitute the Board of Directors or any individuals who would be "Continuing Directors" (as hereinafter defined) cease for any reason to constitute at least a majority thereof; or

(c) The Common Stock shall cease to be publicly traded; or

(d) The Board of Directors shall approve a sale of all or substantially all of the assets of the Company, and such transaction shall have been consummated; or

(e) The Board of Directors shall approve any merger, consolidation, or like business combination or reorganization of the Company, the consummation of which would result in the occurrence of any event described in Section 13.02(b) or (c) above, and such transaction shall have been consummated.

Notwithstanding the foregoing, any spin-off of a division or subsidiary of the Company to its shareholders shall not constitute a Change in Control of the Company.

13.03. Continuing Directors. For purposes of Section 13.02, "Continuing Directors" shall mean the directors of the Company in office on the Effective Date and any successor to any such director and any additional director who after the date of such effectiveness (i) was nominated or selected by a majority of the Continuing Directors in office at the time of his nomination or selection and (ii) is not an "affiliate" or "associate" (as defined in Regulation 12B under the Exchange Act) at the time of his nomination or selection of any person who is the beneficial owner, directly or indirectly, of securities representing ten percent (10%) or more of the combined voting power of the Company's outstanding securities then ordinarily entitled to vote for the election of directors.

ARTICLE XIV RIGHT TO TERMINATE SERVICE

The Plan shall not impose any obligation on the Company or on any subsidiary corporation or parent corporation thereof to continue the service of any Eligible Director holding Options and shall not impose any obligation on the part of any Eligible Director holding Options to remain in the service of the Company or of any subsidiary corporation or parent corporation thereof.

ARTICLE XV PURCHASE FOR INVESTMENT

15.01. Written Statement. Except as hereinafter provided, the Board of Directors may require the holder of an Option granted hereunder, as a condition to exercise of such Option in the event the Shares subject to such Option are not registered pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, to execute and deliver to the Company a written statement, in form satisfactory to the Board of Directors, in which such holder (a) represents and warrants that such holder is purchasing or acquiring the Shares acquired thereunder for such holder's own account for investment only and not with a view to the resale or distribution thereof in violation of any federal or state

securities laws and (b) agrees that any subsequent resale or distribution of any of such Shares shall be made only pursuant to either (i) an effective registration statement covering such Shares under the Securities Act and applicable state securities laws or (ii) specific exemptions from the registration requirements of the Securities Act and any applicable state securities laws, based on a written opinion of counsel, in form and substance satisfactory to counsel for the Company, as to the application thereto of any such exemptions.

15.02. No Obligation to Register. Nothing herein shall be construed as requiring the Company to register Shares subject to any Option under the Securities Act or any state securities law and, to the extent deemed necessary by the Company, Shares issued upon exercise of an Option may contain a legend to the effect that registration rights have not been granted with respect to such Shares.

ARTICLE XVI ISSUANCE OF STOCK CERTIFICATES; LEGENDS; PAYMENT OF EXPENSES

16.01. Legend and Transfer Restrictions. The Company may endorse such legend or legends upon the certificates for Shares issued upon exercise of Options granted pursuant to the Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such Shares as the Board of Directors, in its discretion, determines to be necessary or appropriate to (a) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or (b) implement the provisions of the Plan and any agreement between the Company and the optionee or grantee with respect to such Shares.

16.02. Payment of Expenses. The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer, except fees and expenses that may be necessitated by the filing or

amending of a registration statement under the Securities Act, which fees and expenses shall be borne by the recipient of the Shares unless such registration statement has been filed by the Company for its own corporate purpose (and the Company so states) in which event the recipient of the Shares shall bear only such fees and expenses as are attributable solely to the inclusion of the Shares an optionee receives in the registration statement.

16.03. Shares Fully Paid and Nonassessable. All Shares issued as provided herein shall be fully paid and nonassessable to the extent permitted by law.

ARTICLE XVII LISTING OF SHARES AND RELATED MATTERS

If at any time the listing, registration or qualification of the Shares subject to such Option on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the granting of an Option, or the issuance of Shares thereunder, such Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained.

ARTICLE XVIII MISCELLANEOUS

18.01. Amendment, Suspension or Termination of the Plan. The Board of Directors may at any time amend, suspend or terminate the Plan. Options may not be granted while the Plan is suspended or after it is terminated. Rights and obligations under any Option granted while the Plan is in effect shall not be altered or impaired by amendment, suspension or termination of the Plan, except upon the consent of the person to whom the Option was granted. The ministerial power of the Board of Directors to construe and administer any Options under Article IV that are granted prior to the termination or the suspension of the Plan shall continue after such termination or during such suspension.

18.02. Governing Law. The Plan, such Options as may be granted hereunder and all related matters shall be governed by, and construed and enforced in accordance with, the laws of the State of New York from time to time in effect.

18.03. Partial Invalidity. The invalidity or illegality of any provision herein shall not be deemed to affect the validity of any other provision.

Exhibit 10.2

PLATFORM CONSTRUCTION AGREEMENT

BY AND BETWEEN

KEPPEL FELS LIMITED

And

CHILES OFFSHORE LLC

APRIL 6, 2000

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EXHIBIT A
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EXHIBIT B
SPECIFICATIONS AND DESIGN DRAWINGS

PLATFORM CONSTRUCTION AGREEMENT

This Agreement including Exhibits A through B attached hereto which are incorporated by reference herein and made a part hereof ("Agreement"), entered into on the 6th day of April, 2000, by and between Chiles Offshore LLC a company organized under the laws of the State of Delaware ("Owner") and Keppel FELS Limited, a corporation organized under the laws of the Republic of Singapore (hereinafter referred to as "Builder") for the construction by Builder and Purchase by Owner of one mobile, self-contained and self-elevating 475' leg

length platform (the "Platform").

1. Design Approval and Effective Date

(a) In recognition (1) that Builder is the developer of the design for the mobile, self-contained and elevating 475' leg length platform embodied in Builder's Specification for the Construction and Outfit of a Mobile Offshore Self-Elevating Drilling Unit, Keppel FELS Class B, dated 5th April 2000 including the basic design drawings listed on Exhibit B, which specification has been initialed by the parties hereto as evidence of their agreement thereto (said specification, as now existing and as further developed by Builder, and all related drawings, plans and data, whether now or hereafter prepared by Builder, herein the "Specifications" and said design, as now existing and hereafter developed, the "Platform Design"), , and (2) that no platforms have been constructed in accordance with the Platform Design, Builder hereby undertakes, at its own risk and expense, to obtain American Bureau of Shipping ("ABS") approval of the Platform Design as embodied in the Specifications, including the development of any additional drawings, calculations or other design work required by ABS for such approval.

(b) The effective date ("Effective Date") of this Agreement shall be the date hereof.

Builder has heretofore provided to Owner the ABS approval of the base rig design with 475 foot leg length and shall provide concurrently with the execution hereof the calculations (which calculations shall be non-contractual and are for information and comparison only without representation or warranty of any kind) for conditions with 517 foot and 545 foot leg lengths.

2. Commencement and Prosecution of the Work

(a) Builder hereby agrees with Owner to commence the construction of the Platform at Builder's Shipyard at Jurong, Singapore, being Builder's Yard No. B ("Builder's Yard"), to prosecute in accordance with good shipyard practice to completion, and to deliver the Platform to Owner twenty-two (22) months after the Effective Date (such delivery date as the same may be extended under the terms of this Agreement is referred to herein as the "Delivery Date"), at Builder's Yard, in accordance with (i) the Specifications (the said Specifications having been (or shall be, in instances where specifications, drawings, plans, and data are hereafter prepared) initialed by Builder and Owner as evidence of the parties' agreement thereto and being (and to be)

hereby incorporated by reference as part of this Agreement), (ii) the certain rules of the American Bureau of Shipping (hereinafter referred to as the "ABS"), Rules for Building and Classing Mobile Offshore Drilling Units, 1997, with all amendments thereto issued to the date of Builder's request for class, which request shall be made not later than April 15, 2000, and the ABS Guide for Shipbuilding & Repair Quality Standard for Hull Structures During Construction with table 5.9 therein applicable in full without reservation, and (iii) the requirements of any other regulatory body ("Regulatory Body" or Regulatory Bodies") having jurisdiction in the premises as listed in the Specifications. Owner hereby agrees with Builder to purchase the Platform from Builder, and to pay Builder for same, all in accordance with the provisions of this Agreement.

(b) If any conflict or inconsistency shall arise between this Agreement and the Specifications, this Agreement shall prevail. Similarly, if any conflict or inconsistency shall arise between the written Specifications and the Specification drawings, the written Specifications shall prevail. In the event of a dispute as to conformity with ABS classification

requirements, the decision of the ABS shall be final.

(c) In the event that any of the equipment or materials required to be furnished by Builder in the performance of the work under this Agreement cannot be timely procured or are in short supply, Builder may supply other functionally equivalent materials or equipment complying with the performance requirements of this Agreement and the Specifications.

3. Contract Price

(a) As consideration for Builder's construction of the Platform in accordance with the terms of this Agreement, Owner agrees to pay Builder the sum of U.S. Dollars Seventy-Two Million Eight Hundred Thousand ($72,800,000) subject to adjustment as provided in this Agreement (hereinafter referred to as the "Contract Price") to Builder's account as provided herein or at such other place as Builder may from time to time designate in writing to Owner.

(b) The Contract Price shall be paid by Owner to Builder in installments as provided in Exhibit "A" attached to and made a part of this Agreement. Wire transfers shall be made to Builder's account at Citibank N.A. as follows:

CITIBANK N.A.
3 TEMASEK AVENUE
#14-00 CENTENNIAL TOWER
SINGAPORE 039190
SWIFT CODE: CITISGSG
US$ A/C O-010547-O24
FAVORING KEPPEL FELS LIMITED

(c) Builder shall submit to Owner invoices at least seven (7) working days prior to

the date any payment is due under this Agreement.

(d) Any agreed lump sum change order price shall be paid 50% of the change order price upon agreement thereto and the balance of 50% of the agreed change order price shall be paid upon delivery of the Platform. For change orders performed on time and material basis, payments shall be made monthly, in arrears, within ten (10) days of Owner's receipt of Builder's invoice therefor and in any event upon delivery of the Platform.

(e) All costs for ABS and any other Regulatory Body approvals for the Platform are for the Builder's account with the exception of Owner Furnished Equipment and materials as provided in Section 6 hereof.

(f) Prior to delivery of the Platform, the Builder shall furnish evidence satisfactory to the Owner showing that no liens, claims, security interests or rights in rem of any kind have been or can be acquired against the Platform by, through, or under Builder.

(g) Except as provided in the next sentence of this paragraph (g), all remaining payments, including progress payments, payments for change orders, and other sums owing by Owner to Builder under this Agreement must be paid in full at the time of delivery of the Platform under this Agreement and in any event prior to departure of the Platform from Builder's Yard. If Owner disputes in good faith any sums claimed by Builder under or in connection with this Agreement, Owner shall provide to Builder a corporate surety bond from a first class U.S. surety acceptable to Builder in a form reasonably satisfactory to Builder. Such bond shall be in an amount equal to 150% of the disputed sum. The bond must be executed and delivered to

Builder at the time of delivery of the Platform under this Agreement and in any event prior to departure of the Platform from Builder's Yard.

(h) All amounts owing to Builder by Owner hereunder shall bear interest at the lesser of the highest lawful rate or the rate of fifteen percent (15%) per annum from thirty (30) days after the date notice of failure to pay is received by Owner until paid in full.

4. Representatives and Progress of Platform

(a) Builder will furnish office space and parking facilities at the Yard for Owner's authorized representatives (the "Representatives"), who will have complete and unrestricted access to the Yard of Builder, or its subcontractors, where the Platform, or any portions thereof, or materials or equipment therefor are being stored, manufactured or constructed pursuant to this Agreement. The office provided to Owner will be complete with furniture and will have telephone, telefax, and duplicating facilities. Costs for long distance telephone calls, telefaxes, and duplicating supplies will be for Owner's account. Such Representatives shall have the right to make inspection of workmanship, material, equipment and supplies as the construction of the Platform progresses and shall notify Builder in writing of any deficiencies noted therein, and

Builder will then take such steps as are necessary to correct such deficiencies. Builder shall give notice to Owner and its Representatives at least forty-eight (48) hours in advance of the date and place of all tests, trials, and inspections. Inspections shall be made so as not to impede the progress of the construction of the Platform and if defective or non-conforming workmanship or material is rejected, rejection shall be made promptly in order that Builder may minimize the expense and disruption of construction. In the event Owner's Representatives shall fail to be present at any properly notified test, trial, or inspection, the results thereof shall be binding on Owner. Owner shall ensure that its Representatives shall not in performing their inspections obstruct the construction schedule for the Platform. Builder's obligation to construct and deliver the Platform in accordance with this Agreement and the Specifications, and Builder's warranty under this Agreement, shall not, except as otherwise provided herein, be affected by any inspection or failure to inspect by Owner's Representatives or by their failure to detect any deficiencies. If Owner's Representatives fail to promptly notify Builder of any non-conforming work discovered by Owner's Representatives, Owner shall be deemed to have approved such item and Owner shall be precluded from making demand for correction of such item, refusing to accept tender of delivery of the Platform, or claiming such item as a warranty defect under Builder's warranty set forth in Section 11 hereinbelow.

(b) In all working hours during the construction of the Platform until delivery thereof, the Representatives and all assistants shall be given free and ready access to the Platform and to any other place where construction of the Platform is being done or materials are being processed or stored in connection with the construction of the Platform, including the yards, workshops, stores and offices of Builder, and the premises of subcontractors of Builder who are doing work for the Platform or storing materials at such premises in connection with the Platform's construction.

(c) Builder shall designate a single project manager in writing to Owner, with full authority to act for Builder under this Agreement. Owner shall designate a single project manager in writing to Builder, with full authority to act for Owner under this Agreement. Builder and Owner may from time to time

designate substitute project managers in writing with such authority.

(d) If any difference in opinion between parties hereto shall arise during the construction of the Platform concerning technical matters in respect of the materials and workmanship covered by the ABS rules or the guide referred to in Section 2, paragraph (a) of this Agreement, such difference in opinion shall be referred to ABS whose opinion thereon shall be final and binding upon both parties.

(e) Within thirty (30) days of the Effective Date of this Agreement the Builder shall deliver to the Owner a key event production schedule (the "Production Schedule") showing planned construction progress of the Platform. The Production Schedule shall be reasonably acceptable to the Owner and the Builder shall develop an overall Platform erection plan that integrates material

delivery and assembly actions needed to schedule work flow during all phases of construction. This plan shall encompass sufficient planning data to assure that all phases of construction can be adequately accomplished so as to deliver the Platform on or before the Delivery Date. The Platform erection/construction plan shall be furnished to Owner within sixty (60) days after the Effective Date of this Agreement and shall, upon acceptance by Owner, become by reference an integral part of the Production Schedule. The Delivery Date shall be extended by any delay caused by act or omission of Owner, failure to timely deliver to Builder any Owner Furnished Equipment (as defined in Section 6 hereof), delays caused by ABS or any governmental agency, changes as provided in Section 5 hereof and events of Force Majeure as provided in Section 14 hereof.

(f) Included in the Specifications is a list of tests and trials to be performed by Builder in connection with the completion of the Platform. Owner's Representatives shall be given the number of days of prior notice for each applicable test or trial as set forth in the Specifications.

5. Changes and Additional Work

Owner shall have the right, at any time or times, to request that reasonable change or changes be made in any of the Specifications, and Owner shall issue to Builder a written change order to be executed by Owner and Builder; provided, however, if such requested change or changes in the aggregate would materially increase the overall scope of work so as to adversely impact Builder's other work or commitments or if Builder and Owner cannot reach agreement as to a lump sum price or credit or change in the Scheduled Delivery Date or other terms and conditions of this Agreement or the Specifications, Builder shall have no obligation to Owner to perform same. If any change necessitates an increase or decrease in the quantity or quality of the materials or the nature of the labor to be furnished by Builder for the Platform, then the Contract Price shall be increased or decreased on a lump sum basis in accordance with the mutual agreement of the parties. If any change will prolong the time for completion of the Platform, the Delivery Date shall be extended accordingly. Builder shall be entitled to make minor changes to the Specifications, if found necessary, for the introduction of improved production methods or otherwise, subject to Owner's approval, which is not to be unreasonably withheld.

6. Owner Furnished Equipment

(a) Within forty-five (45) days of the Effective Date of this Agreement, Builder and Owner shall agree upon a schedule of in-yard delivery dates of those items of material, equipment, engineering data and information ("Owner Furnished Equipment"), as are set forth in the Specifications to be provided by Owner. The time for delivery of the Owner Furnished Equipment as detailed on such delivery schedule

shall be such so as to not cause Builder to be delayed in the timely prosecution of the work in accordance with the Production Schedule.

