TODCO
Form 424B3
May 13, 2005

Table of Contents

Filed pursuant to Rule 424(b)(3)
Registration No. 333-123563

**PROSPECTUS SUPPLEMENT**
**(To Prospectus Dated May 13, 2005)**

**12,000,000 Shares**
**Class A Common Stock**
**$20.50 per share**

Transocean Inc., as selling stockholder, is selling 12,000,000 shares of our Class A common stock. We will not receive any proceeds from the Class A common stock sold by the selling stockholder. Transocean Inc. has granted the underwriters an option to purchase up to an additional 1,310,000 shares of Class A common stock to cover over-allotments.

Our Class A common stock is listed on the New York Stock Exchange under the symbol THE. The last reported sale price of our Class A common stock on the New York Stock Exchange on May 12, 2005 was $20.62.

**Investing in our Class A common stock involves risks. See Risk Factors beginning on page 3 of the accompanying prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

| | Per Share | Total |
|---|---|---|
| Public Offering Price | $ 20.5000 | $ 246,000,000 |
| Underwriting Discount | $ 0.3075 | $ 3,690,000 |
| Proceeds to the Selling Stockholder | $ 20.1925 | $ 242,310,000 |

The underwriters expect to deliver the shares to purchasers on or about May 18, 2005.

*Sole Book-Running Manager*
**Citigroup**

**JPMorgan** **UBS Investment Bank**
May 13, 2005

---

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information. Generally, when we refer to the prospectus , we are referring to both parts combined.

**You should rely only on the information contained in, or incorporated by reference, in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus supplement.**

**TABLE OF CONTENTS**

**Prospectus Supplement**



**Prospectus**

**Table of Contents**

## SUMMARY

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

### Our Business

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 operate a fleet of 64 drilling rigs consisting of 27 inland barge rigs, 24 jackup rigs, three submersible rigs, one platform rig and nine land rigs. Currently, 50 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.

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.

Table of Contents

## 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 there are several trends that should benefit our operations, including:

*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 $6.10 in March 2005. 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 March 31, 2005.

Table of Contents

*Need for Increased Natural Gas Drilling Activity.* From 1995 to 2004, U.S. demand for natural gas grew at an annual rate of 0.7% while domestic 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 December 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.

Table of Contents

*Redeployment of Jackup Rigs.* Greater demand for jackup rigs in international areas over the last three 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 March 31, 2005.

**U.S. GULF OF MEXICO JACKUP DAYRATES**

Source: ODS-Petrodata. As of March 31, 2005.

Table of Contents

## 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 March 31, 2005 we had $29.9 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 role as a director of Transocean, in the accompanying prospectus.

## 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, 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.

Table of Contents

*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 beginning in the third quarter of 2003 and continued to improve through the first quarter of 2005. From the first quarter of 2004 through the first quarter of 2005, our average revenue per day for U.S. Gulf of Mexico jackups and submersibles improved by 46%. During the same period, our average revenue per day for U.S. inland barges improved by 23%. As of May 2, 2005, we had 12 jackup rigs working in the U.S. Gulf Coast at contract dayrates ranging from $41,900 to $48,900. As of May 2, 2005, we had 14 inland barges working at contract dayrates ranging from $18,000 to $34,500. Additionally, we recently signed one-year term contracts for two of our inland barge rigs, *Rig 15* and *Rig 19*, at dayrates of approximately $25,000 and $20,000 per day, respectively.

In May 2005, we entered into a non-binding letter of intent with an international oil company to reactivate one of our cold-stacked jackup rigs for a multi-year drilling contract. We are still negotiating the definitive terms of the drilling contract. However, we expect the customer to pay for substantially all reactivation and mobilization costs and we expect the dayrate to be in the high $50,000 range.

With respect to our Venezuelan operations, political unrest has negatively impacted our results of operations there. As a result, we experienced some decline in utilization in Venezuela during the second half of 2003 through late 2004. We currently have four land rigs operating under contract in Venezuela. In January 2005, we retained Simmons & Company International to explore alternatives for the disposition of our Venezuelan land drilling business, which is not viewed by us as being core to our ongoing offshore drilling business. The evaluation may result in the sale of some or all of our Venezuelan assets.

