AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 1, 1997.
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CAL DIVE INTERNATIONAL, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MINNESOTA	1389 1311	95-3409686
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

13430 NORTHWEST FREEWAY, SUITE 350
HOUSTON, TEXAS 77040
(713) 690-1818
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANTS PRINCIPAL EXECUTIVE OFFICES)

OWEN KRATZ
PRESIDENT AND CHIEF EXECUTIVE OFFICER
CAL DIVE INTERNATIONAL, INC.
13430 NORTHWEST FREEWAY, SUITE 350
HOUSTON, TEXAS 77040
(713) 690-1818
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

KEVIN L. CRUDDEN	ANDREW C. BECHER	T. MARK KELLY
ROBINS, KAPLAN, MILLER & CIRESI L.L.P.	SENIOR V.P. AND GENERAL COUNSEL	VINSON & ELKINS L.L.P.
2800 LASALLE PLAZA	CAL DIVE INTERNATIONAL, INC.	2300 FIRST CITY TOWER
800 LASALLE AVENUE	13430 NORTHWEST FREEWAY, SUITE 350	1001 FANNIN STREET
MINNEAPOLIS, MINNESOTA 55402	HOUSTON, TEXAS 77040	HOUSTON, TEXAS 77002
(612) 349-8500	(713) 690-1818	(713) 758-2222

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common Stock, no par value.....	$51,000,000	$15,470

(1) Calculated pursuant to Rule 457(o) under the Securities Act of 1933.

(2) Estimated solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT

SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

****
* *
* INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A *
* REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED *
* WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT *
* BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE *
* REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT *
* CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR *
* SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH *
* OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR *
* QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE. *
* *
****

SUBJECT TO COMPLETION DATED MAY 1, 1997

SHARES

[LOGO] CAL DIVE INTERNATIONAL, INC.

COMMON STOCK
(WITHOUT PAR VALUE)

Of the shares of Common Stock, no par value per share (the "Common Stock"), of Cal Dive International, Inc. (the "Company" or "Cal Dive"), offered hereby, shares are being sold by the Company and shares are being sold by the Selling Shareholders. See "Principal and Selling Shareholders." It is currently estimated that the initial public offering price will be between $ and $ per share. Prior to this offering (this "Offering"), there has been no public market for the Common Stock of the Company. See "Underwriting" for information relating to the factors considered in determining the initial public offering price.

The Company has filed an application for quotation of its Common Stock on the Nasdaq National Market under the symbol "CDIS."

THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING SHAREHOLDERS
Per Share	$	$	$	$
Total(3)	$	$	$	$

(1) See "Underwriting" for indemnification arrangements.

(2) Before deducting expenses payable by the Company estimated to be $500,000.

(3) The Company and the Selling Shareholders have granted the Underwriters a 30-day option to purchase up to an additional and shares of Common Stock, respectively, solely to cover over-allotments, if any. If this option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, Proceeds to Company and Proceeds to Selling Shareholders will be $, $, $ and $, respectively. The Company will not receive any proceeds from the shares of Common Stock sold by the Selling Shareholders. See "Underwriting" and "Principal and Selling Shareholders."

The shares of Common Stock offered hereby are offered by the several Underwriters named herein, subject to prior sale and acceptance by the Underwriters, and subject to their right to reject any order in whole or in part. It is expected that the Common Stock will be available for delivery on or about June , 1997 at the offices of Schroder Wertheim & Co. Incorporated, New York, New York.

SCHRODER WERTHEIM & CO.

RAYMOND JAMES & ASSOCIATES, INC.

SIMMONS & COMPANY INTERNATIONAL

June , 1997

[GRAPHIC OMITTED]

The UNCLE JOHN is a twin hull DP 254-foot semi-submersible, multi-purpose support vessel ("MSV") capable of providing well intervention services and supporting full field development activities in the Deepwater Gulf of Mexico.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

[Schematic depicting the expanse of services provided by the Company at various water depths]

FREQUENTLY USED TERMS:

DEEPWATER. Water depths of greater than 1,000 feet.