(b) Builder shall at its own cost install the Owner Furnished Equipment and obtain ABS approval of such installation. Builder's scope of work includes all

necessary foundations and supplies, such as, but not limited to, electric, instrumentation, controls and hydraulic power, air, fuel, steam, etc., in each case including all necessary connections such as electric wiring and piping. All Owner Furnished Equipment shall be delivered by Owner to Builder at Builder's Yard in their assembled form to the extent reasonably feasible, tested and in proper condition, ready for installation in or on the Platform, in accordance with the Production Schedule. Builder will unload all Owner Furnished Equipment. Suitable storage will be provided by Builder for all Owner Furnished Equipment. The cost of such storage is included in the Contract Price. The Owner Furnished Equipment shall be at Builder's risk from the time of their delivery to the shipyard until the time of their redelivery to Owner either as part of the Platform or otherwise. Upon delivery of each item of Owner Furnished Equipment, unless such item is accompanied by a weight certificate issued by a reputable body, Builder shall weigh at Owner's expense such item in order to incorporate the actual weight in the Lightship Weight calculations.

(c) In order to facilitate installation by Builder of the Owner Furnished Equipment on the Platform, Owner shall furnish the Builder with all reasonably necessary information including specifications, plans, drawings, instruction books, manuals, test reports and certificates. Owner, if so requested by Builder, shall without any charge to Builder cause specialist engineers and representatives of the manufacturers of the Owner Furnished Equipment to provide technical assistance to Builder in installation thereof in or on the Platform or to make necessary adjustments thereof at the Yard. Builder's scope of work under this Agreement excludes any adjustment, repair or modification of any Owner Furnished Equipment. Builder's scope of work under this Agreement includes any testing of installed Owner Furnished Equipment required by the Specifications, any Regulatory Body or ABS.

(d) In the event of a delay in delivery of any Owner Furnished Equipment, then Owner and Builder shall mutually agree on a new installation date of the delayed Owner Furnished Equipment. If no agreement is reached between both parties within twenty (20) days, and the absence of the delayed Owner Furnished Equipment is impacting the critical path to completion of the Platform, then Builder shall have the right to proceed with the construction of the Platform without installation of the delayed Owner Furnished Equipment on the Platform, without prejudice to Builder's other rights as hereinabove provided, and Owner shall accept and take delivery of the Platform as so constructed.

(e) On delivery of each consignment of Owner Furnished Equipment, Builder shall assist Owner in the inspection of the consignment delivered. Any and all of the Owner Furnished Equipment shall be subject to Builder's reasonable right of rejection as and if they are found to be unsatisfactory or in improper condition for installation. In such instances, Builder shall first give adequate notice to Owner and a reasonable opportunity for correction by Owner before being entitled to reject the Owner Furnished Equipment.

(f) Should Owner fail to timely deliver the Owner Furnished Equipment as provided in this Agreement and such delay results

in increased costs to Builder, Owner and Builder shall agree upon the appropriate increase in the Contract Price and Owner shall reimburse Builder for such increased cost. If Owner and Builder are unable to agree upon the appropriate increase in the Contract Price for such delay, then Owner shall prior to delivery of the Platform post a bond pursuant to the requirements of Section 3, paragraph (g) hereof.

7. Liens

Provided Builder is paid all amounts owing to Builder by Owner under this Agreement as and when due, Builder shall not place or create or permit to be placed or created, any liens, charges, or encumbrances on, or security interests as to, or pledges of, the Platform, and any lien, charge, encumbrance or security interest so placed or created by or through Builder, its subcontractors and suppliers, or any of them, shall be forthwith released by the Builder. The Builder shall release and cause to be discharged any such lien, charge, encumbrance or security interest. In the event Builder fails to secure the discharge or release of any such lien, charge, encumbrance or security interest, after notice to Builder the Owner may secure the removal of same, in which event the Builder shall reimburse the Owner for its costs of securing such discharge or release (which cost shall include any expenses, including, without limiting the generality of the foregoing, attorneys' fees incurred in connection therewith) or at Owner's sole option by deducting such sum from any payments due or to become due the Builder under this Agreement. In the event such cost is in excess of the amount of any such reimbursement by deductions, the Builder further agrees to pay the amount of such excess to the Owner upon demand.

8. Insurance

Builder shall obtain and maintain during all times hereunder the following insurance in form reasonably acceptable to Owner and Owner's underwriters:

(a) Broad Form Comprehensive General Liability Insurance covering all of the operations of Builder, including Contractual Liability and Contractor's Protective Liability with a combined single limit of not less than U.S. $1,000,000 per occurrence for bodily injury and/or property damage, including products and completed operations coverage, with excess liability limits of not less than U.S. $1,000,000 per occurrence.

(b) Each of the foregoing insurance policies shall, either on the face thereof or by appropriate endorsement name (except for the policies specified in subparagraph (a) above) Owner as an additional assured with respect to the indemnities of Builder assumed under this Agreement, provide that the insurance policy shall not be cancelled or coverage reduced except upon 30 days prior written notice to Owner, contain waivers of subrogation pursuant to which the insurer waives all express or implied rights of subrogation against Owner, provide that Owner shall not be liable for premiums or calls, and be retained in full force and effect by Builder until the completion of the Platform hereunder as provided

below. Builder shall be responsible for all deductibles and self insured retentions, to the extent the loss or claim would otherwise be covered by Builder's indemnities contained in this Agreement. Concurrently with the execution of this Agreement, Builder shall furnish to Owner certificates or other evidence satisfactory to the other of the insurance required hereunder.

(c) Until final delivery of the Platform, Builder shall its own cost and expense, keep the Platform and all materials either delivered to the Yard or being handled by Builder for the Platform or built into, or installed in or upon the Platform fully insured under coverage and with underwriters satisfactory to the Owner and not more restrictive than the

current form of London or American Institute Clauses for Builder's Risks or equivalent form, including tests and trials clauses. The Builder's Risks insurance shall include supplemental coverage for war risks, strikes, lockouts, labor disturbances, riot or civil commotion, earthquakes, and protection and indemnity risks. The amount of such insurance coverage shall be in an amount at least equal to the Contract Price and shall be increased from time to time to cover the cost of all changes, alterations, or modifications.

(d) The Builder's Risks policy shall be taken out in the joint names of Builder and Owner and all losses under such policy shall be payable to the Builder and Owner in accordance with their respective interests. The policies shall provide that there shall be no recourse against the Owner for the payment of premiums or other charges and shall further provide that at least thirty (30) days' prior written notice of any material alteration, cancellation, or cancellation for the non-payment of premiums or other charges shall be given to the Owner by the insurance underwriters. Any deductible under this insurance policy shall be for the account of Builder.

9. Title and Risk of Loss

(a) Title to the Platform, to the extent completed and all materials destined for incorporation therein, whether located at Builder's Yard or elsewhere, shall immediately vest in Owner when the same is paid for by Owner, whether prior to or after incorporation into the Platform. The vesting of title shall not relieve Builder of its obligation to replace damaged or defective materials at Builder's expense and to complete and deliver the Platform in accordance with the provisions of this Agreement. Risk of loss of the Platform shall pass to Owner upon delivery and acceptance thereof in accordance with this Agreement.

(b) To the extent that title to any part of the Platform or the materials destined for incorporation in the Platform has passed from Builder to Owner or Owner otherwise obtains any rights therein, whether now owned or hereafter acquired, Owner as debtor hereby grants to Builder as a secured party a security interest and lien upon same and all right, title, and interest of Owner thereto and the proceeds and products thereof, to secure the performance of Owner under this Agreement and the payment to Builder of all payments required to be paid by Owner to Builder under this Agreement; provided, however, the security

interest granted to the Builder by this Section 9(b) shall be subordinate to any liens or security interests granted by Owner to its lenders on Owner's interest in this contract and the Platform. In connection herewith, Builder shall upon Owner's default under this Agreement have all rights and remedies of a secured party under the law of Singapore. The security interest and lien granted to Builder hereunder and the rights and remedies of Builder herein shall be deemed cumulative and in addition to the rights and remedies otherwise available to Builder at law or in equity or in contract, which shall not be subordinate to any liens or security interests granted by Owner to its lenders.

(c) If the Platform or any Owner Furnished Equipment shall be damaged by any insured cause whatsoever prior to acceptance thereof by Owner and such damage does not constitute an actual or a constructive total loss of the Platform, Builder and/or Owner shall apply the amount recovered under the insurance policy referred to in Paragraph 8(d) of this Agreement to the repair of such damage and Owner shall accept the Platform under this Agreement if completed in accordance with this Agreement and the Specifications. The Production Schedule including the Delivery Date shall be deemed extended by the

time necessary to repair such damage. In the event of an actual or constructive total loss of the Platform prior to delivery, this Agreement shall automatically be deemed terminated, and Builder shall retain all installment payments made pursuant to Section 3, Paragraph 2(b) of this Agreement and shall be paid by Owner for the price for that portion of the Platform then constructed for which progress payments have not yet been made and all work in progress (including profit on all to Builder). In the event that the actual or constructive total loss of the Platform results from the operation of an insurable risk covered by insurance as required under Paragraph 8(d) of this Agreement, all of the proceeds of such insurance payable as a result of such loss shall be paid to the Owner and the Builder as their interests may appear.

10. Delivery

(a) Upon completion of the construction of the Platform and the tests and trials as provided in the Specifications, and after having obtained all required approvals and certifications from ABS and the Regulatory Bodies, Builder shall tender delivery of the Platform to Owner. Prior to tendering delivery, Builder shall have remedied at Builder's sole cost and expense any defects discovered by Owner, Builder or ABS in Builder's workmanship or materials including installation of Owner Furnished Equipment or any other non-conformity of the Platform with the requirements of the Specifications and this Agreement and shall have performed any re-tests necessary to ensure that such items have been fully corrected. Owner shall accept such tender of delivery, and Owner shall not have the right to refuse to accept delivery of the Platform provided the same is substantially completed, except for minor items acceptable to Owner to be completed as mutually agreed between Owner and Builder, and capable of being utilized by Owner. Any remaining items shall be completed by Builder following delivery and prior to departure of the Platform from Builder's yard, or Owner and Builder may mutually agree on an appropriate reduction of the Contract Price for such remaining items.

(b) To evidence acceptance of the Platform by Owner, Builder and Owner shall execute and deliver a Protocol of Acceptance and Delivery acknowledging delivery of the Platform. Builder shall further deliver to Owner a Bill of Sale confirming the conveyance of title to the Platform to the Owner, which Bill of Sale shall (i) generally describe the Platform as a mobile, self-contained and elevating platform, (ii) contain a general warranty of title and freedom from liens (except as to matters arising by, through, or under Owner) in favor of the Owner, and (iii) be deemed to contain the additional warranties and covenants set forth in Section 11 of this Agreement without the necessity of making any reference to such warranties in the Bill of Sale. Builder shall also deliver to Owner the remaining delivery documents set forth in the Specifications.

(c) Builder shall deliver the Platform along side Builder's dock at Builder's Yard. Following delivery and acceptance, Owner shall have the right to dock the Platform at Builders Yard for a period not to exceed thirty (30) days, after which time the Platform must depart from Builder's Yard. During such post-delivery docking period, Owner shall pay to Builder its standard charges for shore power, potable water, and security guard service. All such charges must be paid by Owner to Builder prior to departure of the Platform from Builder's Yard.

11. Warranty

Builder hereby warrants to Owner that (i) Builder's workmanship and materials shall be free from material defects, and (ii) that the

systems designed, supplied, and installed by Builder are in compliance with this Agreement and the Specifications (any failure to meet the requirements of (i) or (ii) being herein a "Warranty Deficiency"). The warranty set forth in the preceding sentence (the "Warranty") shall commence on the date of delivery of the Platform and expire twelve (12) months thereafter (provided, however, that if any of the equipment of the Platform, including without limitation any cranes or winches, is put into service by Builder prior to said delivery, (i) Builder shall at its own cost and expense restore such equipment to like new condition, ordinary wear and tear excepted and (ii) the twelve (12) months warranty period shall commence with delivery of the Platform) and shall be subject to the following provisions:

(a) The Warranty shall not apply to any part of the Platform which (i) has been misused or structurally repaired or altered after acceptance of the Platform by Owner by anyone other than Builder or its duly authorized representative, or (ii) has been damaged because of it's use, or the use of any other materials or equipment, after Owner (or any other person or firm operating the Platform or its equipment) has knowledge of such defect. Equipment or other components of the Platform sold to Owner pursuant to this Agreement but not manufactured by Builder are not warranted to any extent, but Builder shall assign (to the extent same are assignable by Builder) to Owner, without recourse, any warranties furnished to Builder by the vendors of such equipment or other components. If any such warranties are not assignable, Builder shall permit Owner to seek performance or damages in Builder's

name. Owner shall seek performance or damages under such warranties only from such vendors and not from Builder. Builder shall use reasonable efforts to secure the best available warranties available from such vendors and shall cooperate with Owner in any resulting dispute Owner may have with such vendors.

(b) The extent of Builder's liability for any breach of the Warranty shall be limited to (i) repairing or replacing, as elected by Builder, any defective materials, workmanship or components to correct such Warranty Deficiency at Builder's Yard or at any other shipyard of Builder or its affiliates (hereinafter collectively referred to as a "Keppel FELS Yard"), with the Platform to be brought to a Keppel FELS Yard at Owner's sole risk and expense, or (ii) reimbursing Owner for the cost of such correction in accordance with the provisions of subparagraph (c) hereinbelow.

(c) Owner, at its discretion, may elect to cause the necessary repairs or replacements to be made at a non-Keppel FELS Yard. In such event, Builder's sole obligation shall be to reimburse Owner for the cost of such repairs or replacements, provided, however, that in no event shall the sum to be paid to Owner by Builder exceed the cost that Builder would have borne, based on Builder's normal rates, if the repairs or replacements had been made at the Builder's Yard. If Owner elects to proceed under the provisions of this subparagraph (c), Owner shall, as soon as possible after such election (but in any event prior to the commencement of such repairs or replacements), notify Builder of the time, place, and estimated cost of such repairs and replacements. Builder shall have the right to verify, at its sole cost and expense, by its own representative, the nature and extent of the defects complained of. Except in the case of emergency repairs needed to protect life or property or in the event Builder's representative shall not have arrived to perform such inspection within seventy-two (72) hours of Owner's notice to Builder if reasonably possible and the repairs are necessary to meet operating commitments of Owner, such inspection shall be prior to the time that the repairs or replacements are made and if in fact no breach of the Warranty made by Builder herein has occurred, Owner shall pay to Builder a per diem equal to Builder's then current

labor rate schedule and the reasonable expenses incurred by such representative.

(d) The REMEDIES provided in subparagraphs (b) and (c) hereinabove are EXCLUSIVE. Such Warranty shall not include transportation, towage, insurance, or other incidental expenses. In no event shall the obligation of Builder to repair or replace (or to reimburse Owner pursuant to paragraph (c) hereinabove for the cost of repairing or replacing) defective workmanship or materials be construed to require Builder to repair or replace more than the actual workmanship or material that is found to be defective.

(e) The Warranty shall not be effective unless Builder receives from Owner a written notice of the Warranty Deficiency (i) within thirty (30) days after the date of discovery of such defect or failure and (ii) within thirty (30) days after the expiration of the prescribed Warranty period.

(f) Any work performed or materials furnished by Builder pursuant to the Warranty shall be warranted for the remaining term of the original Warranty, and nothing in subparagraph (b) or (c) shall extend the Warranty period beyond the Warranty period specified in this Section 11.

(g) THE WARRANTY AS DEFINED HEREINABOVE IS IN LIEU OF ALL OTHER WARRANTIES (EXCEPT OF TITLE), EXPRESS OR IMPLIED, STATUTORY OR AT COMMON LAW, AND ALL OTHER LIABILITIES (AT COMMON LAW OR IN CONTRACT, TORT, OR OTHERWISE, RELATING IN ANY WAY TO THE PLATFORM OR COMPONENTS THEREOF OR SERVICES TO BE PROVIDED UNDER THIS AGREEMENT INCLUDING, WITHOUT LIMITATION, STRICT LIABILITY AND NEGLIGENCE). WITHOUT LIMITATION OF THE GENERALITY OF THE IMMEDIATELY PRECEDING SENTENCE, BUILDER EXPRESSLY DISCLAIMS AND NEGATES (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES (iv) ANY IMPLIED OR EXPRESS WARRANTY OF DILIGENCE, (v) ANY IMPLIED OR EXPRESS WARRANTY OF WORKMANLIKE SERVICE, (vi) ANY IMPLIED OR EXPRESS WARRANTY OF SEAWORTHINESS, AND (vii) ALL OTHER LIABILITY, AT COMMON LAW OR IN CONTRACT OR TORT OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, STRICT LIABILITY (WHETHER FOUNDED IN SECTION 402(A) OF THE RESTATEMENT OF TORTS OR OTHERWISE) AND NEGLIGENCE, WHETHER OCCASIONED BY ACTS OR OMISSIONS OF SOLE OR CONCURRENT NEGLIGENCE OF BUILDER, ITS AFFILIATES AND/OR OTHERS. BUILDER DISCLAIMS LIABILITY FOR, AND IN NO EVENT WHATEVER SHALL BE LIABLE FOR, ANY LOSS OF PROFITS OF OWNER OR OTHERS OR ANY OTHER INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES.