The following table shows our average rig revenue per day and utilization for the quarterly periods ended on or prior to March 31, 2005 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2003 | June 30, 2003 | September 30, 2003 | December 31, 2003 | March 31, 2004 | June 30, 2004 | September 30, 2004 | December 31, 2004 | March 31, 2005 |
| **Average Rig Revenue Per Day:** | | | | | | | | | |
| U.S. Gulf of Mexico Jackups and Submersibles | $ 22,600 | $ 20,200 | $ 22,900 | $ 26,700 | $ 30,600 | $ 30,700 | $ 33,800 | $ 39,900 | $ 44,600 |
| U.S. Inland Barges | 19,100 | 17,600 | 18,300 | 18,700 | 20,300 | 22,500 | 22,900 | 23,000 | 25,000 |
| Other International | 19,700 | 19,100 | 21,000 | 25,600 | 40,000 | 37,500 | 34,600 | 29,400 | 28,400 |
| **Utilization:** | | | | | | | | | |
| U.S. Gulf of Mexico Jackups and Submersibles | 31% | 44% | 54% | 50% | 43% | 50% | 54% | 56% | 56% |
| | 47% | 39% | 38% | 40% | 40% | 42% | 45% | 46% | 46% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Inland Barges | | | | | | | | | |
| Other International | 35% | 44% | 38% | 28% | 29% | 29% | 33% | 39% | 56% |

S-6

### 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 and December of 2004, we completed two additional public offerings in which Transocean sold an additional 17,940,000 and 14,950,000 shares, respectively, of our Class A common stock. All proceeds from the IPO and our two additional offerings 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. A number of contractual rights of Transocean under those agreements will terminate upon completion of this offering as a consequence of Transocean no longer owning 10% or more 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 in the accompanying prospectus for more information regarding the remaining contractual arrangements between us and Transocean and those that will terminate upon completion of this offering.

**Table of Contents**

## The Offering

| | |
|---|---|
| Class A common stock offered | 12,000,000 shares |
| Common stock to be outstanding after the offering: | |
| Class A common stock | 60,722,524 shares |
| Class B common stock | 0 shares |
| Class A common stock to be held by Transocean after the offering | 1,310,000 shares, all of which are subject to the underwriters over-allotment option |
| Use of proceeds and offering expenses | We will not receive any of the proceeds from this offering. All proceeds from this offering will be received by the selling stockholder. We will pay all expenses of the offering, but underwriting fees and commissions will be paid by Transocean. |
| 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 is based on the number of shares outstanding as of May 10, 2005, and excludes:

- 1,729,610 shares of Class A common stock issuable in connection with the exercise of stock options and pursuant to the terms of deferred performance units; and

- 4,000,000 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 1,310,000 shares of Class A common stock which the underwriters have the option to purchase from Transocean to cover over-allotments.

## Risk Factors

Please see Risk Factors beginning on page 3 of the accompanying prospectus for information concerning certain risks of investing in our common stock.

Table of Contents

## 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 three months ended March 31, 2004 and 2005 which has been prepared using our unaudited condensed consolidated financial statements. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the entire year 2005. It is important that you read the following summary historical financial data together with our financial statements and the related notes and with the information contained in the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our most recent Annual Report on Form 10-K and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, which are incorporated by reference into this prospectus.