DIVING SUPPORT VESSELS ("DSVS"). Subsea services are typically performed with the use of specially constructed DSVs, which provide an above water platform that functions as an operational base for divers, ROVs and specialized equipment.

DYNAMIC POSITIONING ("DP"). A DP system allows a vessel to stay in position without the use of anchors. Satellite based differential global positioning systems ensure the proper counteraction to wind, current and wave forces to maintain position.

REMOTELY OPERATED VEHICLES ("ROVS"). ROVs are robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks at depths where the use of divers is impossible.

SATURATION DIVING ("SAT DIVING"). SAT diving, required at water depths greater than 300 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site.

[Schematic Continued]

The BALMORAL SEA is a 259-foot dynamically positioned DSV that has SAT diving and ROV capabilities for subsea construction projects at any water depth.

VERMILION BLOCK 328 is one of 15 natural gas and oil properties acquired by Energy Resource Technology, Inc., providing a back- log of future salvage projects for the Company.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED AND HAS BEEN ADJUSTED TO GIVE EFFECT TO (I) A FOR-1 REVERSE STOCK SPLIT OF THE COMPANY'S COMMON STOCK AND (II) THE ISSUANCE OF 528,541 SHARES TO COFLEXIP, A FRENCH CORPORATION ("COFLEXIP"). UNLESS THE CONTEXT INDICATES OTHERWISE, ANY REFERENCE IN THIS PROSPECTUS TO "CAL DIVE" OR THE "COMPANY" REFERS TO CAL DIVE INTERNATIONAL, INC. AND ITS PREDECESSORS, TOGETHER WITH ITS WHOLLY OWNED SUBSIDIARY, ENERGY RESOURCE TECHNOLOGY, INC. ("ERT").

THE COMPANY

GENERAL

Cal Dive is a leading provider of subsea construction, maintenance and salvage services to the offshore natural gas and oil industry in the U.S. Gulf of Mexico (the "Gulf of Mexico" or the "Gulf"). Its services are primarily performed in support of offshore infrastructure construction projects involving pipelines, production platforms and risers and subsea production systems. Through ERT, Cal Dive acquires, operates and produces natural gas and oil from mature offshore properties, providing customers a cost effective alternative to the decommissioning process. The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms.

The Company owns a diversified fleet of nine vessels servicing the offshore natural gas and oil industry, principally in the Gulf of Mexico. This market is experiencing strong exploration and development activity levels, including rapid growth for services in the Deepwater Gulf. Beginning in 1995, Cal Dive acted to fill a market void by assembling a fleet of dynamically positioned vessels which serve as work platforms for Deepwater projects. The vessels acquired include a semi-submersible multi-service vessel (UNCLE JOHN) and two mono-hull DP vessels (WITCH QUEEN and BALMORAL SEA). Management believes that the limited number of competing DP vessels in the Gulf affords Cal Dive a key strategic advantage, which has led to rising utilization for its vessels. In addition, interest in the Cal Dive fleet has increased among potential customers and alliance partners evaluating a "fast track" approach to field development.

In the last twelve months, the Company has positioned itself to work on full field development projects by entering into a number of strategic alliances. See "Business -- Strategic Alliances." As part of this strategy, in April 1997, Cal Dive and certain shareholders sold 32% of its Common Stock to Coflexip. The companies agreed to form a joint venture to pursue large Deepwater construction projects in the Gulf (the "Business Cooperation Agreement"). Each company expects to contribute its expertise to the alliance, with Coflexip performing engineering, design, and manufacturing of flexible pipe and Cal Dive providing subsea construction, installation, life of field well services, abandonment and salvage services. See "-- Recent Developments."