(h) Builder's warranty with respect to the Owner Furnished Equipment shall extend only to installation thereof in accordance with the certified equipment drawings furnished by Owner in those instances where such Equipment is actually installed by Builder. In all other instances (including, without limitation, those instances in which Owner does not furnish certified equipment drawings to Builder), the sole risk and responsibility for the proper installation of the Owner Furnished Equipment shall, as between Builder and Owner, be borne by Owner. The sole risk and responsibility for the operability of the Owner Furnished Equipment shall, as between Builder and Owner, be borne by Owner, provided Builder shall have installed the equipment in accordance with the certified equipment drawings furnished by Owner.

(i) No employee or representative of Builder is authorized to change the Warranty in any way or to grant any other warranty.

(j) Owner understands and agrees that any modification to the

design, construction, or components of the Platform made by the Owner are the responsibility of Owner and not the responsibility of the Builder for any purpose whatsoever, including claims for damages or other liability asserted by Owner, its customers or any third party. In the event such modifications require ABS or Regulatory Body approval, Owner shall be responsible for obtaining such approval unless Builder accepts the responsibility by executing a change order to perform the work under this Agreement.

(k) Except as expressly provided in Section 28 hereinbelow, Owner understands and agrees that the information contained in this Agreement and the Specifications relating to the Platform does not guarantee a fixed or variable weight of the Platform or designate the use of equipment or other components other than the equipment or other components to be provided by Builder under this Agreement and the Specifications. The fixed and variable weight of the Platform and the selection of equipment or other components other than those to be provided by Builder under this Agreement and the Specifications are decisions of the Owner, including outfitting and fabrication decisions. The weight information provided by Builder is for information only and reflects historical information or estimated and approximate data. Builder is unable to predict actual weights for the Platform to be constructed by Builder. Builder does not warrant or represent that Builder's sale or construction of the Platform will meet the historical or approximate data supplied to Owner.

12. Indemnification Provisions

A. Builder Indemnities

(A) BUILDER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS OWNER, ITS CUSTOMERS, AND THEIR RESPECTIVE PARENT, HOLDING AND AFFILIATED COMPANIES, AND THEIR EMPLOYEES, OFFICERS, DIRECTORS, AND AGENTS (COLLECTIVELY THE "OWNER INDEMNITEES"), FROM AND AGAINST ALL LIABILITIES, LOSSES, CLAIMS, DEMANDS OR CAUSES OF ACTION (COLLECTIVELY "CLAIMS"), BY BUILDER OR ITS SUBCONTRACTORS OF ANY TIER OR THEIR RESPECTIVE EMPLOYEES, OFFICERS AND AGENTS, BASED ON ILLNESS, INJURY OR DEATH OR DAMAGE OR DESTRUCTION OR LOSS OF USE OF PROPERTY THEREOF INCLUDING WITHOUT LIMITATION THE YARD, OCCURRING PRIOR TO THE DELIVERY TO AND ACCEPTANCE BY OWNER OF THE PLATFORM, INCIDENT TO OR CONNECTED WITH OR ARISING OUT OF OR IN ANY WAY RELATED DIRECTLY OR INDIRECTLY TO THE PERFORMANCE OF THIS AGREEMENT OR BREACH HEREOF, REGARDLESS OF CAUSE, INCLUDING THE SOLE OR CONCURRENT NEGLIGENCE OR FAULT OF ANY OF BUILDER OR THE OWNER INDEMNITEES OR THEIR OFFICERS, AGENTS, EMPLOYEES, OR SUBCONTRACTORS OF ANY TIER OR THEIR EMPLOYEES OR AGENTS, UNSEAWORTHINESS,

STRICT LIABILITY, OR ANY OTHER EVENT OR CONDITION WHETHER OR NOT ANTICIPATED BY ANY PERSON OR PARTY, REGARDLESS OF WHETHER PREEXISTING THE EXECUTION OF THIS AGREEMENT.

(B) BUILDER SHALL BE LIABLE FOR ALL COSTS, EXPENSES, AND REASONABLE ATTORNEYS FEES INCURRED BY OWNER INDEMNITEES IN DEFENDING ANY COVERED CLAIMS AND IN ASSERTING THE INDEMNITIES AS SET FORTH HEREIN AGAINST BUILDER. BUILDER SHALL BE OBLIGATED TO BEAR THE EXPENSE OF THE INVESTIGATIONS AND EXPENSES OF ALL CLAIMS ARISING THEREFROM AND TO PAY THE FULL AMOUNT OF ANY JUDGMENT OR SETTLEMENT RENDERED AGAINST THE OWNER INDEMNITEES, IT BEING STIPULATED THAT ALL OBLIGATIONS OF INDEMNITY ASSUMED HEREIN SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT, REGARDLESS OF HOW SUCH TERMINATION IS EFFECTED. THE OWNER INDEMNITEES SHALL PROVIDE REASONABLE ASSISTANCE TO BUILDER IN RELATION TO THE DEFENSE OF CLAIMS WHICH ARE SUBJECT TO INDEMNITY HEREUNDER

B. Owner Indemnities

(A) OWNER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS BUILDER AND ITS PARENTS, HOLDING AND AFFILIATED COMPANIES, AND THEIR RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS, AND AGENTS AND THE SUBCONTRACTORS OF BUILDER AND THEIR SERVANTS (COLLECTIVELY THE "BUILDER INDEMNITEES"), FROM AND AGAINST ALL LIABILITIES, LOSSES, CLAIMS, DEMANDS, COSTS, OR CAUSES OF ACTION (COLLECTIVELY "CLAIMS"), BY OWNER OR ITS CONTRACTORS AND SUBCONTRACTORS OF ANY TIER OTHER THAN BUILDER OR ITS SUBCONTRACTORS OR THEIR RESPECTIVE EMPLOYEES, OFFICERS AND AGENTS, BASED ON ILLNESS, INJURY OR DEATH OR DAMAGE OR DESTRUCTION OR LOSS OF USE OF PROPERTY OTHER THAN THE PLATFORM, OCCURRING PRIOR TO THE DELIVERY TO AND ACCEPTANCE BY OWNER OF THE PLATFORM, INCIDENT TO OR CONNECTED WITH OR ARISING OUT OF OR IN ANY WAY RELATED DIRECTLY OR INDIRECTLY TO THE PERFORMANCE OF THIS AGREEMENT OR BREACH HEREOF, REGARDLESS OF CAUSE, INCLUDING THE SOLE OR CONCURRENT NEGLIGENCE OR FAULT OF ANY OF OWNER OR THE BUILDER INDEMNITEES OR THEIR OFFICERS, AGENTS, EMPLOYEES, OR SUBCONTRACTORS OF ANY TIER OR THEIR EMPLOYEES OR AGENTS, UNSEAWORTHINESS, STRICT LIABILITY OR ANY OTHER EVENT OR CONDITION WHETHER OR NOT ANTICIPATED BY ANY PERSON OR PARTY, REGARDLESS OF WHETHER PREEXISTING THE EXECUTION OF THIS AGREEMENT.

(B) OWNER SHALL BE LIABLE FOR ALL COSTS, EXPENSES, AND REASONABLE ATTORNEYS FEES INCURRED BY BUILDER INDEMNITEES IN DEFENDING ANY COVERED CLAIMS AND IN ASSERTING THE INDEMNITIES AS SET FORTH IN PARAGRAPH (A) HEREINABOVE AGAINST OWNER. OWNER SHALL BE OBLIGATED TO BEAR THE EXPENSE OF THE INVESTIGATIONS AND EXPENSES OF ALL CLAIMS ARISING THEREFROM AND TO PAY THE FULL AMOUNT OF ANY JUDGMENT OR SETTLEMENT RENDERED AGAINST THE BUILDER INDEMNITEES, IT BEING STIPULATED THAT ALL OBLIGATIONS OF INDEMNITY ASSUMED HEREIN SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT, REGARDLESS OF HOW SUCH TERMINATION IS EFFECTED. THE BUILDER INDEMNITEES SHALL PROVIDE REASONABLE ASSISTANCE TO OWNER IN RELATION TO THE DEFENSE OF CLAIMS, WHICH ARE SUBJECT TO INDEMNITY HEREUNDER.

C. AS USED HEREIN "AFFILIATES" OR "AFFILIATED COMPANIES" SHALL MEAN AN ENTITY WHICH, DIRECTLY OR INDIRECTLY, THROUGH ONE OR MORE INTERMEDIARIES, CONTROLS, IS CONTROLLED BY, OR IS UNDER COMMON CONTROL WITH, THE PARTY IN QUESTION.

13. Patent Indemnity

(a) Builder hereby agrees to defend any claim or suit and to indemnify and save Owner harmless from and against any damages (including the costs of the suit and reasonable attorney's fees) awarded against Owner in a suit arising out of any infringement of any U.S. or Singapore letters patent by reason of the incorporation into the Platform in accordance with this Agreement, the Specifications or the Platform Design of any items manufactured or designed by Builder; provided that

(i) the indemnity contained in this Section 13 shall not apply to any claim or suit arising out of the construction or use of processes, devices, apparatus, or equipment specified or furnished by Owner or anyone else other than Builder, for which Owner shall indemnify and defend Builder, and mounted upon or used in connection with the Platform, and

(ii) Owner shall give Builder prompt written notice of any such claim or suit and shall permit Builder to control settlement negotiations and any litigation in connection therewith;
provided, however, no settlement which purports to acknowledge, on Owner's behalf the validity of the patent

involved shall be entered into by Builder without Owner's consent. As to any Equipment components purchased by Builder, Builder shall assign (to the extent same is assignable) to Owner, without recourse, any patent indemnity coverage granted to Builder by any vendor thereof. Owner shall seek

performance or damages under such Patent indemnities only from such vendors and not from Builder. Builder shall cooperate with Owner in any resulting dispute Owner may have with such vendors, including permitting Owner to assert such indemnities in Builder's name when any such indemnities are not assignable. It is understood and agreed that the Platform Design and the Specifications were developed by Builder, and the inclusion in the Platform Design or the Specifications of any process, method of construction, construction equipment, device, or apparatus (other than Owner Furnished Equipment) are the sole and exclusive responsibility of Builder and that any claims of patent infringement arising therefrom are within the terms of Builder's patent indemnity.

(b) Owner agrees to defend any claim, suit, or proceeding brought against Builder alleging that the construction or use by Builder, pursuant to this Agreement, of any process, method of construction, construction equipment, device, or apparatus (including, without limitation, Owner Furnished Equipment) specified or furnished by Owner or mounted upon or used in connection with the Platform constitutes infringement of any letters patent, and Owner agrees to indemnify and save Builder harmless from and against any judgment rendered against Builder as a result of such claim, suit, or proceeding. Builder shall promptly notify Owner in writing of any such claim, suit, or proceeding and shall permit Owner to control the conduct and settlement of such claim, suit, or proceeding, provided, however, no settlement shall be entered into without Builder's consent which purports to acknowledge on Builder's behalf the validity of any patent. Builder shall provide information and assistance to Owner, at Builder's expense, as may be reasonably necessary to aid in the conduct and settlement of the claim, suit, or proceeding. Builder shall be entitled to participate, at its own expense, in the conduct and settlement of such claim, suit, or proceeding through its selected representatives and attorneys.

14. Force Majeure

(a) For purposes of this Agreement, events of "Force Majeure" shall be defined to mean all causes beyond the reasonable control of the party asserting the benefit of this Article, and shall include but not be limited to fire, explosion, breakdown of machinery or equipment, shortage or unavailability of materials or equipment (provided the responsible party shall have taken reasonable measures to overcome such shortage or unavailability), delay in transportation (provided the responsible party shall have taken reasonable measures to overcome such delay), government order, edict, or other governmental action, storms, abnormal weather that prevents blasting or painting, strikes or other labor disturbances, destruction or damage to Builder's Yard or equipment or any Owner Furnished Equipment or the Platform or any part thereof from any cause; acts of Owner or regulatory bodies having or purporting to have jurisdiction; late delivery of Owner Furnished Equipment or failure to furnish in

a timely manner necessary information concerning the Owner Furnished

Equipment or the installation thereof; and any other causes or accidents of the same or similar nature which are beyond the control of the Builder or Owner or any or their respective subcontractors or suppliers, provided, however, that any increased costs to Builder caused by ABS shall not be an event of Force Majeure. In case either party shall be unable, wholly or in part, because of any such event of Force Majeure to carry out its obligations under this Agreement, the time for performance, other than the obligation to make payments, shall be extended by the period of such actual delay due to Force Majeure for which notices are given as provided hereinbelow. Performance of any obligations suspended while any Force Majeure is operative shall be resumed as soon as possible after such Force Majeure ceases. The party seeking benefit of this paragraph shall notify the other of the occurrence of each event of Force Majeure within seven (7) days after commencement of such event. Any increased costs to Builder resulting from any event of Force Majeure shall be compensated by Owner to Builder to the extent (a) Builder maintains the Builder's Risk insurance required by Section 8 hereof, and (b) not compensated to Builder under such Builder's Risk insurance. After ninety (90) continuous days of delay in the construction of the Platform due to Force Majeure, Builder and Owner shall each have the right to terminate this Agreement without further liability of either party to the other except that (1) Builder shall retain all progress payments pursuant to Paragraph 2(b) hereinabove and shall be paid by Owner for the price for that portion of the Platform then constructed for which progress payments have not yet been made and all work in process (including profit on all to Builder), and (2) Builder shall (a) permit the Platform, work in process and Owner Furnished Equipment to remain in Builder's yard for a period of ninety (90) days following such termination to permit the Owner time to dispose of such, and (b) on a time and materials basis at Builder's customary rates, perform such work on the Platform, work in process or Owner Furnished Equipment as Owner reasonably requires to facilitate such disposition. Owner shall pay to Builder its standard charges for shore power, potable water, and security guard service.

15. Independent Contractor

(a) Throughout the entire term of this Agreement, Builder shall be an independent contractor with full power and authority to select the means, methods and manner of performing its work hereunder.

(b) All operations shall be conducted in Builder's own name and as an independent contractor and not in the name of, or as an agent for, Owner. In the event Builder shall sublet or subcontract any of the construction of the Platform provided for herein, Builder nevertheless shall remain primarily responsible for compliance with all of the provisions hereof and for the construction of the Platform, including the portion of the construction of the Platform performed by the party to whom the work is sublet or subcontracted, and Builder shall require each such subcontractor and each such subcontractor's employees, agents and representatives to comply with all the agreements, covenants, terms, conditions, and provisions on the part of

Builder to be performed hereunder, insofar as applicable to

the work to be performed by each such subcontractor.

16. Default

(a) Builder's Default

Builder shall be in default of its obligations under this Agreement if any of the following events occur:

(i) The failure of the Builder to perform or breach of any of the material covenants, agreements, or undertakings on its part to be performed under this Agreement, provided that the Owner shall give notice to the Builder as to such failure and the Builder shall not, within thirty (30) days after being so notified, commence and diligently prosecute remedial action to cure such failure to perform or breach which shall in any event be cured within one hundred twenty (120) days of the date of such notice from Owner;

(ii) Builder goes into liquidation, whether voluntary or compulsory, or enters into a scheme of arrangement, or makes a general assignment of its assets for the benefit of its creditors, or a receiver or receivers of any kind whatsoever, whether temporary or permanent, is appointed for the property of Builder, or Builder institutes proceedings for its reorganization or the institution of such proceedings by creditors and approval thereof by the court, whether proposed by a creditor, a stockholder or any other person whomsoever, or Builder suffers any execution against a major portion of its assets which is not satisfied within seven (7) days, or Builder fails generally, or admits in writing its inability, to pay its debts generally as they become due.

(b) If any default by Builder occurs as defined in Subparagraph (a) of this Section 16, Owner, at its election, may upon prompt notice to Builder terminate this Agreement without prejudice and exercise all rights and remedies available to Owner at law, in admiralty, or in equity. Prior to exercise of any remedy involving or which includes any attempt to take control or possession of the Platform or any components thereof or work in progress, if Builder disputes that it is in default, Owner shall first be required to post with Builder a corporate surety bond from a first class U.S. surety acceptable to Builder in a form reasonably satisfactory to Builder. Such bond shall be in an amount equal to 150% of any sum claimed by Builder under this Agreement.

