TODCO
Form 424B4
December 17, 2004

PROSPECTUS

Filed pursuant to Rule 424(b)(4)
Registration No. 333-120651

13,000,000 Shares

CLASS A COMMON STOCK

Transocean Inc., as selling stockholder, is selling 13,000,000 shares of our Class A common stock. We will not receive any proceeds from the Class A common stock sold by the selling stockholder.

Our Class A common stock is listed on the New York Stock Exchange under the symbol THE. On December 16, 2004, the closing sale price of our Class A common stock was $18.06.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 13.

PRICE $18.00 PER SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholder
Per Share	$18.00	$0.72	$17.28
Total	$234,000,000	$9,360,000	$224,640,000

Transocean has granted the underwriters the right to purchase up to an additional 1,950,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved the shares of the Class A common stock, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on December 22, 2004.

Joint Bookrunning Managers

MORGAN STANLEY **CITIGROUP**

GOLDMAN, SACHS & CO.

December 16, 2004

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The underwriters are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our Class A common stock.

PROSPECTUS SUMMARY

This summary highlights selected information described more fully elsewhere in this prospectus. This summary may not contain all the information that is important to you. You should read the entire prospectus, including the financial statements and related notes, before making an investment decision with respect to our Class A common stock. References in this prospectus to the terms we, us or other similar terms mean TODCO and its subsidiaries, references to Transocean mean Transocean Inc. and its subsidiaries (excluding us), unless the context indicates otherwise. References to Transocean Holdings mean Transocean Holdings Inc.

TODCO

Overview

TODCO is a leading provider of contract oil and gas drilling services, primarily in the U.S. Gulf of Mexico shallow water and inland marine region, an area that we refer to as the U.S. Gulf Coast. We have the largest fleet of drilling rigs in the U.S. Gulf Coast and believe that, as a result of our leading position and geographic focus, we are well-positioned to benefit from a potential increase in drilling activity associated with the search for natural gas in this region. We are a controlled subsidiary of Transocean, the world s largest offshore oil and gas drilling contractor.

We operate a fleet of 70 drilling rigs consisting of 30 inland barge rigs, 24 jackup rigs, three submersible rigs, one platform rig, nine land rigs and three lake barge rigs. Currently, 53 of these rigs are located in shallow and inland waters of the United States with the remainder in Mexico, Trinidad and Venezuela.

Our core business is to contract our drilling rigs, related equipment and work crews on a dayrate basis to customers who are drilling oil and gas wells. We provide these services mainly to independent oil and gas companies, but we also service major international and government-controlled oil and gas companies. Our customers in the U.S. Gulf Coast typically focus on drilling for natural gas.

Upon the closing of this offering, we will no longer be controlled by Transocean. We expect, however, that Transocean will be our largest stockholder immediately after this offering, and that a number of agreements previously entered into by us and Transocean will remain in effect. For a discussion of related risks, see Risk Factors Risks Related to Our Largest Stockholder Transocean.

Recent Industry Trends

The drilling industry in the U.S. Gulf Coast is highly cyclical and is typically driven by general economic activity and changes in actual or anticipated oil and gas prices. We believe that both our earnings and demand for our rigs will typically be correlated to our customers expectations of energy prices, particularly natural gas prices, and that sustained high energy prices will generally have a positive impact on our earnings. We believe that the drilling industry has emerged from a cyclical low point and that there are several trends that should benefit our operations, including:

Redeployment of Jackup Rigs. Greater demand for jackup rigs in international areas over the last two years has reduced the overall supply of jackups in the U.S. Gulf Coast as reflected in the first chart below. This has created a more favorable supply environment for the remaining jackups, including ours. This favorable supply environment has led to increased jackup dayrates as reflected in the second chart below.

U.S. GULF OF MEXICO JACKUP SUPPLY AND DEMAND

Source: ODS-Petrodata. As of November 30, 2004.

U.S. GULF OF MEXICO JACKUP DAYRATES

Source: ODS-Petrodata. As of November 30, 2004.

High Natural Gas Prices. While U.S. natural gas prices are volatile, the rolling twelve-month average price of natural gas has increased from $2.11 in January 1994 to $5.73 in October 2004, as shown in the chart below. We believe high natural gas prices in the United States, if sustained, should result in more exploration and development drilling activity and higher utilization and dayrates for drilling companies like us.

U.S. NATURAL GAS PRICE ROLLING TWELVE MONTH AVERAGE

Source: Bloomberg (last twelve months rolling average of historical Henry Hub prices). As of October 31, 2004.

Need for Increased Natural Gas Drilling Activity. From 1994 to 2003, U.S. demand for natural gas grew at an annual rate of 0.6% while its supply grew at an annual rate of 0.2%. We believe that this supply and demand growth imbalance will continue if demand for natural gas continues to increase and production decline rates continue to accelerate. As illustrated in the chart below, even though the number of U.S. gas wells drilled has increased overall in recent years, a corresponding increase in production has not been realized. We believe that an increase in U.S. drilling activity will be required for the natural gas industry to meet the expected increased demand for, and compensate for the slowing production of, natural gas in the United States.

U.S. NATURAL GAS PRODUCTION AND GAS WELLS DRILLED

Source: EIA. As of October 31, 2004.

Trend Towards Drilling Deeper Shallow Water Gas Wells. A current trend by oil and gas companies is to drill deep gas wells along the U.S. Gulf Coast in search of new and potentially prolific untapped natural gas reserves. We believe that this trend towards deeper drilling will benefit premium jackup rigs as well as barge rigs and submersible rigs that are capable of drilling deep gas wells. In addition, we believe this trend will indirectly benefit conventional jackup fleets as the use of premium rigs in the U.S. Gulf Coast to drill deep wells should reduce the supply of rigs available to drill conventional wells.

Our Strengths

We believe that we have the following strengths:

Leading Presence in the U.S. Gulf Coast. We have the largest combined jackup and inland barge fleet in the U.S. Gulf Coast. Our leading presence and geographic focus provide us with logistical advantages in servicing our customers, including reduced mobilization times and costs and increased flexibility of rig and crew deployment. Our size also generates economies of scale and helps us attract, train and retain qualified crew personnel.

Well-Positioned to Benefit from an Upturn in Natural Gas Drilling Activity. Our customers in the U.S. Gulf Coast drill primarily for natural gas. Given our leading presence in this market, we believe we are well-positioned to benefit from any significant increases in U.S. natural gas drilling activity in the U.S. Gulf Coast. Because operating costs in our industry are largely fixed, our earnings and cash flow are very sensitive to improvements in utilization rates and dayrates.

Strong Balance Sheet. At September 30, 2004 we had $29.3 million of total debt and a total debt to total capitalization ratio of 5.8%. We believe this strong balance sheet should enable us to take advantage of opportunities for growth as the market improves and to respond effectively to market downturns.

Experienced and Incentivized Management Team. Our senior and operating level management team has extensive industry experience in the U.S. Gulf Coast. Their considerable knowledge of and experience with the cyclical nature of our business should enhance our ability to operate effectively through industry cycles. Additionally, our management s participation in incentive compensation plans is designed to align their interests with our operating and financial performance. For a discussion of risks related to potential conflicts of interest involving our management, see Risk Factors Risks Related to Our Largest Stockholder Transocean Some of our executive officers and directors may have potential conflicts of interest because of their ownership of Transocean ordinary shares or their role as directors or executive officers of Transocean.