The Company traces its origins to California Divers Inc., which pioneered the use of mixed gas diving in the early 1960s when oilfield exploration off the Santa Barbara coast moved to water depths beyond 250 feet. Cal Dive commenced operations in the Gulf of Mexico in 1975. Since that time, the Company's growth strategy has consisted of three basic elements: (i) identifying niche markets that are underserviced or where no service exists, (ii) developing the technical expertise to provide the service and (iii) acquiring assets or seeking business alliances which fill the market gap.

This growth strategy has frequently involved expanding beyond the Company's main contracting base and developing innovative service capabilities to meet customer needs, including the following significant milestones:

- 1984 -- SATURATION VESSELS: Custom designed the first DSVs with moonpool deployed SAT diving systems dedicated for use in the Gulf of Mexico.

- 1986 -- TURNKEY CONTRACTING: Began providing subsea construction work on a fixed price basis enabling customers to better control project costs.

- 1989 -- SALVAGE OPERATIONS: Chartered, and later acquired, the CAL DIVE BARGE I ("BARGE I") for shallow water salvage operations, a business synergistic with the Company's traditional diving services.

- 1992 -- NATURAL GAS PRODUCTION: Formed a natural gas production company, ERT, to expand customer options for decommissioning and remediation of mature offshore properties and to expand off-season salvage activity.

- 1993 -- WELL SERVICING: Added a new upstream service, well servicing and plugging and abandoning ("P&A"), as a complement to the Company's salvage services and to exploit the value of ERT properties through enhanced recovery techniques.

- 1994 -- DYNAMIC POSITIONING: Chartered a DP DSV for use in the Gulf of Mexico, enabling the Company to work through the winter months and in deeper water. This vessel, the BALMORAL SEA, was subsequently acquired in August 1996.

- 1995 -- DP DSV: Acquired and enhanced a DP DSV, the WITCH QUEEN, to expand the Company's marine construction and subsea services to include flexible pipelay, umbilical lay, coiled line pipe installation, subsea P&A and ROV support.

- 1996 -- MULTI-SERVICE VESSEL: Acquired and enhanced a semi-submersible MSV, the UNCLE JOHN, as the cornerstone of the Company's Deepwater strategy, thereby expanding its product line to include geotechnical investigation, J-lay of infield flowlines, installation of flexible and hard jumpers, platform risers, and turnkey field development.

- 1997 -- STRATEGIC ALLIANCES: Formed an alliance with Coflexip which complements other formal alliance agreements with a team of specialty contractors to provide the Company with access to advanced resources and a full range of services for Deepwater construction projects.

COMPANY STRENGTHS

DIVERSIFIED FLEET OF VESSELS

Cal Dive has focused on owning and operating a diversified fleet which provides a full complement of subsea construction, maintenance, and salvage project capabilities. This fleet enables the Company to operate in all Gulf of Mexico water depths where development is currently contemplated. The services provided by these vessels both overlap and are complementary in a number of market segments, enabling the Company to deploy its DSVs to areas of highest utility and margin potential.

EXPERIENCED PERSONNEL AND TURNKEY CONTRACTING

The Company believes its highly qualified personnel enable it to compete effectively in the Gulf's unique "spot market" for offshore construction in which projects are generally of a short duration and of a turnkey nature. The Company's personnel have the technical and operational experience to manage turnkey projects and deliver bids which are priced to achieve targeted profitability. The Company believes these factors position it well to capitalize on the trend in the oil and gas industry towards outsourcing additional responsibility to contractors.

DEEPWATER TECHNICAL SERVICES

The Company believes that it has established a unique niche by assembling the specialized assets, technical personnel and exclusive alliance agreements that provide a cost effective solution to the rising demand for Deepwater services. As a result, the Company is able to meet the fast track requirements of Deepwater development projects.

MAJOR PROVIDER OF SATURATION DIVING SERVICES

Cal Dive owns and operates over 50% of the U.S. based SAT DSVs currently operating in the Gulf of Mexico. In recent years there has been an increasing level of activity as development of recently discovered Deepwater fields commences and new Deepwater production is tied into the existing Gulf infrastructure. Management believes that this trend will result in increasing demand for SAT diving services.