(c) Owner's Default

Owner shall be in default of its obligations under this Agreement if any of the following events occurs:

(i) In the event of failure by Owner to pay to Builder any installments which are properly payable pursuant to Section 3, Paragraph 2(b) of this Agreement or the failure of the Owner to perform or breach of any of the other material covenants, agreements, or undertakings on its part to be performed under this Agreement, provided that the Builder shall give notice to the Owner as to such failure and the Owner shall not, within seven (7) days in the case of failure to pay or to take delivery of the Platform when completed under the terms of this Agreement and thirty (30) days in the case of other defaults after being so notified, cure such failure to perform or breach;

(ii) Owner goes into liquidation, whether voluntary or

compulsory, or enters into a scheme of arrangement, or makes a general assignment of its assets for the benefit of its creditors, or a receiver or receivers of any kind whatsoever, whether temporary or permanent, is appointed for the property of Owner, or Owner institutes proceedings for its reorganization or the institution of such proceedings by creditors and approval thereof by the court, whether proposed by a creditor, a stockholder or any other person whomsoever, or Owner suffers any execution against a major portion of its assets which is not satisfied within seven (7) days, or Owner fails generally, or admits in writing its inability, to pay its debts generally as they become due.

(d) If any default by Owner occurs as defined in subparagraph (c) of this Section 16, Builder, at its election, may upon prompt notice to Owner suspend its performance under this Agreement and at any time thereafter may terminate this Agreement without prejudice to all rights and remedies available to Builder at law, in admiralty, or in equity.

17. Litigation

(a) Owner and Builder agree that any and all disputes arising from or in connection with this Agreement shall be determined by, and any legal suit, action, or proceeding arising out of or relating to this Agreement may be instituted only in, the High Courts of the Republic of Singapore to which jurisdiction the parties hereby irrevocably submit.

(b) Owner hereby designates and appoints Sovereign Corporate Services (South East Asia), 16 Collyer Quay, #12-02 Hitachi Tower, Singapore 049 348 ("Sovereign") as Owner's authorized agent and acknowledges on its behalf service of any and all process and, if through reasonable efforts, service on Sovereign has been unsuccessful, Owner hereby agrees that Builder may effect service of any and all process which may be served in any such suit, action, or proceeding in the High Courts of the Republic of Singapore by registered mail addressed to Owner at the address specified for Owner in Article 18 of this Agreement, and such service shall be deemed in every respect effective service of process upon Owner in any suit, action or proceeding and shall be taken and held to be valid personal service upon Owner. whether or not Owner shall then be doing, or at any time shall have done, business within the Republic of

Singapore, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in the Republic of Singapore, and waives all claims of error by reason of such service.

(c) Builder hereby designates and appoints the Secretary of Builder the "Company Secetary"), at Builder's registered office at the address set forth in Section 18 hereof, as Builder's authorized agent and acknowledges on its behalf service of any and all process and, if through reasonable efforts, service on the Company Secretary has been unsuccessful, Builder hereby agrees that Owner my effect service of any and all process which may be served in any such suit, action, or proceeding in the High Courts of the Republic of Singapore by registered mail to Builder at the address specified for Builder in Article 18 of this Agreement, and such service shall be deemed in every respect effective service of process upon Builder in any suit, action or proceeding and shall be taken and held to be valid personal service upon Builder, whether or not Builder shall then be doing, or at any time shall have done, business within the Republic of Singapore, and that any such service of process shall be of the same force and validity as if service were

made upon it according to the laws governing the validity and requirements of such service in the Republic of Singapore, and waives all claims of error by reason of such service.

18. Notice

Any notice provided for under this Agreement must be given in writing, but may be served by depositing same in the mail, addressed to the party to be notified, postage paid, and registered or certified with return receipt requested, or by delivering same in person to such other party, or by pre-paid telegram, telex, facsimile confirmed by mail, or cable. For purposes of notice, the addresses of the parties shall be:

If to Owner:	Chiles Offshore LLC 11200 Richmond Ave. Suite 490 Houston TX 77082
Telephone:	713-339-3997
Facsimile:	713-339-3888
Attention:	William E. Chiles President
If to Builder:	Keppel FELS Limited 31 Shipyard Road Singapore 628130
Telephone:	65-267-6700
Facsimile:	65-261-7719 / 265-1927
Attention:	C. H. Tong Managing Director

Provided, however, that each party shall have the continuing right to change its address of notice at any time or times by the giving of 10 days notice in the manner

hereinabove described. Notices shall be deemed given only upon receipt or by facsimile confirmation.

19. Successors and Assigns

This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto, and their respective successors and assigns. It is expressly understood and agreed that neither party shall assign any of its rights, title and interest in this Agreement without the prior written consent of the other party, except Builder hereby consents to an assignment of this Agreement by Owner to a wholly-owned subsidiary of Owner, provided that Owner shall remain primarily liable for the full and timely performance by such assignee of the obligations of such assignee under this Agreement.

20. Governing Law

This Agreement shall be deemed to have been made under, shall be construed and interpreted in accordance with the laws of the Republic of Singapore, excluding any conflicts of law rule or law which might refer such construction and interpretation to the laws of another state, republic or country; provided, however, that all matters relating to the interpretation of any patent or patent application will be decided in accordance with the laws of the country which issued the patent to be interpreted or in which the patent applications to be interpreted have been filed.

21. Modification or Waiver

This Agreement, which incorporates all prior negotiations and understandings relating to the subject matter thereof, sets forth the entire agreement of the parties hereto and shall not be modified except by a written instrument executed by the duly authorized representatives of Builder and Owner. The failure of either party to insist upon strict performance of any provision hereof shall not constitute a waiver of or

estoppel against asserting the right to require such performance in the future, nor shall a waiver or estoppel in any one instance, constitute a waiver or estoppel with respect to a later breach of a similar nature or otherwise.

22. Reliance

AS MORE FULLY SET FORTH IN OTHER PROVISIONS OF THIS AGREEMENT, BUILDER AND OWNER HAVE REACHED EXPRESS AGREEMENT WITH RESPECT TO THE LIMITATION OF THEIR RESPECTIVE LIABILITIES IN CONNECTION WITH THIS AGREEMENT. BUILDER AND OWNER EXPRESSLY RECOGNIZE THAT (A) THE PRICE FOR WHICH BUILDER HAS AGREED TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT HAS BEEN PREDICATED ON THE AFORESAID LIMITATION OF LIABILITY AND WAIVER (IT BEING ACKNOWLEDGED THAT OWNER COULD HAVE NEGOTIATED WITH BUILDER FOR MODIFICATIONS TO THE

LIMITATION OF BUILDER'S LIABILITY BUT THAT THE PRICE OF THE PLATFORM WOULD HAVE BEEN INCREASED TO REFLECT SUCH MODIFICATIONS), (B) BUILDER, IN DETERMINING TO PROCEED WITH THE PERFORMANCE OF ITS OBLIGATIONS PURSUANT TO THIS AGREEMENT, HAS EXPRESSLY RELIED ON SUCH LIMITATION OF LIABILITY AND WAIVER AND WOULD NOT HAVE EXECUTED THIS AGREEMENT BUT FOR SUCH LIMITATION OF LIABILITY, AND (C) OWNER, IN ACCEPTING THE PRICE FOR THE PLATFORM (IT BEING ACKNOWLEDGED THAT BUILDER COULD HAVE NEGOTIATED FOR MODIFICATIONS TO THE LIMITATION OF OWNER'S LIABILITIES BUT THAT THE PRICE OWNER WOULD HAVE BEEN WILLING TO PAY FOR THE PLATFORM WOULD HAVE BEEN DECREASED DUE TO SUCH MODIFICATIONS), AND IN DETERMINING TO UNDERTAKE THE OWNER'S OBLIGATIONS UNDER THIS AGREEMENT, RELIED UPON SUCH LIMITATION OF LIABILITY.

23. Computation of Time

All periods of time shall be computed by including Saturdays, Sundays and holidays except that if such period terminates on a Saturday, Sunday or holiday it shall be deemed extended to the business day next succeeding. All references in this Agreement to days shall mean calendar days.

24. General Limitation of Liability

IN NO EVENT SHALL BUILDER OR ITS AFFILIATES OR THE AGENTS, OFFICERS, EMPLOYEES, INVITEES, REPRESENTATIVES OR SUBCONTRACTORS OF BUILDER OR THEIR SERVANTS BE LIABLE TO OWNER OR ITS AFFILIATES OR THE AGENTS, OFFICERS, EMPLOYEES, INVITEES, REPRESENTATIVES, CONTRACTORS, OR SUBCONTRACTORS OF ANY TIER, EXCLUDING BUILDER AND ITS SUBCONTRACTORS, OR TO ANY THIRD PARTIES FOR PHYSICAL HARM, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS AND LOSS OF BUSINESS OPPORTUNITIES), ARISING OUT OF, RESULTING FROM OR RELATING IN ANY WAY TO THIS AGREEMENT OR ANY ACTIVITIES OR OMISSIONS OR DELAYS IN CONNECTION HEREWITH OR THEREWITH INCLUDING, WITHOUT LIMITATION, THE PERFORMANCE (WHETHER TIMELY OR NOT) OR THE NON-PERFORMANCE OF THIS AGREEMENT, BREACH OF ANY WARRANTY OR THE LOSS OF OR LOSS OF USE OF THE PLATFORM OR ANY PART THEREOF OR ANY OTHER EQUIPMENT, MATERIALS, OR PROPERTY, REGARDLESS OF CAUSE AND REGARDLESS OF WHETHER BUILDER OR ITS AFFILIATES, AND/OR THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES, SUBCONTRACORS, OR THEIR SERVANTS AND/OR OTHERS MAY BE WHOLY, PARTIALLY, OR SOLELY NEGLIGENT OR OTHERWISE AT FAULT, UNSEAWORTHINESS, STRICT LIABILITY, OR ANY DEFECT IN PREMISES, EQUIPMENT OR MATERIALS, OR ANY OTHER EVENT OR

CONDITION WHETHER OR NOT ANTICITPATED BY ANY PERSON OR PARTY, REGARDLESS OF WHETHER PREEXISTING THE EXECUTION OF THIS AGREEMENT.

25. WAIVER OF CONSUMER RIGHTS AND REPRESENTATIONS OF OWNER

OWNER HEREBY WAIVES ITS RIGHTS UNDER THE TEXAS DECEPTIVE TRADE PRACTICE-CONSUMER PROTECTION ACT, CHAPTER 17, SUBCHAPTER E, SECTIONS 17.41, ET SEQ, VERNON'S TEXAS CODES ANNOTATED, BUSINESS AND COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF IT OWN SELECTION, OWNER VOLUNTARILY

CONSENTS TO THIS WAIVER. TO EVIDENCE ITS ABILITY TO GRANT SUCH WAIVER, OWNER HEREBY REPRESENTS AND WARRANTS TO BUILDER THAT OWNER (a) IS IN THE BUSINESS OF SEEKING OR ACQUIRING, BY PURCHASE OR LEASE, GOODS OR SERVICES FOR COMMERCIAL OR BUSINESS USE AND IS ACQUIRING THE GOODS AND SERVICES COVERED BY THIS AGREEMENT FOR COMMERCIAL OR BUSINESS USE AND IS ACQUIRING THE GOODS AND SERVICES COVERED BY THIS AGREEMENT FOR COMMERCIAL USE, (b) HAS ASSETS OF $25,000,000 OR MORE, OR IS OWNED BY A CORPORATION OR OTHER ENTITY WHICH HAS ASSETS OF $25,000,000 OR MORE, ACCORDING TO ITS MOST RECENT FINANCIAL STATEMENT PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPALS, (c) HAS KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT ENABLE IT TO EVALUATE THE MERITS AND RISKS OF THE TRANSACTIONS CONTEMPLATED HEREBY, (d) IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION, AND (e) IS REPRESENTED BY LEGAL COUNSEL IN THIS TRANSACTION WHICH WAS NOT DIRECTLY OR INDIRECTLY IDENTIFIED, SUGGESTED OR SELECTED BY BUILDER. OWNER'S REPRESENTATIONS AND WARRNTIES SHALL SURVIVE THE PERFORMANCE OF ALL WORK IN CONNECTION WITH THIS AGREEMENT AND SHALL REMAIN EFFECTIVE REGARDLESS OF ANY INVESTIGATION AT ANY TIME MADE BY OR ON BEHALF OF BUILDER OR ANY INFORMATION BUILDER MAY HAVE WITH RESPECT THERETO. OWNER HEREBY AGREES TO PROTECT, INDEMNIFY AND HOLD BUILDER AND ITS AFFILIATES HARMLESS FROM AND AGAINST ANY AND ALL LOSSES, COSTS (INCLUDING, WITHOUT LIMITATION, THE COST OF THE SUIT AND REASONABLE ATTORNEYS' FEES), CLAIMS, CAUSES OF ACTION, AND LIABILITIES ARISING OUT OF OR RESULTING FROM, OR RELATING IN ANY WAY TO THE BREACH OF THE AFORESAID REPRESENTATIONS AND WARRANTIES.

CHILES OFFSHORE LLC

By: /s/ William E. Chiles
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26 Severability

If any of the terms and conditions of this Agreement are held by any court of competent jurisdiction to contravene or to be invalid under the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement, but, instead, this Agreement shall be construed as if not containing the particular provision or provisions held to be invalid and the rights and obligations of the parties shall be construed and enforced accordingly and this Agreement shall thereupon and thereafter remain in full force and effect.

27. Construction

The parties to this Agreement having been represented by legal counsel of their own choosing in connection with the negotiation and drafting of this Agreement, this Agreement shall be construed and interpreted for all purposes without regard to the author of any specific language appearing herein. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

28. Variable Loads

(a) Builder shall endeavor, without guarantee or warranty, to meet the target figures set out for variable loads in Section 1 of the Specifications; provided, however, Builder shall guarantee no less than the following variable loads (as approved by ABS) for the 475' leg length Platform:

Variable Load Elevated Storm: 3,600 kips

These values are based on the weight of Owner Furnished Equipment that will be permanently affixed to the Platform not to exceed 1800 kips. Prior to delivery of the Platform, the variable loads shall be determined by an inclining experiment.

(b) In the event that the Variable Load Elevated Storm calculated at the 475' leg length is less than 3,600 kips, and Builder

shall not have corrected such deficiency pursuant to paragraph (e) hereof, Builder shall pay to Owner as liquidated damages and not as a penalty the following cumulative amounts for such deficiency up to a maximum of $3,000,000:

(i) If less than 3,600 kips but more than 3,400 kips- for each full 10 kips reduction within such range- $30,000

(ii) If less than 3,400 kips but more than 3,200 kips- for each full 10 kips reduction within such range- $50,000

(iii) If less than 3,200 kips but more than 3,000 kips- for each full 10 kips reduction within such range- $70,000

(c) In the event the Variable Load Elevated Storm calculated at the 475' leg length is less than 3,000 kips, and Builder shall not have corrected such deficiency pursuant to paragraph (e) hereof, Owner shall have the right to reject the Platform, in which event (i) Builder shall not be liable to Owner for liquidated damages, and (ii) Owner's sole and exclusive remedy shall be to terminate this Agreement and receive a refund of all

progress payments theretofore made to Builder under this Agreement with interest thereon at the rate of eight percent (8%) per annum on such sums commencing from the date of payment of such progress payments until the same are refunded to Owner plus the delivered invoice cost of all Owner Furnished Equipment which has been incorporated in the Platform. Upon payment of all sums due Owner under this provision, all right, title, and interest in the Platform shall be conveyed to Builder "As Is, Where Is" and free and clear of all liens, claims and encumbrances created by, through or under Owner.

(d) In the event the Variable Load Elevated Storm calculated at the 475' leg length is in excess of 4,000 kips, Owner shall pay to Builder as a bonus the following cumulative amounts for such excess up to a maximum of $3,000,000:

(i) If greater than 4,000 kips but less than 4,200 kips- for each full 10 kips increase within such range- $30,000

(ii) If greater than 4,200 kips but less than 4,400 kips- for each full 10 kips increase within such range- $50,000

(iii) If greater than 4,400 kips- for each full 10 kips increase within such range- $70,000

(e) In the event the Variable Load Elevated Storm calculated at the 475' leg length is less than 3,000 kips, Builder shall have the option to make modifications to the Platform in order to increase the Variable Load Elevated Storm, provided that such modifications (i) are approved in advance by ABS, (ii) do not materially affect the motion characteristics or operational performance of the Platform, and (iii) are accomplished within one hundred twenty (120) days of the Delivery Date. In the event such modifications increase the Variable Load Elevated Storm, the liquidated damages provided in paragraph (c) hereof and the bonus provided in paragraph (d) hereof shall be calculated on the basis of such increased Variable Load Elevated Storm.

29. Taxes and Duties

Builder shall pay or cause to be paid all Singapore taxes, duties, fees and stamp duties of whatsoever nature imposed by any governmental entity in connection with Builder's performance of its obligations under this Agreement, including any tax on the sale and delivery of the Platform to Owner, excluding any such taxes, duties, fees and stamp duties imposed by any governmental entity on the Owner Furnished Equipment.