Our Strategy

Our objective is to continue to be a leading offshore drilling company with a focus on the North American natural gas industry. Specifically, we intend to:

Focus on Marine Assets and Drilling for Natural Gas Along the U.S. Gulf Coast. We plan to maintain our position as the leading contractor of jackup rigs and drilling barges in the U.S. Gulf Coast. We believe that this approach will allow us to take advantage of improvements in dayrates and rig demand that may result from increased drilling activity in this region. We believe that our focus on this region will also allow us to take advantage of deep gas drilling opportunities. Although we intend to focus on the U.S. Gulf Coast, we also plan to pursue selective opportunities for our rigs in Mexico, Trinidad, Venezuela and possibly other regions.

Pursue Efficient, Low-Cost Operations and a Disciplined Approach to Capital Spending. We intend to be a low-cost contractor in the U.S. Gulf Coast drilling market. We believe that by being an efficient, low-cost contractor, we can maintain significant operating flexibility and maximize our earnings and cash flow over the entire business cycle. We believe that this operational flexibility will provide us with an important competitive advantage and allow us to compete effectively with competitors with higher specification fleets and higher cost structures than ours. We plan to pursue a disciplined approach to capital spending in increasing the size and upgrading the capabilities of our fleet.

Maintain High Operating Standards. We plan to continue to maintain a high level of quality service and safety. We have in place a comprehensive set of safety management systems, standards and procedures that we believe benefit our employees, our margins and our reputation.

Maintain a Conservative Capital Structure. We intend to maintain our conservative capital structure with a low percentage of debt. We believe this is a prudent financial strategy given that our industry is highly cyclical.

Operational Update

Market conditions for our U.S. Gulf Coast jackup fleet improved during the first nine months of 2004 as a result of declining rig supply in the region. As of December 10, 2004, our 12 jackup rigs working in the U.S. Gulf Coast were contracted at dayrates ranging from $33,800 to $41,900. We anticipate that the declining jackup rig supply in the U.S. Gulf Coast will continue to result in improved utilization and higher dayrates over the next several quarters. We also have experienced higher dayrates in our U.S. Gulf Coast barge market since early 2004. As of December 10, 2004, our 14 inland barges were contracted at dayrates ranging from $17,400 to $27,700.

The following table shows our average rig revenue per day and utilization for the quarterly periods ending on or prior to September 30, 2004 with respect to each of our three drilling segments. Average rig revenue per day is defined as operating revenue earned per revenue earning day in the period. Utilization in the table below is defined as the total actual number of revenue earning days in the period as a percentage of the total number of calendar days in the period for all drilling rigs in our fleet.

	Three Months Ended								
	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
Average Rig Revenue Per Day:									
U.S. Gulf of Mexico Jackups and Submersibles	$22,400	$21,000	$22,600	$20,200	$22,900	$26,700	$30,600	$30,700	$33,800
U.S. Inland Barges	20,700	19,600	19,100	17,600	18,300	18,700	20,300	22,500	22,900
Other International	23,500	19,400	19,700	19,100	21,000	25,600	40,000	37,500	34,600
Utilization:									
U.S. Gulf of Mexico Jackups and Submersibles	32%	34%	31%	44%	54%	50%	43%	50%	54%
U.S. Inland Barges	47%	44%	47%	39%	38%	40%	40%	42%	45%
Other International	23%	27%	35%	44%	38%	28%	29%	29%	33%

Our Relationship with Transocean

In February 2004, we completed an initial public offering of 13,800,000 shares of our Class A common stock (the IPO) as part of our separation from Transocean. In September 2004, we completed another public offering of 17,940,000 shares of our Class A common stock. All proceeds from the IPO and our second offering went to Transocean, the selling stockholder. Before completion of the IPO, we entered into various agreements to complete the separation of our business from Transocean, including a master separation agreement, a tax sharing agreement, a registration rights agreement and an employee matters agreement. For a description of these agreements, see Certain Relationships and Related Party Transactions Relationship Between Us and Transocean.

Transocean currently owns 28,260,000 shares or 100 percent of our outstanding Class B common stock, which represent approximately 47 percent of our outstanding common stock. Transocean has approximately 82 percent of the combined voting power of our outstanding common stock due to the five votes per share of our Class B common stock, as compared to the one vote per share of our Class A common stock. Transocean does not currently own any of our outstanding Class A common stock. Transocean has informed us that it intends to agree in the underwriting agreement that the conversion of all of its unsold shares of Class B common stock into an equal number of shares of Class A common stock will be a condition to closing.

After giving effect to Transocean s sale of common stock in this offering, and to the conversion by Transocean of all of its unsold shares of Class B common stock into shares of Class A common stock, Transocean will own approximately 25 percent of our Class A common stock, or approximately 22 percent if the underwriters exercise their over-allotment option in full. Transocean has advised us that it expects two of our directors who are affiliated with Transocean to resign as directors no later than when our board of directors identifies a replacement director for each who is independent and unaffiliated with Transocean. These changes in our board of directors will reduce the number of directors affiliated with Transocean from four to two members on our currently nine-member board of directors.

Transocean has advised us that its current intent is to dispose of the remaining TODCO common stock it owns following this offering. Transocean could elect to dispose of our common stock in a number of different types of transactions, including additional public offerings of our common stock, open market sales of our common stock, sales of our common stock to one or more third parties, spin-off distributions of our common stock to Transocean s shareholders, split-off offerings to Transocean s shareholders that would allow for the opportunity to exchange Transocean shares for shares of our common stock or a combination of these transactions. However, the determination of whether, and if so, when, to proceed with any of these transactions is entirely within the discretion of Transocean. Transocean has also advised us that its current preference is to receive cash in any transaction disposing of our common stock owned by it following this offering. Transocean is not subject to any contractual obligation to maintain its share ownership, except that Transocean has agreed not to offer, sell or otherwise dispose of any shares of our common stock for a period of 60 days after the date of this prospectus without the prior written consent of the underwriters, subject to the exceptions described in Underwriters. For more information on the potential effect of sales of our common stock by Transocean, see Risk Factors Risks Related to this Offering, the Securities Markets and Ownership of Our Class A Common Stock Substantial sales of our common stock by Transocean or us could cause our stock price to decline and issuances by us may dilute your ownership interest in our company and Shares Eligible for Future Sale.

As a result of this offering, we will no longer be subject to provisions of the master separation agreement we entered into with Transocean that restricted our ability to compete with Transocean in certain lines of contract drilling and similar services in the offshore U.S. market sector and in countries other than Mexico, Trinidad, Venezuela or Colombia. A number of other contractual rights of Transocean will also terminate upon completion of this offering as a consequence of Transocean no longer owning a majority of the voting power of our outstanding common stock. Other agreements between us and Transocean will remain in effect. See Certain Relationships and Related Party Transactions Relationship Between Us and Transocean for more information regarding the remaining contractual arrangements between us and Transocean and those that will terminate upon completion of this offering.