LEADER IN SHALLOW WATER SALVAGE OPERATIONS

Since 1989, the Company has established a leading position in the decommissioning and remediation of facilities in the shallow water Gulf of Mexico. The Company expects the demand for this service to increase due to the significant number of platforms which must be removed in accordance with government regulations.

MANAGEMENT OF MATURE NATURAL GAS AND OIL PROPERTIES

Management believes that Cal Dive is the only company acquiring mature properties in the Gulf of Mexico with the combined attributes of financial strength, reservoir engineering and operations expertise and the availability of company-owned salvage assets, resulting in significant strategic and cost advantages. The Company has personnel experienced in geology, reservoir and production engineering and facilities management to support ERT operations, exploit the value of acquired properties and oversee full field development projects.

GROWTH STRATEGY

FOCUS ON THE GULF OF MEXICO

Cal Dive intends to maintain its current focus on the Gulf of Mexico where the Company is well positioned to respond to rising market demand for services in all water depths, including Deepwater. Recent Gulf of Mexico lease sales by the Minerals Management Service of the Department of the Interior ("MMS") attracted record bidding levels both in terms of the number of leases bid and the amount of capital exposed, including a record level of interest in Deepwater blocks. This has led to new market opportunities as well as increased demand for the Company's traditional services, as reflected in both higher vessel utilization rates and operating margins.

CAPTURE A SIGNIFICANT SHARE OF THE DEEPWATER MARKET

As Gulf of Mexico Deepwater developments have created a need for new applications of subsea technology, there is a corresponding need for a new generation of subsea contractor to develop and deploy that technology. Management, through its Deepwater Technical Services Group, has targeted a market niche in which the Company functions as a focal point in the

assembly and delivery of the technology required for Deepwater projects. In particular, the Company believes that well completion, subsea installation and infield connection services have become more critical in an era of limited availability of Deepwater drilling equipment and hardware. The Company's MSV has the capacity to undertake certain well completion activities, thereby reducing cost to the operator and freeing-up more expensive drilling rig time. Cal Dive has also negotiated alliance agreements with a number of specialized contractors to provide a full range of services necessary to Deepwater subsea construction projects. The objective of this strategy is to increase the proportion of the Deepwater field development expenditures captured by Cal Dive while reducing the project duration and overall cost to the operator.

CAPITALIZE ON SYNERGIES WITH COFLEXIP

Cal Dive entered into a strategic alliance with Coflexip to strengthen its position in the Deepwater Gulf and to respond to the trend toward full field development services. Management believes that Coflexip and Cal Dive together offer complementary products and services which significantly expand Cal Dive's ability to provide full field development and life of field services. Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals and is one of the leading subsea construction contractors. Headquartered in Paris, France, Coflexip employs approximately 3,500 employees spread over five continents. In 1996, Coflexip had sales of $945 million and total assets of $1.1 billion at year-end.

OFFER FULL FIELD DEVELOPMENT SERVICES

Management believes that the significant number of new leases, the number of Deepwater leases due to expire by 2000 and shortages of well completion equipment, drilling rigs and production infrastructure will create demand for fast track, full field development solutions. Cal Dive's recent asset acquisitions and its personnel and technical expertise, combined with strategic alliances, put the Company in a strong competitive position to respond to this market need. In addition, the Company intends to apply the technologies and capabilities developed for the Deepwater to the "midwater" Gulf (500 to 1,000 feet) as a cost effective alternative to fixed platforms.

EXPAND THE COMPANY'S NATURAL GAS AND OIL PRODUCTION

Management believes Cal Dive's reputation in the industry and its experience in decommissioning and remediation work make the Company a preferred buyer of mature natural gas and oil properties. The Company intends to exploit its recent experience managing heavy lift salvage to expand the number of mature offshore properties for which the Company will bid. In addition, the Company will continue, on a selective basis, to acquire non-operated working interests in fields where there is the potential of Cal Dive being awarded the salvage work.