30. Confidentiality and Grant of License

(a) Owner recognizes and agrees that confidential information of Builder has or will be provided to Owner in connection with the design and construction of the Platform. Builder shall mark any such confidential information as "Confidential" (any such information as so marked, herein "Confidential Information") Owner agrees to maintain in confidence and not to exhibit, sell, lease, or otherwise commercialize, disclose, or use such Confidential

Information, in whatever form provided including without limitation descriptions, drawings, specifications, and calculations, except as is reasonably necessary in connection with the ownership, operation, repair, and maintenance of the Platform. Such obligation of confidentiality shall extend to and cover information which is discovered as a result of inspection or reverse engineering. In connection therewith, if disclosure of Confidential Information must be made to vendors, suppliers, contractors, or subcontractors, Owner shall disclose only such portion of such Confidential Information as is reasonably necessary to enable such parties to perform the needed work on the Platform. Further, Owner shall first obtain an obligation of confidentiality from such parties with regard to such Confidential Information on substantially the same terms and conditions as set forth herein, which obligation of confidentiality shall expressly be enforceable by and in the name of Builder. Such obligation of confidentiality by such parties shall further provide that all such Confidential Information in whatever form and all copies thereof shall be immediately returned by such parties upon the request of Owner or Builder.

(b) All documents of any kind embodying any substantive part of such Confidential Information shall be conspicuously marked with a stamp or legend with a proprietary notice reading as follows:

"Notice

THIS DOCUMENT AND THE INFORMATION CONTAINED HEREIN ARE THE PROPERTY OF KEPPEL FELS LTD, A COPRORATION ORGANIZED UNDER THE LAWS OF SINGAPORE, AND ARE MAINTAINED IN CONFIDENCE THEREBY, AND RECEIPT OF THIS DOCUMENT AND THE INFORMATION CONTAINED HEREIN CONSTITUTES THE AGREEMENT OF THE PERSON OR ENTITY RECEIVING SAME TO MAINTAIN THIS DOCUMENT AND THE INFORMATION CONTAINED HEREIN IN CONFIDENCE. RECEIPT OR POSSESSION OF THIS DOCUMENT DOES NOT CONVEY ANY RIGHTS TO REPRODUCE THIS DOCUMENT OR TO DISCLOSE ITS CONTENTS, OR TO MANUFACTURE, USE OR SELL ANYTHING SHOWN OR DESCRIBED IN THIS DOCUMENT. REPRODUCTION, DISCLOSURE, OR USE OF THIS DOCUMENT OR ANY INFORMATION CONTAINED HEREIN WITHOUT SPECIFIC WRITTEN AUTHORIZATION OF KEPPEL FELS LTD IS STRICTLY FORBIDDEN."

(c) The obligation of confidentiality provided in this Section 30 shall not apply to such portion of the Confidential Information which now or hereafter is described in an issued Singapore or foreign letters patent or is now or hereafter published in a printed publication generally available in the industry (except where published in violation of this Agreement).

(d) The design of the Platform and the descriptions, drawings, specifications, and

calculations prepared by Builder in connection with the design and construction of the Platform are and shall remain the property of Builder. Owner shall have no right to use, sell, license, or otherwise commercialize such design or any such descriptions, drawings, specifications, and calculations except in connection with the ownership and operation of the Platform. Builder hereby grants to Owner upon delivery of the Platform an irrevocable, non-exclusive, royalty free, perpetual license to use, lease, sell, or otherwise dispose of (but not to duplicate or manufacture) all or any of Builder's interest in the Platform or the design thereof which has heretofore been

patented by Builder, or for which patents may be pending by Builder, or for which patent applications may hereafter be filed by Builder. Owner shall have the right to transfer the license referred to hereinabove along with the Platform whenever Owner sells the Platform, provided Owner obtains from the purchaser an agreement in writing (an executed original of which shall be promptly delivered to Builder) providing that such party undertakes the same obligations as Owner has pursuant to this Section 30.

(e) The license herein granted shall apply only to the one Platform to be constructed pursuant to this Agreement. If at any time Owner is in default of any of its obligations under this Section 30, Builder may cancel and terminated the licenses granted by Builder herein, by giving Owner ten (10) days prior written notice of the intention to terminate; provided, however, termination shall not relieve Owner of its obligations set forth in this Section 30, and the same shall continue in full force and effect. Owner shall promptly notify Builder in the event Owner knows or learns of any unauthorized use of the descriptions, drawings, specifications, and calculations prepared by Builder in connection with the design and construction of the Platform by any person or party or if Owner learns of any infringement of any patent held by Builder in connection with the design or construction of the Platform. Nevertheless, without the prior written consent of Builder, Owner shall initiate no notices of unlawful use of or infringement to the party or person using the descriptions, drawings, specifications, and calculations prepared by Builder in connection with the design and construction of the Platform or the applicable letters patent, and shall engage in no positive or overt acts toward such party or person which would create a justiciable controversy between such party or person and Builder with respect thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on their behalf by their respective duly authorized representatives on the date first shown above.

Keppel Fels Limited

By: /s/ C.H. Tong
- ------------------------------
Name: C.H. TONG
Title: MANAGING DIRECTOR

Chiles Offshore Llc

By: /s/ WILLIAM E. CHILES

Name: WILLIAM E. CHILES
Title: PRESIDENT

Exhibit A

TO PLATFORM CONSTRUCTION AGREEMENT

PAYMENT SCHEDULE

Buyer shall make payment to Builder as follows:

Event	Percentage of Contract Price
Contract Signing	20%
Start of Fabrication	10%

Keel Laying	15%
Install 3rd Spud Can	15%
Launching	20%
Delivery	20%

Exhibit B

TO PLATFORM CONSTRUCTION AGREEMENT

SPECIFICATIONS AND DESIGN DRAWINGS

Specification for the Construction and Outfit of a Mobile Offshore Self-elevating Drilling Unit, Keppel FELS Class B dated 5th April 2000

General Arrangement Drawings:

- - General Arrangement, Outboard Profile D001

- General Arrangement, Inner Bottom Tank Arrangement D002
- General Arrangement, Machinery Deck (5 ft level) D003
- General Arrangement, Machinery Deck. (16 ft level) D004
- General Arrangement, Main Deck 25ft level D005-01
- General Arrangement, Main Deck 30ft level D005-02
- General Arrangement, Main Deck 40ft level D005-03
- General Arrangement, Main Deck 50ft level D006-04
- General Arrangement, Main Deck 60ft level D006-05
- General Arrangement, Main Deck 70ft level D006-06

Schematic Drawings:

- A.C. One Line Diagram E02
- D.C. One Line Diagram E03
- Preload Fill & Dump System P101
- Salt Water System P104
- Drill Water System P106
- H.P. & L.P. Air Systems P113
- Low Pressure Mud Systems P115
- High Pressure Mud and Cement P117
- Fuel Oil System P110
- Bilge System P102
- Drain System P112
- Fire Fighting System P105
- Heliport Foam System P119
- Exhaust System P121
- Engine Cooling System P108
- Leg Jetting System P103

Exhibit 10.3

AGREEMENT WITH RESPECT TO OWNERSHIP OF THE TONALA

THIS AGREEMENT, dated as of July 20, 2000 (this "AGREEMENT"), among Chiles Offshore LLC, a Delaware limited liability company to be renamed Chiles Offshore Inc. upon its conversion into a Delaware corporation ("CHILES"), Perforadora Central, S.A. de C.V., a corporation organized under the laws of Mexico ("PERFORADORA"), Grupo Industrial Atlantida, S.A. de C.V., a corporation organized under the laws of Mexico ("GIA"), Patricio Alvarez Morphy, Javier Alvarez Morphy, Luis Alvarez Morphy and Enrique Chavez Quintana (such natural persons being referred to collectively as the "STOCKHOLDERS" and, together with Perforadora and GIA, as the "PERFORADORA PARTIES").

W I T N E S S E T H

WHEREAS, Perforadora owns the jack-up drilling rig named the TONALA (together with all related spare parts and equipment appertaining to the Tonala whether on board or on shore) (the "RIG"), which has been operated by Chiles pursuant to a bareboat charter dated as of November 30, 1999, as amended (the "BAREBOAT CHARTER"); and

WHEREAS, the Stockholders own all of the outstanding capital stock of GIA which, in turn, owns all of the outstanding capital stock of Perforadora; and

WHEREAS, subject to the conversion of Chiles into a Delaware corporation and the completion by Chiles of a Successful IPO (as hereinafter defined), Chiles desires to acquire direct or indirect ownership of the Rig and the Stockholders desire to cause such ownership to be conveyed to Chiles in such manner that the Rig will be owned by a wholly-owned subsidiary of Chiles, such subsidiary will assume the outstanding Title XI Bonds (as hereinafter defined) and the Stockholders will receive an agreed upon number of shares of Chiles common stock in exchange therefor;

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants, agreements and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I
FORMATION AND EXECUTION OF MERGER AGREEMENT

Section 1.01. Intermediate Transactions.

(a) As soon as practicable after the receipt of MARAD Approval (as hereinafter defined), through the series of transactions described on Exhibit A hereto or such other transactions as may be determined by the Perforadora Parties (the "INTERMEDIATE TRANSACTIONS"), the Perforadora Parties shall cause the following to occur in accordance with all applicable laws:

(i) Two new Delaware corporations (herein referred to as "PERFORADORA DELAWARE" and "TONALA DELAWARE") to be incorporated in accordance with the Delaware General Corporation Law (the "DGCL");

(ii) Perforadora Delaware to issue shares of its common stock to the Stockholders (pursuant to a merger transaction with "GIA (2)" described on Exhibit A hereto or otherwise), who shall be the only stockholders of Perforadora Delaware, and otherwise cause Perforadora Delaware to be duly organized in accordance with the DGCL;

(iii) Tonala Delaware to issue shares of its common stock to Perforadora Delaware, which shall be the sole stockholder of Tonala Delaware, and otherwise cause Tonala Delaware to be duly organized in accordance with the DGCL;

(iv) Perforadora Delaware to have no liabilities and no assets other than ownership of all outstanding common stock of Tonala Delaware;

(v) Tonala Delaware to own all rights, title and interests in and to the Transferred Assets and assume the Transferred Liabilities; and

(vi) Tonala Delaware to have no assets or liabilities other than the Transferred Assets and Transferred Liabilities;

PROVIDED, HOWEVER, that prior to a Successful IPO, none of the foregoing shall require the Perforadora Parties to transfer any assets to, or merge any entity with or into, any Delaware entity.

(b) APPROVAL OF INTERMEDIATE TRANSACTIONS. Each of the Intermediate Transactions shall be in form and substance reasonably satisfactory to Chiles and its counsel, including, without limitation, the adoption by Perforadora and GIA of resolutions, in form and substance reasonably satisfactory to Chiles, to the effect that any and all liabilities (other than the Transferred Liabilities), including without limitation, tax liabilities under applicable laws or regulations, that may arise from or in connection with any of the transactions comprising a part thereof shall remain with and be the sole liability of Perforadora and GIA or their predecessors in interest, and shall not be the liabilities of Perforadora Delaware or Tonala Delaware (collectively, the "DELAWARE ENTITIES," and, together with Perforadora and GIA, the "PERFORADORA ENTITIES"). The Perforadora Parties shall furnish true and correct copies of all documents relating to or effecting the Intermediate Transactions to Chiles for review prior to the execution and delivery thereof by the Perforadora Entities and shall provide Chiles with pro forma balance sheets of the Perforadora Entities reflecting the transactions contemplated thereby.

Section 1.02. Merger Agreement.

(a) Subject to the satisfaction of the conditions precedent set forth in Section 2.01 hereof, the Perforadora Parties shall cause Perforadora Delaware to

execute and deliver a merger agreement in the form attached as Exhibit B hereto (the "MERGER AGREEMENT") and to perform its obligations thereunder.

(b) Subject to the satisfaction of the conditions precedent set forth in Section 2.02 hereof, Chiles shall execute and deliver the Merger Agreement and perform its obligations thereunder.

(c) The date on which each of Perforadora Delaware and Chiles has executed and delivered the Merger Agreement is referred to herein as the "EFFECTIVE DATE", PROVIDED, HOWEVER, in the event that the "Effective Time" (as defined in the Merger Agreement) shall not occur on the date on which each of Perforadora Delaware and Chiles has executed and delivered the Merger Agreement, the "Effective Date" for purposes hereof shall mean the date on which the Effective Time shall occur.

ARTICLE II
CONDITIONS TO EXECUTION AND DELIVERY OF MERGER AGREEMENT OBLIGATIONS

SECTION 2.01. CONDITIONS PRECEDENT TO OBLIGATIONS OF CHILES. The obligation of Chiles to execute, deliver and perform its obligations under the Merger Agreement is subject to the fulfillment, on or prior (except as otherwise indicated) to the Termination Date, of each of the following conditions (any or all of which may be waived by Chiles in whole or in part to the extent permitted by applicable law):

(a) MARAD Approval shall have been obtained;

(b) the Intermediate Transactions shall have been consummated in accordance with Section 1.01 hereof;

(c) a Successful IPO shall have been completed;

(d) Chiles shall have been furnished with all consents and approvals referred to in Section 3.04;

(e) all representations and warranties of the Perforadora Parties contained in Article III shall be true and correct on the Effective Date with the same

effect as though those representations and warranties had been made again at and as of that time;

(f) the Perforadora Parties shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by them on or prior to the Effective Date;

(g) Chiles shall have been furnished with certificates (dated the Effective Date and in form and substance reasonably satisfactory to Chiles) executed by each of the Perforadora Parties, certifying as to the fulfillment of the conditions specified in Sections 2.01(e) and (f) hereof;

(h) no Legal Proceedings shall have been instituted or threatened or claim or demand made against any of the Perforadora Parties or Chiles seeking to restrain or prohibit or to obtain substantial damages with respect to the consummation of the transactions contemplated hereby, and there shall not be in effect any Order by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby;

(i) Chiles shall have been furnished with (i) a copy of the text of any and all resolutions of the boards of directors (or comparable governing bodies) and stockholders of the Perforadora Entities, approving or otherwise relating to this Agreement, the Intermediate Transactions, the Merger Agreement and the other transactions contemplated hereby and thereby (collectively, the "TRANSACTION DOCUMENTS"), certified by the corporate secretary (or comparable officer) of each of the Perforadora Entities and in form and substance reasonably satisfactory to Chiles, (ii) an incumbency certificate signed by an officer of each of the Perforadora Entities certifying the signature and office of each person signing any of the Transaction Documents on such Perforadora Entity's behalf, (iii) a copy of the certificates of incorporation (or comparable document), as amended to date, of each of the Perforadora Entities certified by the secretary of state (or comparable official) from the state or jurisdiction of such Perforadora Entity's incorporation, (iv) copies of the by-laws (or comparable documents) of each of the Perforadora Entities, as amended to date, certified by the corporate secretary (or comparable officer) of such Perforadora Entity; and (v) good standing certificates for each of the Perforadora Entities issued as of a recent date by the secretary of state or comparable official from the state or jurisdiction of such Perforadora Entity's incorporation;

(j) Chiles shall have been furnished with certificates, in form and substance reasonably satisfactory to Chiles, signed by the secretaries of each of the Delaware Entities (except as otherwise indicated), dated as of the Effective Date, identifying the following documents to be delivered therewith: (i) the minute books of the Delaware Entities, (ii) the corporate seals of the Delaware Entities; (iii) all stock certificate books and stock ledgers of the Delaware Entities; and (iv) such other documents or instruments as Chiles may reasonably request in writing with respect to the Delaware Entities not less than two days prior to the Effective Date to carry out the intent and purposes of this Agreement, and such minute books, stock certificate books and other documents shall be complete, accurate and sufficient, to the reasonable satisfaction of Chiles and its counsel;

(k) Chiles shall have been furnished with a statement dated not more than thirty (30) days before the date of the Effective Date, certified by an officer of Perforadora, certifying the amount of the unpaid principal and interest, date of maturity, and rate of interest under the Title XI Bonds;

(l) All agreements between or among either of the Delaware Entities and any of the Perforadora Parties or their Affiliates, including, without limitation, all agreements relating to the purchase, sale or voting of any securities of the Delaware Entities' common stock, shall be terminated at or prior to the Effective Date.

(m) Chiles shall have been furnished with (i) a legal opinion of counsel to the Perforadora Parties and (ii) an opinion from Arthur Andersen LLP as to tax matters relating to the Intermediate Transactions and the Merger, each of which shall be in form and substance reasonably satisfactory to Chiles.