| | Year Ended December 31, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2004 | 2005 |
| | (In millions, except per share data) | | | | |
| **Statement of Operations Data:** | | | | | |
| Operating revenues | $ 187.8 | $ 227.7 | $ 351.4 | $ 73.8 | $ 111.9 |
| Operating and maintenance expense | 185.7 | 227.4 | 259.7 | 66.9 | 68.9 |
| Net income (loss) from continuing operations before cumulative effect of a change in accounting principle | (529.1) | (222.0) | (28.8) | (22.3) | 8.1 |
| **Per Share Data:** | | | | | |
| Net income (loss) from continuing operations before cumulative effect of a change in accounting principle per common share basic and diluted | $ (43.57) | $ (18.28) | $ (0.52) | $ (0.53) | $ 0.13 |
| Average common shares outstanding: | | | | | |
| Basic | 12.1 | 12.1 | 55.6 | 42.1 | 60.0 |
| Diluted | 12.1 | 12.1 | 55.6 | 42.1 | 60.9 |

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 |
| | (In millions) | | | |
| **Balance Sheet Data:** | | | | |
| Cash and cash equivalents | $ | $ 20.0 | $ 65.1 | $ 77.5 |
| Working capital | 199.1 | (3.8) | 61.2 | 90.6 |
| Total assets | 2,227.2 | 778.2 | 761.4 | 758.5 |
| Total debt | 40.7 | 26.8 | 25.4 | 26.9 |
| Total debt related party | 1,080.1 | 525.0 | 3.0 | 3.0 |
| Stockholders equity | 561.9 | 137.7 | 480.6 | 485.3 |

**Table of Contents**

[This page intentionally blank]

Table of Contents

## 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.

## PRICE RANGE OF CLASS A COMMON STOCK

Our Class A common stock is listed on the New York Stock Exchange under the symbol THE. As of April 30, 2005, there were approximately 227 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 | 19.05 | 16.15 |
| 2005 | | |
| First Quarter | 28.55 | 16.84 |
| Second Quarter (through May 12, 2005) | 27.45 | 20.45 |

Table of Contents

## 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 $12.50 per share, based on the offering price of $20.50 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) our total net tangible assets divided by (2) the number of shares of our common stock outstanding.

Our net tangible book value at March 31, 2005 was $485.3 million, or $8.00 per share. This amount represents an immediate dilution in net tangible book value of $12.50 per share to you. The following table illustrates this dilution per share:

| | | |
|---|---|---|
| Public offering price per share | $ | 20.50 |
| Net tangible book value per share as of March 31, 2005 | | 8.00 |
| Dilution per share to you | $ | 12.50 |

## SELLING STOCKHOLDER

The following table sets forth certain information regarding Transocean s ownership of our common stock as of May 10, 2005, and as adjusted to reflect the sale by Transocean of our common stock in this offering.

| | Shares of Class A Common Stock Beneficially Owned Before the Offering | | | Shares of Class A Common Stock Beneficially Owned After the Offering(1) | |
|---|---|---|---|---|---|
| **Selling Stockholder** | **Number of Shares** | **Percentage of Shares Outstanding** | **Number of Shares Being Offered** | **Number of Shares** | **Percentage of Shares Outstanding** |
| Transocean Inc. | 13,310,000 | 22% | 12,000,000 | 1,310,000 | 2% |

(1) The number of shares being offered, the number of shares of Class A common stock to be beneficially owned after the offering and the percentage of shares outstanding assume no exercise of the underwriters over-allotment option to purchase an additional 1,310,000 shares of Class A common stock.

**Table of Contents**

## UNDERWRITING

Citigroup Global Markets Inc. is acting as sole book-running manager of the offering and as representative of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and Transocean has agreed to sell to that underwriter, the number of shares of Class A common stock set forth opposite the underwriter s name.

| Underwriter | Number of Shares |
|---|---|
| Citigroup Global Markets Inc. | 8,400,000 |
| J.P. Morgan Securities Inc. | 1,800,000 |
| UBS Securities LLC | 1,800,000 |
| Total | 12,000,000 |

The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares and subject to prior sale. The underwriting agreement provides that the obligations of the underwriters to purchase the shares of Class A common stock included in this offering are subject to receipt of legal opinions from counsel and to other conditions. The underwriters are obligated to purchase all the shares of Class A common stock (other than those covered by the over-allotment option described below) if they purchase any of the shares of Class A common stock.