RECENT DEVELOPMENTS

PURCHASE OF STOCK BY COFLEXIP AND BUSINESS COOPERATION AGREEMENT

In April 1997, certain members of management, other shareholders and the Company sold an equity interest of approximately 32% of Company Common Stock to Coflexip for $35 million. As part of this transaction, the Company also acquired two heavy work class construction ROVs manufactured by Coflexip's Perry Tritech subsidiary, thereby re-establishing ROVs in Cal Dive's product line. Coflexip and Cal Dive also entered into the Business Cooperation Agreement for combined services to be offered on Gulf projects exceeding $25 million in value and meeting certain other criteria. The entity contemplated by the Business Cooperation Agreement is expected to be formed by June 30, 1997. See "Business -- Coflexip Strategic Alliance."

THE OFFERING

Common Stock offered:	
By the Company	shares(1)
By the Selling Shareholders	shares(1)
Total	shares(1)
Common Stock outstanding after the Offering	shares(2)
Use of proceeds	To repay indebtedness incurred in connection with the purchases of the UNCLE JOHN and the BALMORAL SEA, to fund capital improvements to the UNCLE JOHN and other vessels and for the purchase of natural gas and oil properties. Any remaining proceeds will be used for general corporate purposes, including the possible purchase of additional vessels. The Company will not receive any proceeds from the sale of Common Stock by the Selling Shareholders. See "Use of Proceeds."
Proposed Nasdaq National Market symbol	CDIS

(1) Does not include shares which may be sold by the Company and Selling Shareholders pursuant to the Underwriters' over-allotment option. See "Principal and Selling Shareholders" and "Underwriting."

(2) Does not include 911,500 shares issuable upon exercise of outstanding options. See "Management -- Compensation Pursuant to Plans."

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following summary financial and operating data is qualified in its entirety by the more detailed information appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
INCOME STATEMENT DATA:			
Revenues:			
Subsea and salvage	$ 35,718	$ 32,748	$ 63,870
Natural gas and oil production	2,314	4,777	12,252
Total revenue	38,032	37,525	76,122
Gross profit	10,961	8,849	22,086
Operating income	6,304	3,917	13,795
Income before taxes	5,807	3,721	13,014
Net income	4,034	2,674	8,435
Net income per share	$ 0.46	$ 0.24	$ 0.75
OTHER DATA:			
EBITDA(1)	$ 8,321	$ 6,712	$ 19,052
Depreciation and amortization	2,017	2,795	5,257
Capital expenditures	1,397	16,857	27,290

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
OPERATING DATA:			
Number of Vessels (at end of period):			
DP MSV	0	0	1
DP DSVs	1	1	2
DSVs	5	5	5
Derrick barge	1	1	1
Total Vessels	7	7	9
Natural Gas and Oil Properties:			
Producing properties acquired	2	7	5
Total properties	2	9	14
Natural Gas and Oil Production:			
Gas (MMcf)	1,250	2,382	4,310
Oil (MBbls)	29	31	38

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(1) As used herein, EBITDA represents earnings before net interest expense, taxes, depreciation and amortization. EBITDA is frequently used by security analysts and is presented here to provide additional information about the Company's operations. EBITDA should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a better measure of liquidity.

	AS OF DECEMBER 31, 1996	
	ACTUAL	AS ADJUSTED(1)
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Cash and cash equivalents.....	$ 204	
Working capital.....	13,409	
Total assets.....	82,358	
Long-term debt.....	25,000	
Shareholders' equity.....	30,844	

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(1) Adjusted to give effect to (i) the Coflexip transaction and (ii) the issuance of the Common Stock offered hereby and the application of the net proceeds to the Company therefrom. See "Use of Proceeds."