SECTION 2.02. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE PERFORADORA PARTIES. The obligation of the Perforadora Parties to cause Perforadora Delaware to execute, deliver and perform its obligations under the Merger Agreement is subject to the fulfillment, on or prior (except as otherwise indicated) to the Termination Date, of each of the following conditions (any or all of which may be waived by the Perforadora Parties in whole or in part to the extent permitted by applicable law):

(a) MARAD Approval shall have been obtained;

(b) a Successful IPO shall have been completed;

(c) all representations and warranties of Chiles contained in Article IV shall be true and correct on the Effective Date with the same effect as though those representations and warranties had been made again at and as of that time;

(d) Chiles shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Date;

(e) the Perforadora Parties shall have been furnished with certificates (dated the Effective Date and in form and substance reasonably satisfactory to the Perforadora Parties) executed by Chiles, certifying as to the fulfillment of the conditions specified in Sections 2.02(c) and (d) hereof;

(f) no Legal Proceedings shall have been instituted or threatened or claim or demand made against the Perforadora Parties or Chiles seeking to restrain or prohibit or to obtain substantial damages with respect to the consummation of the transactions contemplated hereby, and there shall not be in effect any Order by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby;

(g) the Perforadora Parties shall have been furnished with (i) a copy of the text of any and all resolutions of the board of directors of Chiles approving or otherwise relating to the Transaction Documents certified by the corporate secretary of Chiles in form and substance reasonably satisfactory to the Perforadora Parties, (ii) an incumbency certificate signed by an officer of Chiles certifying the signature and office of each person signing any of the Transaction Documents on Chiles' behalf, (iii) a copy of Chiles' certificate of incorporation, as amended to date, certified by the secretary of state of Delaware, (iv) a copy of the by-laws of Chiles, as amended to date, certified by the corporate secretary of Chiles, and (v) a good standing certificate for Chiles, issued as of a recent date, by the secretary of state of Delaware.

(h) The Perforadora Parties shall have been furnished with a legal opinion of counsel to Chiles in form and substance reasonably satisfactory to the Perforadora Parties.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE PERFORADORA PARTIES

The Perforadora Parties hereby each represents and warrants to Chiles that the statements contained in this Article III are true, correct and complete, except as set forth in the Disclosure Schedule delivered by the Perforadora Parties to Chiles on the date hereof with section numbers in the Disclosure Schedule corresponding to the sections hereof that are qualified thereby.

SECTION 3.01. ORGANIZATION AND GOOD STANDING. Each of Perforadora and GIA is, and each of the Delaware Entities on the Effective Date will be, a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has or, in the case of the Delaware Entities, will have on the Effective Date, all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now or then conducted. Each of the Delaware Entities on the Effective Date will be duly qualified or authorized to do business as a foreign corporation and in good standing under the laws of each jurisdiction in which it owns or leases real property and each other jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or authorization, except where the lack of such qualification or authorization would not have a material adverse effect on the business of operating the Rig.

SECTION 3.02. AUTHORITY OF PERFORADORA AND GIA. Perforadora and GIA each has, and each of the Delaware Entities will have on the Effective Date, full corporate power and authority to execute and deliver each Transaction Document to which it is a party and to consummate the transactions contemplated thereby. The execution, delivery and performance by each of Perforadora and GIA of each Transaction Document to which it is a party has been, and the execution, delivery and performance by each of the Delaware Entities of each Transaction Document to which it is a party will be on the Effective Date, duly authorized by all necessary corporate action on behalf of each such Perforadora Entity, including without limitation, the approval of the Merger Agreement and the merger contemplated thereby (the "MERGER") by the Stockholders. This Agreement has been, and each of the Transaction Documents will be, at or prior to the Effective Date, duly executed and delivered by each Perforadora Entity party thereto and (assuming the due authorization, execution and delivery by Chiles of this Agreement and, at the Effective Date, the Merger Agreement), this Agreement constitutes, and each of the other Transaction Documents when so executed and delivered will constitute, legal, valid and binding obligations of each Perforadora Entity party thereto, enforceable against them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

SECTION 3.03. CORPORATE RECORDS. Each of Perforadora and GIA have delivered to Chiles true, correct and complete copies of its certificate of incorporation (or comparable document), as amended to date, certified by the secretary of state (or comparable official) of its jurisdiction of organization and by-laws (or comparable document), as amended to date, certified by the corporate secretary (or comparable officer) of such Perforadora Entity.

SECTION 3.04. CONFLICTS; CONSENTS OF THIRD PARTIES. (a) The execution and delivery by the Perforadora Entities of the Transaction Documents, the consummation of the transactions contemplated thereby and compliance by the Perforadora Entities with any of the provisions hereof or thereof will not (i) conflict with, or result in the breach of, any provision of the certificate of incorporation or by-laws (or comparable organizational documents) of any of the Perforadora Entities; (ii) except as set forth on Schedule 3.04, conflict with, violate, result in the breach or termination of, or constitute a default under any Contract or other obligation to which any of the Perforadora Entities or Stockholders is a party or by which any of the Perforadora Entities' or Stockholders' properties or assets is bound; (iii) violate any statute, rule, regulation, order or decree of any governmental body or authority by which any of the Perforadora Entities or Stockholders is bound; or (iv) result in the creation of any Lien upon the properties or assets of any of the Perforadora Entities or Stockholders.

(b) Except as set forth on Schedule 3.04, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of any of the Perforadora Entities or Stockholders in connection with the execution and delivery of any of the Transaction Documents, or the compliance by any of the Perforadora Entities or Stockholders with any of the provisions hereof or thereof.

SECTION 3.05. NO UNDISCLOSED LIABILITIES. On the Effective Date, neither of the Delaware Entities shall have any indebtedness, obligations or liabilities of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due) other than, in the case of Tonala Delaware, the Transferred Liabilities.

SECTION 3.06. CONTRACTS. None of the Perforadora Parties or their Affiliates is party to any Contract relating to the Rig, including, without limitation, any Contract relating to the ownership, financing, construction, insurance, operation or maintenance thereof, other than the Rig Contracts and the agreements and instruments relating to the Title XI Bonds (the "TITLE XI DOCUMENTS"), the Perforadora Parties shall have furnished to Chiles promptly after the date of this Agreement true and complete copies of all Rig Contracts and all Title XI Documents, including all amendments thereto, none of the

Perforadora Parties or their Affiliates is in violation, breach or default of any of the provisions of the Rig Contracts or the Title XI Documents and, to the knowledge of the Perforadora Parties, no other Person party to the Rig Contracts or the Title XI Documents is in violation, breach or default of any of the provisions thereof. Except for the Bareboat Charter or as set forth on Schedule 3.06, (a) none of the Perforadora Entities has any obligation to be performed by it under the Rig Contracts or any other agreements or instruments relating thereto and (b) neither of the Delaware Entities shall have any

obligation to be performed by it after the Effective Date under the Rig Contracts or any other agreements or instruments relating thereto.

SECTION 3.07. INTELLECTUAL PROPERTY. To the knowledge of the Perforadora Parties, the use by the Perforadora Entities of the name "TONALA" or any variant or derivative thereof used by any of the Perforadora Entities does not violate or infringe any Intellectual Property Right of any Person.

SECTION 3.08. BROKER'S AND FINDER'S FEE. No Person acting on behalf of any of the Perforadora Parties is or will be entitled to any commission or broker's or finder's fee from any of the parties hereto, or from any Affiliate of the parties hereto, in connection with any of the transactions contemplated herein.

SECTION 3.09. LITIGATION. There is no suit, action, proceeding, investigation, claim or order pending or, to the knowledge of any of the Perforadora Parties, overtly threatened against any of the Perforadora Parties with respect to the Rig or the transactions contemplated by the Transaction Documents before any governmental department, commission, board, agency, or instrumentality; nor, to the knowledge of any of the Perforadora Parties, is there any reasonable basis for any such action, proceeding, or investigation.

SECTION 3.10. COMPLIANCE WITH LAWS; PERMITS. To the knowledge of the Perforadora Parties, the Perforadora Entities are in compliance with all Laws applicable to the operation of the Rig. On the Effective Date, the Delaware Entities shall have all governmental permits and approvals from state, federal or local authorities that are required for the Delaware Entities to operate the Rig.

SECTION 3.11. INSURANCE. Schedule 3.11 sets forth a complete and accurate list of all policies of insurance of any kind or nature covering or relating to the Rig other than policies procured by Chiles under the Bareboat Charter. Any such policies are in full force and effect, and, to the Perforadora Parties' knowledge, none of the Perforadora Entities is in default of any provision thereof.

SECTION 3.12. AUTHORIZATION. On the Effective Date, all shares of the outstanding capital stock of the Delaware Entities have been duly authorized and validly issued and will have been fully paid, nonassessable and not subject to preemptive rights and owned, in the case of Perforadora Delaware, by the Stockholders and, in the case of Tonola Delaware, by Perforadora Delaware, in each case free and clear of all Liens.

SECTION 3.13. OWNERSHIP AND TRANSFER OF SHARES. The Stockholders are the record and beneficial owners of all shares of capital stock of GIA, and GIA is the record and beneficial owner of all shares of capital stock of Perforadora. On the Effective Date, the Stockholders shall be the record and beneficial owner of all of the shares of common stock of Perforadora Delaware, free and clear of any and all Liens, and Perforadora Delaware shall be the record and beneficial owner of the shares of capital stock of Tonala Delaware, free and clear of any and all Liens.

SECTION 3.14. ASSETS AND LIABILITIES OF TONALA DELAWARE. On the Effective Date, Tonala Delaware shall have no assets other than the Transferred Assets, and shall have good and valid title to the Transferred Assets free and clear of all Liens, except for the Transferred Liabilities and Liens incurred by Chiles in the course of operating the Rig under the Bareboat Charter.

SECTION 3.15. NO MISREPRESENTATION. No representation or warranty of the Perforadora Parties or the Stockholders contained in this Agreement, any schedule hereto, the Disclosure Schedule or in any certificate furnished by the

Perforadora Parties to Chiles pursuant to the terms hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE IV
REPRESENTATIONS OF CHILES

Chiles hereby each represents and warrants to the Perforadora Parties that the statements contained in this Article IV are true, correct and complete, except as set forth in the Disclosure Schedule delivered by Chiles to the Perforadora Parties on the date hereof with section numbers in the Disclosure Schedule corresponding to the sections hereof that are qualified thereby.

SECTION 4.01. CHILES SEC DOCUMENTS. As of the Effective Date, Chiles shall have filed all required registration statements, reports, schedules, forms, statements and other documents with the Securities and Exchange Commission ("SEC") in connection with the Successful IPO and since the date of the Successful IPO (the "CHILES SEC DOCUMENTS"). As of their respective dates, the Chiles SEC Documents shall have complied as to form in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Chiles SEC Documents, and none of the Chiles SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.02. ORGANIZATION AND GOOD STANDING. Chiles is a limited liability company (and, on the Effective Date, shall be a corporation) duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and authority (and, on the Effective Date, shall have all requisite corporate power and authority) to own, lease and operate its properties and to carry on its business as now or then conducted. Chiles is duly qualified or authorized to do business as a foreign limited liability company (and, on the Effective Date, shall be so qualified or authorized as a foreign corporation) and is in good standing under the laws of each jurisdiction in which it owns or leases real property and each other jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or authorization, except where the lack of such qualification or authorization would not have a material adverse effect on its business or operations.

SECTION 4.03. AUTHORITY OF CHILES. Chiles has full limited liability company power and authority (and, on the Effective Date, shall have full corporate power and authority) to execute and deliver each Transaction Document to which it is a party and to consummate the transactions contemplated thereby. The execution, delivery and performance by Chiles of each Transaction Document to which it is a party has been duly authorized by all necessary limited liability company action (and, at or prior to the Effective Date, all necessary corporate action). This Agreement has been, and each of the Transaction Documents will be at or prior to the Effective Date, duly executed and delivered by Chiles and (assuming the due authorization, execution and delivery by the other parties thereto) this Agreement constitutes, and each of the other Transaction Documents to which Chiles is a party when so executed and delivered will constitute, legal, valid and binding obligations of Chiles, enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

SECTION 4.04. CONFLICTS; CONSENTS OF THIRD PARTIES. (a) The execution and delivery by Chiles of the Transaction Documents to which it is a party, the consummation of the transactions contemplated thereby and compliance by Chiles with any of the provisions thereof will not (i) conflict with, or result in the breach of, any provision of the limited liability company agreement or certificate of formation of Chiles or, after Chiles' conversion into a corporation, the certificate of incorporation or by-laws of Chiles; (ii) conflict with, violate, result in the breach or termination of, or constitute a default under any Contract or other obligation to which Chiles is a party or by which Chiles' properties or assets is bound; (iii) violate any statute, rule,

regulation, order or decree of any governmental body or authority by which Chiles is bound; or (iv) result in the creation of any Lien upon the properties or assets of Chiles.

(b) Except as set forth on Schedule 4.04, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of Chiles in connection with the execution and delivery of any of the Transaction Documents to which it is a party, or the compliance by Chiles with any of the provisions hereof or thereof.

SECTION 4.05. LITIGATION. There is no suit, action, proceeding, investigation, claim or order pending or, to the knowledge of any of Chiles, overtly threatened against Chiles with respect to the Rig or the transactions contemplated by this Agreement before any governmental department, commission, board, agency, or instrumentality; nor, to the knowledge of Chiles, is there any reasonable basis for any such action, proceeding, or investigation.

SECTION 4.06. AUTHORIZATION; NUMBER OF SHARES COMPRISING TOTAL MERGER CONSOLIDATION. On the Effective date, all shares of the capital stock of Chiles that shall comprise the "Total Merger Consideration" (as defined in the Merger Agreement) shall have been duly authorized and validly issued and will have been fully paid,

nonassessable and not subject to preemptive rights. The number of shares of common stock of Chiles that comprise the Total Merger Consideration shall (rounded to the nearest whole share) be equal to 24% of the sum of (a) the number of shares of Chiles' common stock outstanding immediately prior to the Successful IPO (but excluding any shares issued in respect of options or rights to purchase membership interests exercised prior to the Successful IPO) and (b) the number of shares of Chiles' common stock comprising the Total Merger Consideration.

SECTION 4.07. BROKER'S AND FINDER'S FEE. No Person acting on behalf of Chiles is or will be entitled to any commission or broker's or finder's fee from any of the parties hereto, or from any Affiliate of the parties hereto, in connection with any of the transactions contemplated herein, except that Chiles has agreed to pay any brokerage fee that may be due to Bassoe Offshore (USA) Inc. in connection with the transactions contemplated hereby.

SECTION 4.08. NO MISREPRESENTATION. No representation or warranty of Chiles contained in this Agreement, any schedule hereto, the Disclosure Schedule or in any certificate furnished by Chiles to the Perforadora Parties pursuant to the terms hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE V
CERTAIN COVENANTS

SECTION 5.01. MARAD APPROVAL. The Perforadora Parties shall use their best efforts to obtain the consent and approval of The United States of America, acting by and through the Secretary of Transportation, represented by the Maritime Administrator (the "MARITIME ADMINISTRATOR"), as soon as practicable, to (a) the assumption by Tonala Delaware of the obligations under the Title XI Bonds and the Title XI Documents upon the transfer of ownership of the Rig to Tonala Delaware as contemplated hereby and (b) the release of any liability of all other parties with respect thereto upon such assumption such that Tonala Delaware shall be the sole obligor under the Title XI Documents (such consent and approval being referred to herein as "MARAD APPROVAL"), such approval to be satisfactory to the Perforadora Parties and Chiles. Such best efforts obligation includes, without limitation, the preparation of documentation with respect to the Intermediate Transactions for the review by the Maritime Administrator (or its designee) and consent of the Maritime Administrator thereto, obtaining the consent of all other parties required in connection therewith and the provision to the Maritime Administrator (or its designee) of such other documents and information that may be requested thereby. Chiles shall cooperate and provide assistance to the Perforadora Parties in connection therewith and agrees that, to the extent the Maritime Administrator requires Tonala Delaware to comply with the financial requirements of Section 8(b) of the Title XI Reserve Fund and Financial Agreement (I.E., positive working capital, long-term debt to equity

ratio not to exceed two to one, and minimum net worth of $43,575,031), Chiles will cause Tonala Delaware to comply with such requirements on the Effective Date and provide evidence thereof to the Maritime Administrator in connection with the completion of the Merger.

SECTION 5.02. CONDITIONS. (a) Subject to the prior receipt of Marad Approval, the Perforadora Parties shall use their best efforts to satisfy, as promptly as practicable, all conditions to the execution, delivery and performance of the Merger Agreement set forth in Section 2.01, including, without limitation, the performance of the covenants contained in Section 1.01 and the receipt of all consents and approvals set forth on Schedule 3.04.

(b) Subject to the prior receipt of MARAD Approval, Chiles shall use its best efforts to satisfy as promptly as practicable, all conditions to the execution, delivery and performance of the Merger Agreement set forth in Section 2.02; PROVIDED, HOWEVER, that nothing contained herein shall require Chiles to effect a Successful IPO, it being understood that the decision whether or not to proceed with any offering of Chiles' securities shall be within the sole discretion of Chiles.

SECTION 5.03. ACCESS TO INFORMATION. The Perforadora Parties agree that, prior to the Effective Date, Chiles shall be entitled, through its officers, employees and representatives (including, without limitation, its legal advisors and accountants), to make such investigation and examination of the books and records of the Perforadora Entities and any other entities formed in connection with the Intermediate Transactions (including, without limitation, records of all of their respective meetings or consents and approvals of stockholders and boards of directors, stock certificate books and stock transfer ledgers) as Chiles reasonably requests to determine whether the Intermediate Transactions are in form and substance reasonably satisfactory to Chiles as contemplated by Section 1.01(b) and to make extracts and copies of such books and records. Any such investigation and examination shall be conducted during regular business hours and under reasonable circumstances, and the Perforadora Parties shall cooperate fully therein. No investigation by Chiles prior to or after the date of this Agreement shall diminish or obviate any of the representations, warranties, covenants or agreements of the Perforadora Parties contained in this Agreement or the Transaction Documents. In order that Chiles may have full opportunity to make such investigation and examination, the Perforadora Parties shall cause the officers, employees, consultants, agents, accountants, attorneys and other representatives of the Perforadora Entities to cooperate fully with such representatives of Chiles in connection therewith.