Our executive offices are located at 2000 W. Sam Houston Parkway South, Suite 800, Houston, Texas 77042, and our telephone number is (713) 278-6000.

THE OFFERING

Class A common stock offered	13,000,000 shares
Common stock to be outstanding after the offering:	
Class A common stock	60,304,501 shares
Class B common stock	0 shares
Common stock to be held by Transocean after the offering:	
Class A common stock	15,260,000 shares, approximately 25% of our outstanding Class A common stock
Class B common stock	0 shares
Use of proceeds	We will not receive any of the proceeds from this offering. All proceeds from this offering will be received by the selling stockholder.
Dividend policy	We do not intend to declare or pay regular dividends on our common stock in the foreseeable future. Instead, we generally intend to invest any future earnings for use in our business.
New York Stock Exchange symbol for Class A common stock	THE

The number of shares of our common stock to be outstanding after this offering excludes:

- 1,658,617 shares of Class A common stock issuable in connection with the exercise of stock options, and
- 1,036,853 additional shares of Class A common stock reserved for issuance under our long-term incentive plan.

Unless we specifically state otherwise:

- the information in this prospectus does not take into account the sale of up to 1,950,000 shares of Class A common stock which the underwriters have the option to purchase from Transocean to cover over-allotments, and
- the share-related information related to the offering in this prospectus assumes the conversion of the shares to be sold in this offering into Class A common stock and the conversion by Transocean of all its unsold shares of Class B common stock into shares of Class A common stock upon completion of this offering.

SUMMARY HISTORICAL FINANCIAL DATA

The summary historical financial data set forth below has been prepared using our audited consolidated financial statements except for the summary historical financial data for the nine months ended September 30, 2003 and 2004 which has been prepared using our unaudited condensed consolidated financial statements. Operating results for the nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the entire year 2004. It is important that you read the following summary historical financial data together with our financial statements and the related notes and with the sections titled Selected Historical Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

On January 31, 2001, we became a wholly owned subsidiary of Transocean as a result of our merger transaction with Transocean. The merger was accounted for as a purchase, with Transocean as the accounting acquiror. The purchase price was allocated to our assets and liabilities based on their estimated fair values on the date of the merger. The purchase price adjustments were pushed down to our consolidated financial statements. Accordingly, our financial statements for periods subsequent to January 31, 2001 are not comparable in material respects to those of prior periods since those financial statements report financial position, results of operations and cash flows using a different basis of accounting.

	Pre-Transocean Merger	Post-Transocean Merger				
	One Month Ended January 31,	Eleven Months Ended December 31,	Year Ended December 31,		Nine Months Ended September 30,	
	2001	2001	2002	2003	2003	2004
	(In millions, except per share data)					
Statement of Operations Data:						
Operating revenues	$ 48.5	$441.0	$ 187.8	$ 227.7	$ 167.3	$247.7
Operating and maintenance expense	23.2	270.0	185.7	227.4	178.6	193.4
Loss from continuing operations before cumulative effect of a change in accounting principle	(90.1)	(96.7)	(529.1)	(222.0)	(193.7)	(32.2)
Per Share Data:						
Loss from continuing operations before cumulative effect of a change in accounting principle per common share basic and diluted	$ (0.43)	$ (7.96)	$(43.57)	$(18.28)	$(15.95)	$ (0.59)
Average common shares outstanding:						
Basic and diluted	211.3	12.1	12.1	12.1	12.1	54.3

	Post-Transocean Merger			
	As of December 31,			As of September 30,
	2001	2002	2003	2004
	(In millions)			
Balance Sheet Data:				
Cash and cash equivalents	$ 15.0	$	$ 20.0	$ 53.8
Working capital	222.4	199.1	(2.6)	54.9
Total assets	8,838.8	2,227.2	778.2	750.7
Total debt	1,538.0	40.7	26.8	26.3
Total debt related party	55.0	1,080.1	525.0	3.0
Shareholders equity	6,496.5	561.9	137.7	475.8

SUMMARY PRO FORMA FINANCIAL DATA

We have included the following unaudited summary pro forma financial information only for the purposes of illustration. The pro forma statement of operations data for the year ended December 31, 2003 and for the nine months ended September 30, 2004 reflect our continuing operations and assume the retirement of all of our notes payable to Transocean (the retirement) was completed on January 1, 2003. The pro forma information does not necessarily indicate what the operating results or financial position would have been if the retirement had been completed at the dates indicated. Moreover, this information does not necessarily indicate what our future operating results or financial position will be.

You should read this unaudited summary pro forma financial information in conjunction with the Unaudited Pro Forma Financial Information and the related notes beginning on page 31.

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(In millions, except per share data)	
Statement of Operations Data:		
Operating revenues	$ 227.7	$247.7
Costs and expenses		
Operating and maintenance	227.4	193.4
Depreciation	92.2	72.0
General and administrative	16.3	26.6
Impairment loss on long-lived assets	11.3	
Gain from disposal of assets, net	(0.8)	(5.4)
Operating loss	(118.7)	(38.9)
Other income (expense)		
Equity in loss of joint ventures	(6.6)	
Interest income	3.9	0.3
Interest expense	(2.5)	(3.3)
Loss on retirement of debt	(79.5)	(1.9)
Impairment of investment in and advance to joint venture	(21.3)	
Other, net	(2.8)	1.3
Loss from continuing operations before income taxes and minority interest	(227.5)	(42.5)
Income tax benefit	(67.3)	(12.3)
Minority interest	0.6	
Net loss from continuing operations	$(160.8)	$ (30.2)
Net loss from continuing operations per share		
Basic and diluted	$ (2.68)	$ (0.50)
Weighted average shares outstanding		
Basic and diluted	60.0	60.3

RISK FACTORS

You should carefully consider each of the following risks and all of the information set forth in this prospectus before deciding to invest in our common stock. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

Our business depends on the level of activity in the oil and gas industry in the U.S. Gulf Coast, which is significantly affected by often volatile oil and gas prices.

Our business depends on the level of activity in oil and gas exploration, development and production primarily in the U.S. Gulf Coast (our term for the U.S. Gulf of Mexico shallow water and inland marine region) where we are active. Oil and gas prices and our customers expectations of potential changes in these prices significantly affect this level of activity. In particular, changes in the price of natural gas materially affect our operations because we primarily drill in the U.S. Gulf Coast where the focus of drilling has tended to be on the search for natural gas. Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- the demand for oil and gas in the United States and elsewhere,
- economic conditions in the United States and elsewhere,
- weather conditions in the United States and elsewhere,
- advances in exploration, development and production technology,
- the ability of the Organization of Petroleum Exporting Countries, commonly called OPEC, to set and maintain production levels and pricing,
- the level of production in non-OPEC countries,
- the policies of various governments regarding exploration and development of their oil and gas reserves, and
- the worldwide military and political environment, including the war in Iraq, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or the geographic areas in which we operate or further acts of terrorism in the United States, or elsewhere.