The underwriters propose to offer some of the shares of Class A common stock directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the shares of Class A common stock to dealers at the public offering price less a concession not to exceed $0.1850 per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $0.1000 per share on sales to other dealers. If all of the shares of Class A common stock are not sold at the public offering price, the representatives may change the public offering price and the other selling terms.

Transocean has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,310,000 additional shares of Class A common stock at the public offering price less the underwriter discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares of Class A common stock approximately proportionate to that underwriter s initial purchase commitment.

We will bear the expenses for this offering but underwriting discounts and commissions will be payable by Transocean. We estimate expenses of this offering, other than the underwriting discounts and commissions, will be approximately $200,000.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares offered by them.

We, Mr. Jan Rask (our President and Chief Executive Officer), Mr. T. Scott O Keefe (our Senior Vice President and Chief Financial Officer), our directors, and Transocean have agreed that we and they will not, without the prior written consent of Citigroup Global Markets Inc. on behalf of the underwriters, during the period of 45 days after the date of this prospectus supplement:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose, directly or indirectly, any shares of Class A common stock or any securities convertible into or exercisable or exchangeable for shares of Class A common stock, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Class A common stock, whether any such transaction described above is to be settled by delivery of shares of Class A common stock or other securities, in cash or otherwise. In addition, we have agreed that we will not, without the prior written consent of Citigroup Global Markets Inc. on behalf of the underwriters, during the 45-day period after the date of this prospectus file any registration statement with respect to any shares of common stock on any security convertible into or exchangeable for our common stock.

The restrictions described in the preceding paragraph do not apply to:

the sale of any shares of Class A common stock to the underwriters pursuant to the underwriting agreement;

any distributions of shares of our common stock by Transocean to the holders of its ordinary shares by means of a distribution or exchange offer;

any private sales by Transocean of our common stock or other securities, or transfers as bona fide gifts or by will or intestacy by Mr. Rask, Mr. O Keefe and our directors, in which the purchaser agrees to be bound by the restrictions in the preceding paragraph;

sales of shares of Class A common stock made under the terms of a SEC Rule 10b5-1 trading plan that was established before the date of this prospectus supplement providing for sales of not more than 300,000 shares of Class A common stock per month;

transactions by persons other than TODCO relating to shares of Class A common stock or other securities acquired in this offering or in open market transactions after the completion of this offering;

the filing by us of a registration statement on Form S-8 covering securities issued pursuant to our 2005 Long Term Incentive Plan which was approved by our stockholders at our annual meeting on May 10, 2005;

grants pursuant to our existing employee benefit plans; and

the issuance by us of any shares of Class A common stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date of this prospectus supplement.

The common stock is listed on the New York Stock Exchange under the symbol THE.

The underwriters will be paid a maximum underwriting compensation or discount not to exceed 8%. The following table shows the underwriting discounts and commissions that Transocean is to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares of common stock.

| | Paid by Transocean | |
|---|---|---|
| **Underwriter** | **No Exercise** | **Full Exercise** |
| Per share | $ 0.3075 | $ 0.3075 |
| Total | $ 3,690,000 | $ 4,092,825 |

In connection with this offering, Citigroup Global Markets Inc. on behalf of the underwriters, may purchase and sell shares of Class A common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of Class A common stock in excess of the number of shares of Class A common stock to be purchased by the underwriters in this offering, which creates a syndicate short position. Covered short sales are sales of shares of Class A common stock made in an amount up to the number of shares of Class A common stock represented by the underwriters over-allotment option. In determining the source of shares of Class A common stock to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares of Class A common stock available for purchase in the open market as compared to the price at which they may purchase shares of Class A common stock through the over-allotment option. Transactions to close out the covered syndicate short position involve either purchases of the Class A common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares of Class A common stock in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of Class A common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares of Class A common stock in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriters repurchase shares of Class A common stock originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the Class A common stock. They may also cause the price of the Class A common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Affiliates of Citigroup Global Markets Inc. participate in our revolving credit facility for which they receive customary compensation. The underwriters have performed investment banking