SECTION 5.04. BAREBOAT CHARTER. (a) Subject to the consent of the Maritime Administrator, Perforadora and Chiles hereby agree that the Bareboat Charter shall terminate on the Effective Date and no further action on behalf of the Perforadora Entities or Chiles shall be required to effect such termination; PROVIDED, HOWEVER, that, upon such termination (and notwithstanding anything to the contrary contained in the Bareboat Charter), the following provisions shall apply: (a) the Bareboat Charter shall be deemed to have terminated as of the date hereof and a final accounting shall be made in accordance with the terms of the Bareboat Charter as if it had been terminated on the date hereof and (b) Chiles shall be deemed to have been the "Owner" of the Rig under the Bareboat Charter from and after the date hereof and, consequently, all of the revenues from, and expenses (including debt service with respect to the Title XI Bonds) of, operating the Rig under the Bareboat Charter from and after the date hereof shall be for the account of Chiles. On the Effective Date, Perforadora shall repay to Chiles all Hire

and Supplemental Hire paid by Chiles under the Bareboat Charter for all periods after the date hereof; PROVIDED, HOWEVER, that if Perforadora shall have made any payments of debt service on the Title XI Bonds due after the date hereof, then the aggregate amount of such payments shall be deducted from the amount to be repaid by Perforadora to Chiles on the Effective Date and, PROVIDED FURTHER, that, if the aggregate Hire and Supplemental Hire paid by Chiles under the Bareboat Charter for all periods after the date hereof is less than the aggregate amount of all such payments of debt service on the Title XI Bonds made by Perforadora, then Chiles shall pay to Perforadora on the Effective Date the difference between such aggregate amount of payments on the Title XI Bonds and the aggregate Hire and Supplemental Hire paid by Chiles under the Bareboat

Charter. Nothing contained herein shall release the parties to the Bareboat Charter from any liability for a breach thereof prior to the Effective Date (it being understood and agreed that Perforadora shall be liable for any breach as the Owner thereunder on or prior to the Effective Date notwithstanding any transfer of the Transferred Assets and Transferred Liabilities contemplated hereby).

(b) Notwithstanding anything to the contrary contained in Section 5.04(a) but subject to the consent of the Maritime Administrator, Chiles and Perforadora agree to establish an escrow account (the "Escrow") with an escrow agent selected by Chiles with the approval of Perforadora, which approval shall not be unreasonably withheld if such escrow agent is a bank or recognized financial institution (the escrow agent so selected being referred to as the "Escrow Agent"), pursuant to which Chiles shall deposit all Hire and Supplemental Hire otherwise payable by Chiles to Perforadora under the Bareboat Charter for all periods after the date hereof and prior to the Effective Date or Termination Date, as applicable. Pursuant to the terms of the Escrow, the amounts deposited into the Escrow together with any interest or income thereon (collectively, the "Escrow Fund") shall be paid by the Escrow Agent (i) to Chiles on the Effective Date in full or partial satisfaction of Perforadora's payment obligation under the penultimate sentence of Section 5.04(a) hereof, or (ii) in the event of termination of this Agreement prior to the Effective Date, to Perforadora on the Termination Date; PROVIDED, HOWEVER, the Escrow Agent shall disburse funds from the Escrow Fund to pay any debt service on the Title XI Bonds due after the date hereof.

ARTICLE VI
INDEMNIFICATION

Section 6.01. Indemnification.

(a) The Perforadora Parties hereby jointly and severally agree to indemnify and hold Chiles and its respective directors, officers, employees, Affiliates, agents, successors and assigns (collectively, the "SELLER INDEMNIFIED PARTIES") harmless from and against:

(i) any and all liabilities of the Perforadora Parties or the Delaware Entities, except for the Transferred Liabilities and liabilities incurred by

the Delaware Entities after the "EFFECTIVE TIME" (as defined in the Merger Agreement) and whether or not such liabilities are referred to, disclosed in, or otherwise covered by any of the representations or warranties of the Perforadora Parties (including the schedules related thereto) contained in this Agreement;

(ii) Any and all losses, liabilities, obligations, damages, costs and expenses based upon, attributable to or resulting from the failure of any representation or warranty of the Perforadora Parties set forth in Article III hereof, or any representation or warranty contained in any certificate delivered by or on behalf of the Perforadora Parties pursuant to this Agreement to be true and correct in all respects as of the date made;

(iii) any and all losses, liabilities, obligations, damages, costs and expenses based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of the Perforadora Parties under this Agreement;

(iv) any and all Taxes of the Stockholders, the Perforadora Entities or their Affiliates arising out of the Intermediate Transactions or the Merger (including, without limitation, any liabilities of the foregoing Persons for Taxes that, by operation of law, may be assumed by Chiles or its Affiliates as a result of the Merger); and

(v) any and all notices, actions, suits, proceedings, claims, demands, assessments, judgments, costs, penalties and expenses, including reasonable attorneys' and other professionals' fees and disbursements (collectively, "EXPENSES") incident to any and all losses, liabilities, obligations, damages, costs and expenses with respect to which indemnification is provided hereunder (collectively, "LOSSES").

(b) Chiles hereby agrees to indemnify and hold the Perforadora Parties, their respective Affiliates, agents, successors and assigns (collectively, the "CHILES INDEMNIFIED PARTIES") harmless from and against:

(i) any and all Losses based upon, attributable to or resulting from the failure of any representation or warranty of Chiles set forth in Article IV hereof, or any representation or warranty contained in any certificate delivered by or on behalf of Chiles pursuant to this Agreement, to be true and correct as of the date made;

(ii) any and all Losses based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of Chiles under this Agreement; and

(iii) any and all Expenses incident to the foregoing.

SECTION 6.02. INDEMNIFICATION PROCEDURES.

(a) In the event that any Legal Proceedings shall be instituted or that any claim or demand (a "CLAIM") shall be asserted by any Person in respect of which payment may be sought under Section 6.01 hereof, the indemnified party shall reasonably and promptly cause written notice of the assertion of any Claim of which it has knowledge which is covered by this indemnity to be forwarded to the indemnifying party. The indemnifying party shall have the right, at its sole option and expense, to be represented by counsel of its choice, which must be reasonably satisfactory to the indemnified party, and to defend against, negotiate, settle or otherwise deal with any Claim which relates to any Losses indemnified against hereunder. If the indemnifying party elects to defend against, negotiate, settle or otherwise deal with any Claim which relates to any Losses indemnified against hereunder, it shall within five (5) Business Days (or sooner, if the nature of the Claim so requires) notify the indemnified party of its intent to do so. If the indemnifying party elects not to defend against, negotiate, settle or otherwise deal with any Claim that relates to any Losses indemnified against hereunder, fails to notify the indemnified party of its election as herein provided or contests its obligation to indemnify the indemnified party for such Losses under this Agreement, the indemnified party may defend against, negotiate, settle or otherwise deal with such Claim. If the indemnified party defends any Claim, then the indemnifying party shall reimburse the indemnified party for the Expenses of defending such Claim upon submission of periodic bills. If the indemnifying party shall assume the defense of any Claim, the indemnified party may participate, at his or its own expense, in the defense of such Claim; PROVIDED, HOWEVER, that such indemnified party shall be entitled to participate in any such defense with separate counsel at the expense of the indemnifying party if, (i) so requested by the indemnifying party to participate or (ii) in the reasonable opinion of counsel to the indemnified party, a conflict or potential conflict exists between the indemnified party and the indemnifying party that would make such separate representation advisable and, PROVIDED, FURTHER, that the indemnifying party shall not be required to pay for more than one such counsel for all indemnified parties in connection with any Claim. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such Claim.

(b) After any final judgment or award shall have been rendered by a court, arbitration board or administrative agency of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a settlement shall have been consummated, or the indemnified party and the indemnifying party shall have arrived at a mutually binding agreement with respect to a Claim hereunder, the indemnified party shall forward to the indemnifying party notice of any sums due and owing by the indemnifying party pursuant to this Agreement with respect to such matter and the indemnifying party shall be required to pay all of the sums so due and owing to the indemnified party by wire transfer of immediately available funds within 10 Business Days after the date of such notice (the "PAYMENT DUE DATE").

(c) The failure of the indemnified party to give reasonably prompt notice of any Claim shall not release, waive or otherwise affect the indemnifying party's

obligations with respect thereto except to the extent that the indemnifying

party can demonstrate actual loss and prejudice as a result of such failure.

(d) Notwithstanding anything to the contrary contained in this Section 6.02, any and all notices to be furnished, elections to be made or agreements to be entered into by any Stockholder under this Section 6.02 shall be furnished, made or entered into on behalf of such Stockholder by the Stockholders' Representative (and any such notice furnished, election made or agreement entered into by the Stockholders' Representative shall be binding upon such Stockholder), and Chiles shall only be required to provide notice to and otherwise deal with the Stockholders' Representative in exercising its rights or complying with its obligations under this Section 6.02.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Certain Definitions.

For purposes of this Agreement, the following terms shall have the meanings specified in this Section 7.01:

"AFFILIATE" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person (it being understood that, for purposes hereof, Chiles shall not be deemed to be an Affiliate of any of the Perforadora Parties).

"AGREEMENT" shall have the meaning set forth in the preamble hereto.

"BAREBOAT CHARTER" shall have the meaning set forth in the first recital hereof.

"CHILES INDEMNIFIED PARTIES" shall have the meaning set forth in Section 6.01 hereof.

"CHILES SEC DOCUMENTS" shall have the meaning set forth in Section 4.01 hereof.

"CHILES" shall have the meaning set forth in the preamble hereto.

"CLAIM" shall have the meaning set forth in Section 6.02 hereof.

"CONTRACT" means any contract, agreement, indenture, note, BOND, loan, instrument, lease, commitment or other arrangement or agreement.

"DELAWARE ENTITIES" shall have the meaning set forth in Section 1.01.

"EFFECTIVE DATE" shall have the meaning ascribed to such term in Section 1.02(c) hereof.

"EFFECTIVE TIME" shall have the meaning set forth in Section 6.01 hereof.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

"EXPENSES" shall have the meaning set forth in Section 6.01 hereof.

"GIA" shall have the meaning set forth in the preamble hereto.

"GOVERNMENTAL BODY" means any government or governmental or regulatory body thereof, or political subdivision thereof, whether federal, state, local or foreign, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

"INTELLECTUAL PROPERTY RIGHT" means any trademark, service mark, trade name, patent, trade secret, copyright, know-how or other type of intellectual property right (including any registrations or applications for registration of the foregoing).

"INTERMEDIATE TRANSACTIONS" shall have the meaning set forth in Section 1.01 hereof.

"LAW" means any federal, state, local or foreign law (including common law), statute, code, ordinance, rule, regulation or other requirement.

"LEGAL PROCEEDING" means any judicial, administrative or arbitral actions, suits, proceedings (public or private), claims or governmental proceedings.

"LIEN" means any lien, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, transfer restriction under any shareholder or similar agreement, encumbrance or any other restriction or limitation whatsoever.

"LOSSES" shall have the meaning set forth in Section 6.01 hereof.

"MARAD APPROVAL" shall have the meaning set forth in Section 5.01 hereof.

"MERGER" shall have the meaning set forth in Section 3.02 hereof.

"MERGER AGREEMENT" shall have the meaning set forth in Section 1.02 hereof.

"ORDER" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award.

"PAYMENT DUE DATE" shall have the meaning set forth in Section 6.02 hereof.

"PERFORADORA DELAWARE" shall have the meaning set forth in Section 1.01 hereof.

"PERFORADORA ENTITIES" shall have the meaning set forth in Section 1.01 hereof.

"PERFORADORA PARTIES" shall have the meaning set forth in the preamble hereto.

"PERFORADORA" shall have the meaning set forth in the preamble hereto.

"PERMITS" means any approvals, authorizations, consents, licenses, permits or certificates.

"PERSON" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"RIG" shall have the meaning set forth in the first recital hereof.

"Rig Contracts" shall mean (i) the Bareboat Charter, (ii) the License Agreement between LeTourneau and Texas Dry Dock, Inc. dated April 22, 1997 for LeTourneau Super 116 (including a separate confidentiality agreement and an ancillary agreement attached as Exhibit "F" and Exhibit "G" thereto, respectively, as such Exhibit "G" was amended on January 21, 2000), (iii) the Transfer and Assignment of Licenses, Immunity and Warranties from Friede Goldman Offshore Texas, Limited Partnership to Perforadora dated January 21, 2000, (iv) the Kit Construction Agreement between LeTourneau, Inc. and Texas Dry Dock, Inc. dated April 22, 1997 for LeTourneau Super 116, (v) the Purchase Contract between Perforadora and National Oil Well, L.P. dated June 20, 1997, and (vi) the Platform Construction Contract between TDI - Halter, Inc. and Perforadora dated April 22, 1997, including Addendum No. 1 attached thereto.

"SEC" shall have the meaning set forth in Section 4.01 hereof.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 6.01 hereof.

"STOCKHOLDERS" shall have the meaning set forth in the preamble hereto.

"STOCKHOLDERS' REPRESENTATIVE" shall mean Patricio Alvarez Morphy or such other Person as may be designated by written notice of all of the Stockholders to Chiles.

"SUCCESSFUL IPO" shall mean the sale of shares of common stock of Chiles pursuant to an effective registration statement under the Securities Act in which Chiles receives gross proceeds of not less than U.S. $100 million.

"TAXES" means (i) all U.S. or Mexican federal, state, local or other taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (i) and (iii) any transferee liability in respect of any items described in clauses (i) and/or (ii).

"TERMINATION DATE" shall have the meaning set forth in Section 8.01 hereof.

"TITLE XI BONDS" means the Perforadora Parties' outstanding 5.63% United States Government Guaranteed Export Ship Financing Bonds, 1998 Series due July 15, 2011 relating to the Rig.

"TONALA DELAWARE" shall have the meaning set forth in Section 1.01 hereof.

"TRANSFERRED ASSETS" means the Rig and any and all rights under the Rig Contracts.

"TRANSFERRED LIABILITIES" means obligations under the Title XI Bonds relating to the Rig and obligations to be performed after the Effective Date under the terms of the Rig Contracts and other agreements and instruments relating thereto, except as otherwise provided with respect to the Bareboat Charter in Section 5.04.

SECTION 7.02. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The parties hereto hereby agree that the representations and warranties contained in this Agreement or in any certificate, document or instrument delivered in connection herewith, shall survive the execution and delivery of this Agreement, regardless of any investigation made by the parties hereto.

SECTION 7.03. EXPENSES. Except as otherwise provided in this Agreement, the Perforadora Parties shall bear their own expenses and the expenses of the Delaware Entities, and Chiles shall bear its own expenses, incurred in connection with the negotiation, execution and performance of the Transaction Documents and the consummation of the transactions contemplated thereby.

SECTION 7.04. FURTHER ASSURANCES. The Perforadora Parties and Chiles each agrees to execute and deliver such other documents or agreements and to take such other action as may be reasonably necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby.

SECTION 7.05. SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) Except as otherwise provided in the Merger Agreement, the parties hereto hereby irrevocably submit to the exclusive jurisdiction of any federal court located in the City of Houston, Texas (or, in the event that such federal court does not have subject matter jurisdiction over the controversy, any state District Court located in Harris County, Texas) over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by the mailing of a copy thereof in accordance with the provisions of Section 7.09.

SECTION 7.06. ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

SECTION 7.07. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of law provisions thereof that would require the application of the laws of any other jurisdiction.

SECTION 7.08. SECTION HEADINGS. The section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

SECTION 7.09. NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when delivered personally or mailed by certified mail, return receipt requested, to the parties (and shall also be transmitted by facsimile to the Persons receiving copies thereof) at the following addresses (or to such other address as a party may have specified by notice given to the other party pursuant to this provision):

If to Perforadora, GIA or any Stockholder, to:

Mr. Patricio Alvarez Morphy
c/o Perforadora Central, S.A. de C.V.
Montes Urales 520
Lomas de Chapultepec
Mexico, 11,000, D.F.
Facsimile: 011 525 520 1859

With a copy to:

Milling Benson Woodward L.L.P.
909 Poydras Street
Suite 2300
New Orleans, Louisiana 70112
Attention: Neal Hobson, Esq.
Charles A. Snyder, Esq.
Facsimile: 504-569-7001

If to Chiles, to:

Mr. Dick Fagerstal
c/o SEACOR SMIT Inc.
1370 Avenues of the Americas
New York, New York 10019
Facsimile: 212-582-8522

With a copy to:
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: David Zeltner, Esq.
Facsimile: 212-310-8927

SECTION 7.10. SEVERABILITY. If any provision of this Agreement is invalid

or unenforceable, the balance of this Agreement shall remain in effect; PROVIDED, HOWEVER, that if any such invalidity or unenforceability would materially alter the economic results of the transactions contemplated by this Agreement, then this Agreement shall terminate and be of no further force or effect.