Depending on the market prices of oil and gas, companies exploring for oil and gas may cancel or curtail their drilling programs, thereby reducing demand for drilling services. In the U.S. Gulf Coast, drilling contracts are generally short-term, and oil and gas companies tend to respond quickly to upward or downward changes in prices. Any reduction in the demand for drilling services may materially erode dayrates and utilization rates for our rigs and adversely affect our financial results.

The U.S. Gulf Coast is a mature oil and gas production region that has experienced substantial seismic survey and exploration activity for many years. Because a large number of oil and gas prospects in this region have already been drilled, additional prospects of sufficient size and quality could be more difficult to identify. In addition, oil and gas companies may be unable to obtain financing necessary to drill prospects in this region. This could result in reduced drilling activity in the U.S. Gulf Coast region. We expect demand for drilling services in this area to continue to fluctuate with the cycles of reduced and increased overall domestic rig demand, and demand at similar points in future cycles could be lower than levels experienced in past cycles.

The current level of activity in the oil and gas industry is relatively low in our market segments, which adversely affects our dayrates and rig utilization.

The U.S. natural gas market strongly influences the level of U.S. Gulf Coast drilling activity. U.S. natural gas prices increased significantly during 2000, which resulted in improved demand for offshore drilling rigs and increased dayrates for rigs in the Gulf of Mexico. U.S. natural gas prices declined during 2001 and oil and gas companies reduced Gulf of Mexico exploration and development spending beginning in the second half of 2001. As a result, demand for drilling rigs declined, industry utilization and dayrates for Gulf of Mexico shallow water jackup rigs and drilling barges decreased significantly and our operations were adversely impacted. Current U.S. Gulf Coast dayrates for jackups are significantly lower than those experienced during 2000 and the first half of 2001, and there remains surplus rig capacity for jackups and barges. There has not yet been an increase in drilling activity in the U.S. Gulf Coast that corresponds to the increase in natural gas prices since September 2002, and such an increase may not occur. In addition, dayrates and utilization may not rise to the extent of prior drilling cycles, or at all, as prior results may not be predictive of future results. If natural gas prices decline, demand for our drilling services could be further reduced, which would adversely affect both utilization and dayrates.

Our industry is highly cyclical, and our results of operations may be volatile.

Our industry is highly cyclical, with periods of high demand and high dayrates followed by periods of low demand and low dayrates. Periods of low rig demand intensify the competition in the industry and often result in rigs being idle for long periods of time. We may be required to idle rigs or enter into lower rate contracts in response to market conditions in the future. Due to the short-term nature of most of our drilling contracts, changes in market conditions can quickly affect our business. As a result of the cyclical nature of our industry, our results of operations have been volatile, and we expect this volatility to continue.

Our industry is highly competitive, with intense price competition.

The U.S. Gulf of Mexico shallow water and inland marine market segments in which we operate are highly competitive. Drilling contracts are traditionally awarded on a competitive bid basis. Pricing is often the primary factor in determining which qualified contractor is awarded a job. The competitive environment has intensified as recent mergers among oil and gas companies have reduced the number of available customers. Many other offshore drilling companies are larger than we are and have more diverse fleets, or fleets with generally higher specifications, and greater resources than we have. This allows them to better withstand industry downturns, better compete on the basis of price and build new rigs or acquire existing rigs, all of which could affect our revenues and profitability. We believe that competition for drilling contracts will continue to be intense in the foreseeable future.

An excess supply of drilling units currently exists in the U.S. Gulf Coast, and activation of non-marketed rigs, movement of rigs to this region and newbuilds could increase this excess.

An excess supply of jackups and other mobile offshore drilling units currently exists in the U.S. Gulf Coast. If industry conditions improve, inactive rigs that are not currently being marketed could be reactivated to meet an increase in demand for drilling rigs. Improved market conditions, particularly relative to other drilling market segments, could also lead to jackups and other mobile offshore drilling units being moved into the U.S. Gulf Coast or could lead to increased rig construction and rig upgrade programs by our competitors. Some of our competitors have already announced plans to upgrade existing equipment or build additional jackups with higher specifications than our jackups. A significant increase in the supply of jackup rigs or other mobile offshore drilling units could adversely affect both utilization and dayrates. PEMEX, the national oil company of Mexico, currently contracts for the use of a significant number of drilling units, including jackups, offshore Mexico. PEMEX has announced a budget reduction for 2005. A significant reduction by PEMEX of its exploration and development activities could increase the supply of drilling units available to compete with us in the U.S. Gulf Coast.

Our ability to move our rigs to other regions is limited.

Most jackup and submersible rigs can be moved from one region to another, and in this sense the marine contract drilling market is a global market. The demand/supply balance for jackup and submersible rigs may vary somewhat from region to region, because the cost of a rig move is significant, there is limited availability of rig-moving vessels and some rigs are designed to work in specific regions. However, significant variations between regions tend not to exist on a long-term basis due to the ability to move rigs. Because many of our rigs were designed for drilling in the U.S. Gulf Coast, our ability to move our rigs to other regions in response to changes in market conditions is limited.

Our jackup rigs are at a relative disadvantage to higher specification rigs.

Many of our competitors have jackup fleets with generally higher specification rigs than those in our jackup fleet. Particularly during market downturns when there is decreased rig demand, higher specification jackups and other rigs may be more likely to obtain contracts than lower specification jackups. As a result, our lower specification jackups have in the past been stacked earlier in the cycle of decreased rig demand than most of our competitors jackups and have been reactivated later in the cycle. This pattern has adversely impacted our business and could be repeated. In addition, higher specification rigs have greater flexibility to move to areas of demand in response to changes in market conditions. Furthermore, in recent years, an increasing amount of exploration and production expenditures have been concentrated in deep water drilling programs and deeper formations, including deep gas prospects, requiring higher specification jackups, semisubmersible drilling rigs or drillships. This trend is expected to continue and could result in a decline in demand for lower specification jackup rigs like ours.

Our business involves numerous operating hazards, and we are not fully insured against all of them.

Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punchthroughs, craterings, fires and pollution. The occurrence of these events could result in the suspension of drilling operations, claims by the operator, damage to or destruction of the equipment involved and injury or death to rig personnel. We may also be subject to personal injury and other claims of rig personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services and personnel shortages. In addition, offshore and inland marine drilling operators are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Damage to the environment could also result from our operations, particularly through oil spillage or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual rights to indemnity may not adequately cover losses, and we may not have insurance coverage or rights to indemnity for all risks. Moreover, pollution and environmental risks generally are not totally insurable.

Prior to October 2004, our principal insurance coverages for property damage, liability and occupational injury and illness were included in Transocean s insurance program in accordance with the master separation agreement. Effective October 15, 2004, we changed our insurance program to an independent, stand-alone insurance program, that provides for significantly lower deductibles than those in our previous insurance program. Our current deductible level under the new hull and machinery and protection and indemnity policies is $1.0 million and $5.0 million per occurrence, respectively. Previously, our deductible level under each of these policies was $10.0 million per occurrence. Insurance premiums under the new program will be approximately $8.0 million for the twelve-month policy period, or approximately $3.5 million higher than those under the previous program with Transocean. Insurance premiums and/or deductibles could be increased or coverages may be unavailable in the future.

If a significant accident or other event, including terrorist acts, war, civil disturbances, pollution or environmental damage, occurs and is not fully covered by insurance or a recoverable indemnity from a customer, it could adversely affect our financial position or results of operations. Moreover, we may not be able to maintain adequate insurance in the future at rates we consider reasonable or be able to obtain insurance against certain risks.

We are subject to litigation.

We are also from time to time involved in a number of litigation matters, including, among other things, contract disputes, personal injury, environmental, asbestos and other toxic tort, employment, tax and securities litigation, and other litigation that arises in the ordinary course of our business. Litigation may have an adverse effect on us because of potential adverse outcomes, the costs associated with defending the lawsuits, the diversion of our management s resources and other factors.

Failure to retain key personnel could hurt our operations.

We require highly skilled personnel to operate and provide technical services and support for our drilling rigs. To the extent that demand for drilling services and the number of operating rigs increases, shortages of qualified personnel could arise, creating upward pressure on wages and difficulty in staffing rigs.

Loss of key management could hurt our operations.

Our success is to a considerable degree dependent on the services of our key management, including Jan Rask, our President and Chief Executive Officer. The loss of any member of our key management could adversely affect our results of operations.

Unionization efforts could increase our costs or limit our flexibility.

A small percentage of our employees worldwide work under collective bargaining agreements, all of whom work in Venezuela and Trinidad. Efforts have been made from time to time to unionize other portions of our workforce, including workers in the Gulf of Mexico. Any such unionization could increase our costs or limit our flexibility.

Governmental laws and regulations may add to our costs or limit drilling activity.

Our operations are affected in varying degrees by governmental laws and regulations. The drilling industry is dependent on demand for services from the oil and gas industry and, accordingly, is also affected by changing tax and other laws relating to the energy business generally. We may be required to make significant capital expenditures to comply with laws and regulations. It is also possible that these laws and regulations may in the future add significantly to operating costs or may limit drilling activity.

Compliance with or a breach of environmental laws can be costly and could limit our operations.

Our operations are subject to regulations that require us to obtain and maintain specified permits or other governmental approvals, control the discharge of materials into the environment, require the removal and cleanup of materials that may harm the environment or otherwise relate to the protection of the environment. For example, as an operator of mobile offshore drilling units in navigable U.S. waters and some offshore areas, we may be liable for damages and costs incurred in connection with oil spills or other unauthorized discharges of chemicals or wastes resulting from those operations. Laws and regulations protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Some of these laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on our financial position or results of operations.

Our non-U.S. operations involve additional risks not associated with our U.S. operations.

We operate in regions that may expose us to political and other uncertainties, including risks of:

- terrorist acts, war and civil disturbances,
- expropriation or nationalization of equipment, and
- the inability to repatriate income or capital.

Our insurance policies and indemnity provisions in our drilling contracts generally do not protect us from loss of revenue. If a significant accident or other event occurs and is not fully covered by insurance or a recoverable indemnity from a customer, it could adversely affect our financial position or results of operations.

Many governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete.

Our non-U.S. contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipment and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and gas companies and may continue to do so. Operations in less developed countries can be subject to legal systems which are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

Another risk inherent in our operations is the possibility of currency exchange losses where revenues are received and expenses are paid in foreign currencies. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation.

Our Venezuela operations are subject to adverse political and economic conditions, and our Venezuelan lake barges would require substantial refurbishment to return to service.

A portion of our operations is conducted in the Republic of Venezuela, which has been experiencing political and economic turmoil, including labor strikes and demonstrations. The implications and results of the political, economic and social instability in Venezuela are uncertain at this time, but the instability could have an adverse effect on our business. Depending on future developments, we could decide to cease operations in Venezuela. Venezuela also imposes foreign exchange controls that limit our ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. Although our current drilling contracts in Venezuela call for a significant portion of our dayrates to be paid in U.S. dollars, changes in existing regulation or the interpretation or enforcement of those regulations could further restrict our ability to receive U.S. dollar payments. The exchange controls could also result in an artificially high value being placed on the local currency. None of our lake barges in Venezuela have operated since January 2000. If or when those barges will return to work is uncertain, and all of these barges would require substantial refurbishment to be ready for service.

Risks Related to Our Largest Stockholder Transocean

Transfers of our common stock by Transocean could adversely affect your rights as a stockholder and cause our stock price to decline and could affect our ability to engage in major acquisitions, mergers or other growth opportunities.

Transocean will be permitted to transfer the shares of our common stock that it owns without allowing you to participate or realize a premium for your shares of common stock. For a description of Transocean s

current plans with respect to our common stock that it will continue to own after the closing of this offering, see Shares Eligible for Future Sale. A sale of a substantial amount of our common stock to a third party may adversely affect the market price of our common stock and our business and results of operations because the purchaser may be able to influence or change management decisions and business policy. We have agreed to use our best efforts to register shares of our Class A common stock held by Transocean at its request after this offering for public sale under the Securities Act of 1933, as amended (the Securities Act). See Certain Relationships and Related Party Transactions Relationship Between Us and Transocean Registration Rights Agreement. Disclosure requirements in connection with the registration of such shares could affect our ability to engage in major acquisitions, mergers or other growth opportunities.

Transocean will be able to exert significant influence over us as long as it owns a significant portion of our outstanding common stock.

As long as Transocean owns, directly or indirectly, a significant portion of the voting power of our outstanding common stock, Transocean will be able to exert significant influence over us as a result of contractual arrangements between us and Transocean and by virtue of Transocean s voting power, including:

- the right to designate a number of members to our board of directors that is proportionate to its ownership of our common stock,
- the right to designate at least one member of each committee of our board of directors,
- the right to call special meetings of our board of directors at any time,
- unless otherwise provided by the General Corporation Law of the State of Delaware, the right to call special meetings of our stockholders at any time,
- the right to bring business before any meeting of our stockholders without complying with the applicable notice procedures in our amended and restated bylaws, and
- the allocation of specified business opportunities between Transocean and us.

In addition, without Transocean s consent we may not amend our rights agreement or make any amendment to our amended and restated certificate of incorporation or bylaws that adversely affects Transocean, any of its affiliates or any transferee of any of its TODCO securities. See Certain Relationships and Related Party Transactions Relationship Between Us and Transocean.

Furthermore, even after Transocean no longer owns any shares of our common stock, Transocean Holdings will continue to have substantial control over our filing of tax returns so long as there remains a present or potential obligation for us to pay Transocean Holdings for pre-closing tax benefits. See Certain Relationships and Related Party Transactions Relationship Between Us and Transocean Tax Sharing Agreement.

Because of exemptions granted under our rights agreement and because we have elected not to be subject to Section 203 of the General Corporation Law of the State of Delaware, Transocean, as a significant stockholder, may find it easier to sell its shares of our common stock to a third party than if we had not taken such actions. See Description of Capital Stock Delaware Business Combination Statute for a description of Section 203 and the potential positive and negative consequences, depending on the circumstances, of electing not to be subject to it.