SECTION 7.11. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by any party hereto (by operation of law or otherwise) without the prior written consent of the other parties hereto and any attempted assignment without the required consents shall be void.

SECTION 7.12. STOCKHOLDERS' REPRESENTATIVE. Stockholders' Representative is hereby designated as the representative of the Stockholders to act for and represent the Stockholders with respect to all matters with respect to which this Agreement specifies that the Stockholders' Representative shall so act, as well as matters which require notice to be given to the Stockholders under this Agreement, and all actions taken as the Stockholders' Representative on behalf of any Stockholder pursuant to this Agreement shall be binding upon such Stockholder and Chiles shall be entitled to rely thereon for purposes of this Agreement.

ARTICLE VIII
TERMINATION

SECTION 8.01. TERMINATION OF AGREEMENT. This Agreement may be terminated and the Merger contemplated herein abandoned at any time prior to the Effective Date as follows:

(a) by mutual written consent of Chiles and the Perforadora Parties;

(b) at the election of Chiles or the Perforadora Parties upon the expiration of the Bareboat Charter in accordance with its terms (the "TERMINATION DATE") if the Effective Date shall not have occurred by the close of business on such date, provided that the terminating party is not in default of any of its obligations hereunder;

(c) upon an actual, constructive, agreed or compromised total loss of the Rig unless, in the case of a constructive, agreed or compromised total loss, the parties hereto, with the consent of the Maritime Administrator, agree to repair the Rig

(d) By either Chiles or the Perforadora Parties if there has been a material breach by the other of any representation or warranty contained in this Agreement or of any covenant contained in this Agreement, which in either case cannot be, or has not been, cured within 15 days after written notice of such breach is given to the party committing such breach; PROVIDED, HOWEVER, that the right to effect such cure shall not extend beyond the Termination Date; and

(e) if any governmental authority shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable.

SECTION 8.02. PROCEDURE UPON TERMINATION. In the event of termination and abandonment by the Perforadora Parties or Chiles, or both, pursuant to Section 8.01 hereof, written notice thereof shall forthwith be given to the other party or parties, and this Agreement shall terminate, and the Merger contemplated hereby shall be abandoned, without further action by the Perforadora Parties or Chiles.

SECTION 8.03. EFFECT OF TERMINATION. In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to the

Perforadora Parties or Chiles; PROVIDED, HOWEVER, that nothing in this Section 8.03 shall relieve the Perforadora Parties or Chiles of any liability for a breach of this Agreement arising prior to such termination.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written above.

CHILES OFFSHORE LLC

By: /s/ William E. Chiles

Name: William E. Chiles
Title: President

PERFORADORA CENTRAL, S.A. de C.V.

By: /s/ Patricio Alvarez Morphy

Name: Patricio Alvarez Morphy
Title: President

GRUPO INDUSTRIAL ATLANTIDA, S.A. de C.V.

By: /s/ Patricio Alvarez Morphy

Name: Patricio Alvarez Morphy
Title: President

STOCKHOLDERS

/s/ Patricio Alvarez Morphy

Patricio Alvarez Morphy

/s/ Javier Alvarez Morphy

Javier Alvarez Morphy

/s/ Luis Alvarez Morphy

Luis Alvarez Morphy

/s/ Enrique Chavez Quintana

Enrique Chavez Quintana

EXHIBIT A

INTERMEDIATE TRANSACTIONS

(i) Perforadora shall form a wholly-owned subsidiary (herein called "PC(2)");

(ii) Perforadora shall transfer the Transferred Assets and Transferred Liabilities to PC(2), which shall have no other assets, debts or liabilities;

(iii) Perforadora shall spin-off PC(2) to GIA;

(iv) PC(2) shall merge into GIA, which thereby will acquire the Transferred Assets and Transferred Liabilities;

(v) GIA shall form a wholly-owned subsidiary (herein called "GIA(2)");

(vi) GIA shall transfer the Transferred Assets and Transferred Liabilities to GIA(2), which shall have no other assets, debts or liabilities;

(vii) GIA shall spin-off GIA(2) to the Stockholders;

(viii) The Stockholders shall form Perforadora Delaware, which shall be wholly owned by them, and shall cause GIA(2) to merge into Perforadora Delaware (the "PERFORADORA DELAWARE MERGER"), as a result of which Perforadora Delaware will acquire the Transferred Assets and Transferred Liabilities and shall have no other assets, debts or liabilities; and

(ix) Perforadora Delaware shall form Tonala Delaware, which shall be a wholly-owned subsidiary of Perforadora Delaware and contribute the Transferred Assets and Transferred Liabilities to Perforadora Delaware, which shall have no other assets, debts or liabilities.

Exhibit B

AGREEMENT AND PLAN OF MERGER

BY AND BETWEEN

[PERFORADORA INC.]

And

CHILES OFFSHORE INC.

Dated as of __, 2000

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of __, 2000 (this "AGREEMENT"), between [Perforadora Inc.,] a Delaware corporation, ("PERFORADORA DELAWARE") and Chiles Offshore Inc., a Delaware corporation ("CHILES").

W I T N E S S E T H:

WHEREAS, the respective Boards of Directors of Perforadora Delaware and Chiles have determined that it is desirable and in the best interests of the parties to this Agreement and their respective stockholders to provide for the merger of Perforadora Delaware with and into Chiles (the "MERGER"); and

WHEREAS, the stockholders of Perforadora Delaware have approved this Agreement and the Merger contemplated hereby; and

WHEREAS, this Agreement is the Merger Agreement contemplated by the Agreement With Respect to Ownership of the Tonala, dated as of July , 2000 (the "AGREEMENT WITH RESPECT TO OWNERSHIP"), by and among Chiles, Perforadora Central, S.A. de C.V., a corporation organized under the laws of Mexico, Grupo Industrial Atlantida, S.A. de C.V., a corporation organized under the laws of Mexico ("GIA"), and the stockholders of GIA, and capitalized terms used herein, but not defined herein, shall have the meanings set forth in the Agreement with Respect to Ownership.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties, intending to be legally bound, hereby agree as follows:

Article I

The Merger

1.1 THE MERGER. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the Delaware General Corporation Law (the "DGCL"), Perforadora Delaware shall be merged with and into Chiles at the Effective Time (as hereinafter defined). At the Effective Time, the separate existence of Perforadora Delaware shall cease, and Chiles shall continue as the surviving corporation (the "SURVIVING CORPORATION").

1.2 EFFECTIVE TIME. On the date of the execution and delivery of this Agreement by the parties hereto or as promptly as possible thereafter, the

parties hereto shall file with the Secretary of State of the State of Delaware (the "DELAWARE SECRETARY OF STATE") a certificate of merger (the "CERTIFICATE OF MERGER") or other appropriate documents, executed in accordance with the relevant provisions of the DGCL, and make all other filings or recordings required under the DGCL in connection with the Merger.

The Merger shall become effective upon the filing of the Certificate of Merger with the Delaware Secretary of State (the "EFFECTIVE TIME").

1.3 EFFECTS OF THE MERGER. The Merger shall have the effects set forth in Section 259 of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of Chiles and Perforadora Delaware shall vest in the Surviving Corporation, and all debts, liabilities and duties of Chiles and Perforadora Delaware shall be and become the debts, liabilities and duties of the Surviving Corporation.

1.4 CERTIFICATE OF INCORPORATION; BY-LAWS.

(a) At the Effective Time, Chiles' certificate of incorporation shall be the certificate of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

(b) The by-laws of Chiles as in effect at the Effective Time shall, from and after the Effective Time, be the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

1.5 DIRECTORS. The directors of Chiles at the Effective Time shall, from and after the Effective Time, become the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be; PROVIDED, HOWEVER, that Chiles shall use its best efforts to cause Patricio Alvarez Morphy and one designee of Patricio Alvarez Morphy who shall be acceptable to the Board of Directors of Chiles to each become members of the Board of Directors of Chiles upon the occurrence of the Effective Time or as soon thereafter as practical.

1.6 OFFICERS. The officers of Chiles at the Effective Time shall, from and after the Effective Time, become the officers of the Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Article II

CONVERSION OF SHARES

2.1 EFFECT ON CAPITAL STOCK. As of the Effective Time, by virtue of the Merger and without any further action on the part of any holder of (i) any shares of common stock, par value [$.01] per share, of Perforadora Delaware (the "PERFORADORA DELAWARE COMMON STOCK") or (ii) any shares of common stock, par value $.01 per share, of Chiles (the "CHILES COMMON STOCK"):

(a) CONVERSION OF COMMON STOCK. Each share of Perforadora Delaware Common Stock issued and outstanding immediately prior to the Effective Time

shall be converted into the right to receive the applicable portion of the Total Merger Consideration as determined pursuant to Section 2.1(c).

(b) TOTAL MERGER CONSIDERATION. The "TOTAL MERGER CONSIDERATION" shall consist of the number of shares of Chiles Common Stock (rounded to the nearest whole share) as is equal to 24% of the sum of (A) the number of shares of Chiles Common Stock outstanding immediately prior to the Successful IPO (as defined in the Agreement with Respect to Ownership) (but excluding any shares issued in respect of options or rights to purchase membership interests exercised prior to the Successful IPO) and (B) the number of shares of Chiles Common Stock comprising the Total Merger Consideration. For purposes of example, if holders of Chiles Common Stock owned 8,485,810 shares immediately prior to the sale of shares in the Successful IPO (excluding any shares issued upon the pre-Successful IPO exercise of options or rights), the Total Merger

Consideration would be equal to 2,679,729 shares of Chiles Common Stock.

(c) COMMON STOCK OF PERFORADORA DELAWARE. Each share of Perforadora Delaware Common Stock issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive such number of shares of Chiles Common Stock (the "MERGER CONSIDERATION") as is equal to the number of shares of Chiles Common Stock comprising the Total Merger Consideration divided by the total number of shares of Perforadora Delaware Common Stock outstanding at the Effective Time.

2.2 PAYMENT OF MERGER CONSIDERATION. Upon conversion of the shares of Perforadora Delaware Common Stock into the right to receive the Merger Consideration in the manner described in Section 2.1(c), each record holder of issued and outstanding Perforadora Delaware Common Stock shall have a right to receive, and Chiles shall promptly issue to each such holder, a certificate representing such whole number of shares of Chiles Common Stock (rounded to the nearest whole share) equal to the product of (i) the Merger Consideration and (ii) the number of shares of Perforadora Delaware Common Stock of which such Person is the record holder immediately prior to the Effective Time.

Article III

TERMINATION

3.1 TERMINATION OF AGREEMENT. This Agreement may be terminated prior to the Effective Time by the mutual written consent of Chiles and Perforadora Delaware;

3.2 PROCEDURE UPON TERMINATION. In the event of termination by Perforadora Delaware and Chiles pursuant to Section 3.1 hereof, this Agreement shall terminate, and the Merger hereunder shall be abandoned, without further action by Perforadora Delaware or Chiles.

3.3 EFFECT OF TERMINATION. In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Perforadora Delaware or Chiles; PROVIDED, HOWEVER, that nothing in this Article III shall relieve Perforadora Delaware, Chiles or any other party to the Agreement with Respect to Ownership of any liability for a breach of this Agreement or the Agreement with Respect to Ownership arising prior to such termination.

Article IV

MISCELLANEOUS

4.1 SPECIFIC PERFORMANCE. The parties acknowledge and agree that the breach of this Agreement by either party would cause irreparable damage to the other party and that the non-breaching party will not have an adequate remedy at law. Therefore, the obligations of the parties shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and granted in connection therewith. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which any party may have under this Agreement, the Agreement with Respect to Ownership or otherwise.

4.2 FURTHER ASSURANCES. The parties agree to execute and deliver such other documents or agreements and to take such other action as may be reasonably necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby.

4.3 SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) The parties hereto hereby irrevocably submit to the jurisdiction of any federal court located in the City of Houston, Texas (or, in the event that such federal court does not have subject matter jurisdiction over the controversy, any state District Court located in Harris County, Texas) over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now

or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by the mailing of a copy thereof in accordance with Section 4.7 hereof.

4.4 ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement, together with the Agreement with Respect to Ownership and the other documents and instruments contemplated hereby and thereby, represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and this Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

4.5 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any conflicts of law provisions thereof that would require the application of the laws of any other jurisdiction.

4.6 SECTION HEADINGS. The section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

4.7 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when delivered personally or mailed by certified mail, return receipt requested, to the parties (and shall also be transmitted by facsimile to the Persons receiving copies thereof) at the following addresses (or to such other address as a party may have specified by notice given to the other party pursuant to this provision):

If to Perforadora Delaware or any Stockholder, to:

Mr. Patricio Alvarez Morphy
c/o Perforadora Central, S.A. de C.V.
Montes Urales 520
Lomas de Chapultepec
Mexico, 11000, D.F.
Facsimile: [________________]

With a copy to:

Milling Benson Woodward L.L.P.
909 Poydras Street
Suite 2300
New Orleans, Louisiana 70112
Attention: Neal Hobson, Esq.
Charles A. Snyder, Esq.
Facsimile: 504-569-7001

If to Chiles, to:

Mr. Dick Fagerstal

c/o SEACOR SMIT Inc.
1370 Avenues of the Americas
New York, New York 10019
Facsimile: 212-582-8522

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Attn: David Zeltner, Esq.
Facsimile: 212-310-8927

4.8 SEVERABILITY. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement shall remain in effect provided, however, that if any such invalidity or unenforceability would materially alter the economic results of the transactions contemplated by this Agreement, then this Agreement shall terminated and be of no further force or effect.

4.9 BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by either of the parties hereto (by operation of law or otherwise) without the prior written consent of the other party hereto and any attempted assignment without the required consents shall be void.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written above.

CHILES OFFSHORE INC.

By:

Name:
Title:

[PERFORADORA INC.]

By:

Name:
Title:

Schedule 3.04: Consents and Approvals of the Perforadora Parties

- - Authorization from the Mexican Ministry of Foreign Affairs for the use of corporate names PC2, S.A. de C.V. and GIA2, S.A. de C.V.

- - Resolution of the stockholders of Perforadora Central, S.A. de C.V. for the spin-off of PC2, S.A. de C.V.

- - Publications in a local newspaper and in the Official Daily of Federation of the spin-off notice of Perforadora Central, S.A. de C.V.

- - Recording of the public deed formalizing the spin-off of PC2, S.A. de C.V. before the Public Registry of Commerce of Mexico City.

- - Approvals from the creditors of Perforadora Central, S.A. de C.V. in connection with the spin-off.

- - Resolution of the stockholders of PC2, S.A. de C.V. and Grupo Industrial Atlantida, S.A. de C.V. in connection with the merger of such companies.

- - Publication in the Official Daily of the Federation of the merger notice of PC2, S.A. de C.V. and Grupo Industrial Atlantida, S.A. de C.V.

- - Recording of the public deed formalizing the merger of PC2, S.A. de C.V. and Grupo Industrial Atlantida, S.A. de C.V. before the Public Registry of Commerce of Mexico City.

- - Approvals from the creditors of PC2, S.A. de C.V. and Grupo Industrial Atlantida, S.A. de C.V. in connection with the merger.

- - Notice before the Mexican Competition Commission in connection with the merger of PC2, S.A. de C.V. and Grupo Industrial Atlantida, S.A. de C.V.

- - Resolution of the stockholders of Grupo Industrial Atlantida, S.A. de C.V. for the spin-off of GIA2, S.A. de C.V.

- - Publications in a local newspaper and in the Official Daily of Federation of the spin-off notice of Grupo Industrial Atlantida, S.A. de C.V.

- - Recording of the public deed formalizing the spin-off before the Public Registry of Commerce of Mexico City.

- - Approvals from the creditors of Grupo Industrial Atlantida, S.A. de C.V. in connection with the spin-off.

- - Resolution of the stockholders of GIA2, S.A. de C.V. and Perforadora Delaware in connection with the merger of such companies.

- - Publication in the Official Daily of the Federation of the merger notice of GIA2, S.A. de C.V. and Perforadora Delaware.

- - Recording of the public deed formalizing the merger of GIA2, S.A. de C.V. and Perforadora Delaware before the Public Registry of Commerce of Mexico City.

- - Approvals from the creditors of GIA2, S.A. de C.V. and Perforadora Delaware in connection with the merger.

- - MARAD Approval

Schedule 3.06: CONTINUING OBLIGATIONS UNDER THE RIG CONTRACTS

None

Schedule 3.11. INSURANCE

None

Schedule 4.04: CONSENTS AND APPROVALS OF CHILES

MARAD Approval

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