Our interests may conflict with those of Transocean with respect to our past and ongoing business relationships, and we may not be able to resolve these conflicts on terms commensurate with those possible in arms-length transactions because of Transocean s significant ownership of our Class A common stock, its representation on our board of directors and its rights under agreements we entered into in connection with the IPO.

Our interests may conflict with those of Transocean in a number of areas relating to our past and ongoing relationships, including:

- the solicitation and hiring of employees from each other,
- the timing and manner of any sales or distributions by Transocean of all or any portion of its ownership interest in us,
- agreements with Transocean and its affiliates relating to corporate services that may be material to our business,
- business opportunities that may be presented to Transocean and to our officers and directors associated with Transocean,
- competition between Transocean and us within the same lines of business, and
- our dividend policy.

We may not be able to resolve any potential conflicts with Transocean, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party. Our certificate of incorporation provides that Transocean has no duty to refrain from engaging in activities or lines of business similar to ours and that Transocean and its officers and directors will not be liable to us or our stockholders for failing to present specified corporate opportunities to us. See Description of Capital Stock Transactions and Corporate Opportunities, and Certain Relationships and Related Party Transactions Relationship Between Us and Transocean Master Separation Agreement.

The terms of our separation from Transocean, the related agreements and other transactions with Transocean were determined in the context of a parent-subsidiary relationship and thus may be less favorable to us than the terms we could have obtained from an unaffiliated third party.

Transactions and agreements we entered into after our acquisition by Transocean and on or before the closing of the IPO presented conflicts between our interests and those of Transocean. These transactions and agreements included the following:

- agreements related to the separation of our business from Transocean that provide for, among other things, the assumption by us of liabilities related to our business, the assumption by Transocean of liabilities unrelated to our business, our respective rights, responsibilities and obligations with respect to taxes and tax benefits and the terms of our various interim and ongoing relationships, as described under Certain Relationships and Related Party Transactions Relationship Between Us and Transocean,
- the transfer to Transocean of assets that were not related to our business, as described under Certain Relationships and Related Party Transactions Asset Transfers to Transocean, Relationship Between Us and Transocean Master Separation Agreement TODCO Business, and Transfer of Assets and Assignment of Liabilities, and
- charters of drilling units with Transocean, borrowings from Transocean, administrative support services provided by Transocean to us and other transactions with Transocean, as described under Certain Relationships and Related Party Transactions.

Because these transactions and agreements were entered into in the context of a parent-subsidiary relationship, their terms may be less favorable to us than the terms we could have obtained from an unaffiliated third party. See Certain Relationships and Related Party Transactions Relationship Between Us and Transocean.

Some of our executive officers and directors may have potential conflicts of interest because of their ownership of Transocean ordinary shares or their role as directors or executive officers of Transocean.

Some of our executive officers and directors own Transocean ordinary shares or options to purchase Transocean ordinary shares which are of greater value than their ownership of our common stock and options. Ownership of Transocean ordinary shares by our directors and executive officers could create, or appear to create, potential conflicts of interest when directors and executive officers are faced with decisions that could have different implications for Transocean than they do for us.

Several of our directors also serve as directors or executive officers of Transocean. These directors owe fiduciary duties to the shareholders of each company. As a result, in connection with any transaction or other relationship involving both companies, these directors may need to recuse themselves and not participate in any board action relating to these transactions or relationships.

Our tax sharing agreement with Transocean Holdings could require substantial payments by us in the event that a third party becomes the owner of a majority of our voting power or any of our subsidiaries are deconsolidated.

Our tax sharing agreement with Transocean Holdings provides that we must pay Transocean Holdings for substantially all pre-closing tax benefits utilized subsequent to the closing of the IPO. See Certain Relationships and Related Party Transactions Relationship Between Us and Transocean Tax Sharing Agreement. As of September 30, 2004, we had approximately $535 million of estimated pre-closing tax benefits subject to our obligation to reimburse Transocean Holdings. Depending upon certain tax planning strategies executed by Transocean during 2004 and actual Transocean taxable income for 2004, this pre-closing tax benefit amount will change and is estimated to be approximately $360 million as of September 30, 2004. The benefit includes approximately $173 million of the tax benefits reflected in our December 31, 2003 historical financial statements and additional tax benefits that resulted from the closing of the IPO, additional tax benefits we expect to result from specified ownership changes, statutory allocations of the tax benefits among Transocean Holdings consolidated group members and other events. See Note 10 to our condensed consolidated financial statements for the period ended September 30, 2004 included in this prospectus.

Additionally, the tax sharing agreement provides that if any person other than Transocean or its subsidiaries becomes the beneficial owner of greater than 50% of the total voting power of our outstanding voting stock, we will be deemed to have utilized all of these pre-closing tax benefits, and we will be required to pay Transocean Holdings an amount for the deemed utilization of these tax benefits adjusted by a specified discount factor. If an acquisition of beneficial ownership had occurred on September 30, 2004, the estimated amount that we would have been required to pay to Transocean Holdings would have been approximately $290 million. The resulting payment to Transocean Holdings would be due even though we would not have derived, and may not in the future derive, a corresponding benefit. Our obligation to make a potentially substantial payment to Transocean Holdings may deter transactions that would trigger a payment under the tax sharing agreement, such as a merger in which we are not the surviving company, a merger in which more than 50% of the aggregate voting power of our stock becomes owned by a single person or group of related persons or another change of control transaction. Even if we complete such a transaction, our obligation to make a substantial payment to Transocean Holdings could result in a lower economic benefit of such a transaction to our other stockholders than those stockholders could have received if we had not entered into the tax sharing agreement.

Our tax sharing agreement with Transocean Holdings also provides that if any of our subsidiaries that join with us in the filing of consolidated returns ceases to do so, we will be deemed to have used that portion of any pre-closing tax benefits that will be allocable to the subsidiary following that cessation, and we will generally be required to pay Transocean Holdings the amount of this deemed tax benefit, adjusted by a specified discount factor, at the time the subsidiary ceases to join in the filing of these returns.

Payment of amounts for the deemed utilization of tax benefits by us could require additional financing. The amount of our payments to Transocean Holdings will not be adjusted for any difference between the tax benefits that we are deemed to utilize and the tax benefits that we actually utilize, and the difference between these amounts could be substantial. Among other considerations, applicable tax laws may significantly limit our use of these tax benefits, and these limitations are not taken into account in determining the amount of the payment to Transocean Holdings. Additionally, Transocean Holdings right to receive this payment could result in a conflict of interest between us and Transocean and for those of our directors who are officers or directors of Transocean in considering any potential transaction.

Our tax sharing agreement with Transocean Holdings could delay or preclude us from realizing tax benefits created after the closing of the IPO.

Our tax sharing agreement with Transocean Holdings provides that we must pay Transocean Holdings for most pre-closing tax benefits that we utilize on a tax return with respect to a period after the closing of the IPO. If the utilization of a pre-closing tax benefit defers or precludes our utilization of any post-closing tax benefit, our payment obligation with respect to the pre-closing tax benefit generally will be deferred until we actually utilize that post-closing tax benefit. This payment deferral will not apply with respect to, and we will have to pay currently for the utilization of pre-closing tax benefits to the extent of,

- up to 20% of any deferred or precluded post-closing tax benefit arising out of our payment of foreign income taxes, and
- 100% of any deferred or precluded post-closing tax benefit arising out of a carryback from a subsequent year.

Therefore, we may not realize the full economic value of tax deductions, credits and other tax benefits that arise post-closing until we have utilized all of the pre-closing tax benefits, if ever.

Risks Related to Our Separation from Transocean

We anticipate incurring substantial losses during industry downturns and may need additional financing to withstand industry downturns.

Our net losses from continuing operations before cumulative effect of a change in accounting principle were approximately $222 million, $529 million and $32 million during the years ended December 31, 2003 and 2002 and the nine months ended September 30, 2004, respectively, and we anticipate incurring substantial losses during future cyclical downturns in our industry. We will not receive any proceeds from this offering. During cyclical downturns in our industry, we may need additional financing in order to satisfy our cash requirements. If we are not able to obtain financing in sufficient amounts and on acceptable terms, we may be required to reduce our business activities, seek financing on unfavorable terms or pursue a business combination with another company.

We do not have a long history of operating as a stand-alone company, we may encounter difficulties in making the changes necessary to operate as a stand-alone company, and we may incur greater costs as a stand-alone company that may adversely affect our results.

Since our merger with Transocean and prior to our separation, Transocean performed various corporate functions for us, including the following:

- information technology and communications,
- human resource services such as payroll and benefit plan administration,
- legal,
- tax,
- accounting,

- office space and office support,
- risk management,
- treasury and corporate finance, and
- investor services, investor relations and corporate communications.

Since the separation, Transocean has no obligation to provide these functions to us other than certain interim services, which are described in Certain Relationships and Related Party Transactions Relationship Between Us and Transocean. We expect to replace the computerized accounting system provided by Transocean with our own system by January 1, 2005. We have created, or engaged third parties to provide, our own systems and business functions to replace the other systems and business functions Transocean provided prior to our separation. We may incur difficulties in performing these functions and may also incur higher costs for these functions than the amounts we were allocated by Transocean. If we do not have in place our own systems and business functions to replace those currently provided by Transocean or if we do not have agreements with other providers of these services once our interim services agreement with Transocean expires, we may operate our business less efficiently and our results may suffer.

Risks Related to this Offering, the Securities Markets and Ownership of Our Class A Common Stock

Substantial sales of our common stock by Transocean or us could cause our stock price to decline and issuances by us may dilute your ownership interest in our company.

We are unable to predict whether significant amounts of our Class A common stock will be sold by Transocean after the offering. Any sales of substantial amounts of our Class A common stock in the public market by Transocean or us, or the perception that these sales might occur, could lower the market price of our common stock. For a description of Transocean s current plans with respect to our common stock that it will continue to own after the closing of this offering, see Shares Eligible for Future Sale. Further, if we issue additional equity securities to raise additional capital, your ownership interest in our company may be diluted and the value of your investment may be reduced. See Shares Eligible for Future Sale for information about the number of shares that will be outstanding and could be sold after this offering.

We have no plans to pay regular dividends on our common stock, so stockholders may not receive funds without selling their common stock.

We have no plans to pay regular dividends on our common stock. We generally intend to invest our future earnings, if any, to fund our growth. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant. Our credit facility also includes limitations on our payment of dividends. Accordingly, investors may have to sell some or all of their common stock in order to generate cash flow from their investment. Investors may not receive a gain on their investment when they sell our common stock and may lose the entire amount of the investment.

The price of our Class A common stock may be volatile.

The market price of our Class A common stock could be subject to significant fluctuations after this offering and may decline below the public offering price. You may not be able to resell your shares at or above the public offering price. Among the factors that could affect our stock price are:

- our operating and financial performance and prospects,
- quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues,
- changes in revenue or earnings estimates,
- publication of research reports by analysts,

- speculation in the press or investment community,
- strategic actions by us or our competitors, such as acquisitions or restructurings,
- sales of our common stock by stockholders, including Transocean,
- actions by institutional investors or by Transocean,
- fluctuations in oil and gas prices,
- general market conditions, and
- U.S. and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Our rights agreement and provisions in our charter documents may inhibit a takeover, which could adversely affect the value of our Class A common stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could delay or prevent a change of control or changes in our management that a stockholder might consider favorable. These provisions include:

- classification of the members of our board of directors into three classes, with each class serving a staggered three-year term,
- requiring our stockholders, other than Transocean as long as it owns at least approximately 10% of our outstanding voting power, to give advance notice of their intent to make nominations for the election of directors or to submit a proposal at an annual meeting of the stockholders,
- limitations on the ability of our stockholders to amend specified provisions of our amended and restated certificate of incorporation and bylaws,
- the denial of any right of our stockholders to act by written consent in lieu of a meeting,
- the denial of any right of our stockholders to remove members of our board of directors except for cause, and
- except for Transocean as long as it owns 15% of our voting power, the denial of any right of our stockholders to call special meetings of the stockholders.

We are also party to a rights agreement that could delay or prevent a change of control that a stockholder might consider favorable.

Many of these provisions of our amended and restated certificate of incorporation and bylaws will become effective following this offering. Our rights agreement is already effective. These provisions apply even if the offer may be considered beneficial by some of our stockholders. If a change of control or change in management is delayed or prevented, the market price of our Class A common stock could decline.

Purchasers in this offering will experience immediate and substantial dilution in net tangible book value per share.

Dilution per share represents the difference between the offering price and the net consolidated book value per share immediately after the offering of our Class A common stock. Purchasers of our common stock in this offering will experience immediate dilution of $10.11 in net tangible book value per share as of September 30, 2004, based on the offering price of $18.00 per share.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements include information concerning our possible or assumed future financial performance and results of operations, including statements about the following subjects:

our strategy,

improvement in the fundamentals of the oil and gas industry,

the supply and demand imbalance in the oil and gas industry,

the correlation between demand for our rigs and our earnings and customers expectations of energy prices,

our plans, expectations and any effects of focusing on marine assets and drilling for natural gas along the U.S. Gulf Coast, pursuing efficient, low-cost operations and a disciplined approach to capital spending, maintaining high operating standards and maintaining a conservative capital structure,

the emergence of the drilling industry from a low point in the cycle,

expected revenues, operating income (loss) and net income (loss) from continuing operations for the remainder of 2004,

estimated tax benefits and estimated payments under our tax sharing agreement with Transocean Holdings,

expected capital expenditures,

expected general and administrative expense,

refurbishment costs,

our ability to take advantage of opportunities for growth and our ability to respond effectively to market downturns,

sufficiency of funds for required capital expenditures, working capital and debt service,

deep gas drilling opportunities,

operating standards,

payment of dividends,

competition for drilling contracts,

matters relating to derivatives,

matters related to our letters of credit and surety bonds,

future restructurings,

matters relating to our future transactions, agreements and relationship with Transocean,

- payments under agreements with Transocean,
- interests conflicting with those of Transocean,
- results and effects of legal proceedings and other disputes,
- future utilization rates,
- future dayrates, and
- expectations regarding improvements in offshore drilling activity, demand for our drilling rigs, our plan to operate primarily in the U.S. Gulf Coast, operating revenues, operating and maintenance expense, insurance expense, coverages, claims and deductibles, interest expense, debt levels and other matters with regard to outlook.

Forward-looking statements in this prospectus are identifiable by use of the following words and other similar expressions:

- anticipate,
- believe,
- budget,
- could,
- estimate,
- expect,
- forecast,
- intent,
- may,
- might,
- plan,
- potential,
- predict,
- project, and
- should.

The following factors could affect our future results of operations and could cause those results to differ materially from those expressed in the forward-looking statements included in this prospectus:

- worldwide demand for oil and gas,
- exploration success by producers,
- demand for offshore and inland water rigs,
- our ability to enter into and the terms of future contracts,
- labor relations,
- political and other uncertainties inherent in non-U.S. operations (including exchange controls and currency fluctuations),
- the impact of governmental laws and regulations,
- the adequacy of sources of liquidity,
- uncertainties relating to the level of activity in offshore oil and gas exploration and development,
- oil and natural gas prices (including U.S. natural gas prices),
- competition and market conditions in the contract drilling industry,
- work stoppages,
- the availability of qualified personnel,
- operating hazards,
- war, terrorism and cancellation or unavailability of insurance coverage,
- compliance with or breach of environmental laws,
- the effect of litigation and contingencies,
- our inability to achieve our plans or carry out our strategy,
- the matters discussed in Risk Factors, and
- other factors discussed in this prospectus.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale of our Class A common stock by the selling stockholder in this offering.

DIVIDEND POLICY

We do not intend to declare or pay regular dividends on our common stock in the foreseeable future. Instead, we generally intend to invest any future earnings in our business. Subject to Delaware law, our board of directors will determine the payment of future dividends on our common stock, if any, and the amount of any dividends in light of:

- any applicable contractual restrictions limiting our ability to pay dividends,
- our earnings and cash flows,
- our capital requirements,
- our financial condition, and
- other factors our board of directors deems relevant.

Our credit facility includes limitations on our payment of dividends. We have not paid any dividends since the completion of our IPO in February 2004.

MARKET INFORMATION

Our Class A common stock is listed on the New York Stock Exchange under the symbol THE. As of December 10, 2004, there were approximately 163 holders of record of our Class A common stock. We have presented in the table below, for the periods indicated, the reported high and low sales prices for our Class A common stock on the New York Stock Exchange.

	Price Per Share of Our Class A Common Stock	
Calendar Period	**High**	**Low**
2004		
First Quarter (starting February 5)	$16.45	$13.10
Second Quarter	16.05	13.38
Third Quarter	17.86	13.40
Fourth Quarter (through December 16, 2004)	18.35	16.15

DILUTION

The net tangible book value per share of our common stock will be substantially below the offering price. You will therefore incur immediate and substantial dilution of $10.11 per share, based on the offering price of $18.00 per share. As a result, if we are liquidated, you may not receive the full value of your investment.

Dilution in net tangible book value per share represents the difference between the amount per share of our common stock that you pay in this offering and the net tangible book value per share of our common stock. Net tangible book value per share represents (1) the total net tangible assets divided by (2) the number of shares of our common stock outstanding.

Our net tangible book value at September 30, 2004 was $475.8 million, or $7.89 per share. This amount represents an immediate dilution in net tangible book value of $10.11 per share to you. The following table illustrates this dilution per share:

Public offering price per share	$18.00
Net tangible book value per share as of September 30, 2004	7.89
Dilution per share to you	$10.11

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2004. We will not receive any proceeds from this offering.

	September 30, 2004
	(In millions, except share data)
Debt due within one year	$ 11.2
Short-term debt	0.7
Long-term debt	17.4
Total debt	29.3
Shareholders equity:	
Common stock, $.01 par value: 500,000,000 shares of Class A common stock authorized, 32,042,890 shares issued and outstanding actual, and 60,304,501 shares issued and outstanding as adjusted for this offering (after conversion by Transocean of its shares of our Class B common stock) and 260,000,000 shares of Class B common stock authorized, 28,260,000 shares issued and outstanding actual, and 0 shares issued and outstanding as adjusted for this offering (after conversion by Transocean of its shares of our Class B common stock)	0.6
Additional paid-in capital	6,509.1
Retained deficit	(6,030.9)
Unearned compensation	(3.0)
Shareholders equity	475.8
Total capitalization	$ 505.1

SELECTED HISTORICAL FINANCIAL DATA

We prepared the selected historical financial data in the following table using our consolidated financial statements. We prepared the historical statement of operations data for the years ended December 31, 2000, 2002 and 2003, the one month ended January 31, 2001 and the eleven months ended December 31, 2001 and the consolidated balance sheet data as of December 31, 2000, 2001, 2002 and 2003 from our financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm. We prepared the historical statement of operations data for the year ended December 31, 1999 and the nine months ended September 30, 2003 and 2004 and the historical balance sheet data as of December 31, 1999 and September 30, 2004 from our unaudited condensed consolidated financial statements, which, in the case of the September 30, 2004 and 2003 data, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods.

The selected historical financial data should be read in conjunction with our consolidated financial statements and the related notes included in this prospectus.

On January 31, 2001, we became a wholly owned subsidiary of Transocean as a result of our merger transaction with Transocean. The merger was accounted for as a purchase, with Transocean as the accounting acquiror. The purchase price was allocated to our assets and liabilities based on their estimated fair values on the date of the merger with the excess accounted for as goodwill. The purchase price adjustments were pushed down to our consolidated financial statements. Accordingly, our financial statements for periods subsequent to January 31, 2001 are not comparable to those of prior periods in material respects since those financial statements report financial position, results of operations and cash flows using a different basis of accounting.

	Pre-Transocean Merger			Post-Transocean Merger				
	Years Ended December 31,		One Month Ended January 31,	Eleven Months Ended December 31,	Years Ended December 31,		Nine Months Ended September 30,	
	1999	2000	2001	2001	2002	2003	2003	2004
	(In millions, except per share data)							
Historical Statement of Operations Data:								
Operating revenues	$ 406.5	$ 406.1	$ 48.5	$ 441.0	$ 187.8	$ 227.7	$ 167.3	$ 247.7
Operating and maintenance expense	324.2	317.4	23.2	270.0	185.7	227.4	178.6	193.4
Loss from continuing operations before cumulative effect of a change in accounting principle	(139.0) [a]	(131.9)	(90.1) [b]	(96.7) [c]	(529.1) [d]	(222.0) [e]	(193.7) [f]	(32.2) [g]
Loss from continuing operations before cumulative effect of a change in accounting principle and after preferred share dividends per common share basic and diluted	$ (0.90)	$ (1.72)	$ (0.43)	$ (7.96)	$ (43.57)	$ (18.28)	$ (15.95)	$ (0.59)
Weighted average common shares outstanding:								
Basic	192.7	196.6	211.3	12.1	12.1	12.1	12.1	54.3
Diluted	192.7	196.6	211.3	12.1	12.1	12.1	12.1	54.3

Pre-Transocean