SUMMARY NATURAL GAS AND OIL RESERVE DATA

The following table sets forth summary data with respect to the Company's estimated proved natural gas and oil reserves and related estimated future net revenue at December 31, 1996, and is based upon the report of Miller & Lents, Ltd. ("Miller & Lents"), independent petroleum engineers. For additional information relating to the Company's natural gas and oil reserves, see "Risk Factors -- Uncertainty of Estimates of Oil and Gas Reserves" and "Business -- Natural Gas and Oil Operations" and the Supplemental Information on Oil and Gas Exploration and Producing Activities included in Note 11 of the notes to Financial Statements included elsewhere in this Prospectus.

	TOTAL PROVED
	(DOLLARS IN THOUSANDS)
Estimated Proved Reserves:	
Natural Gas (MMcf).....	24,596
Oil and Condensate (MBbls).....	124
Future net cash flows before income taxes.....	$ 58,781
Present value of estimated future net cash flows before income taxes.....	$ 48,703
Standardized measure of discounted future net cash flows (1).....	$ 33,805

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(1) The standardized measure of discounted future net cash flows attributable to the Company's reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum.

RISK FACTORS

AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS.

INDUSTRY VOLATILITY

The Company's subsea and abandonment activities depend on offshore natural gas and oil exploration, development and production expenditures, which are dependent on natural gas and oil prices. The level of exploration and development activity has traditionally been volatile as a result of fluctuations in natural gas and oil prices and their uncertainty in the future. A significant or prolonged reduction in natural gas or oil prices in the future would likely depress offshore drilling and development activity, reduce the demand for the Company's services and could have a material adverse effect on the Company's financial condition and results of operations. See "Business -- The Industry" and "Business -- Natural Gas and Oil Operations."

VESSEL OPERATING RISKS

Marine construction involves a high degree of operational risk. Hazards, such as vessels sinking, grounding, colliding and sustaining damage from severe weather conditions are inherent in marine operations. These hazards can cause personal injury or loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Litigation arising from such an occurrence may result in lawsuits asserting large claims. The Company maintains such insurance protection as it deems prudent, including hull insurance on its vessels. There can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all hazards to which the Company may be subject. A successful claim for which the Company is not fully insured could have a material adverse effect on the Company. Moreover, no assurance can be given that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable. See "Business -- Insurance and Litigation."

SEASONALITY

Marine operations conducted in the Gulf of Mexico are seasonal and depend, in part, on weather conditions. Historically, Cal Dive has enjoyed its highest vessel utilization rates during the third and fourth quarters of the year when weather conditions are favorable for offshore exploration, development and construction activities and has experienced its lowest utilization rates in the first quarter. Accordingly, the results of any one quarter are not necessarily indicative of annual results or continuing trends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CONTRACT BIDDING RISKS

A majority of the Company's projects are performed on a qualified turnkey basis. The revenue, costs and gross profit realized on a contract can vary from the estimated amount because of changes in offshore job conditions and variations in labor and equipment productivity from the original estimates. In addition, between April 15 and October 15, the Company typically bears the risk of delays caused by adverse weather conditions other than those resulting from named tropical storms. These variations and risks inherent in the marine construction industry may result in the Company experiencing reduced profitability or losses on projects.

UNCERTAINTY OF ESTIMATES OF NATURAL GAS AND OIL RESERVES

This Prospectus contains an estimate of the Company's proved natural gas and oil reserves and the estimated future net cash flows therefrom based upon a report prepared as of December 31, 1996 by Miller & Lents that relies upon various assumptions, including assumptions

required by the Securities and Exchange Commission (the "Commission") as to natural gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating natural gas and oil reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. Actual future production, cash flows, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves may vary substantially from those estimated in the report. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves set forth in this Prospectus. See "Business -- Natural Gas and Oil Operations."

NATURAL GAS AND OIL OPERATING RISKS

The Company's natural gas and oil operations are subject to the usual risks incident to the operation of natural gas and oil wells, including with respect to offshore properties, the additional hazards relating to, or loss from, severe weather. In accordance with industry practice, the Company maintains insurance against some, but not all, of the risks described above. See "Business -- Insurance and Litigation."

COMPETITION

The business in which the Company operates is highly competitive. Several of the Company's competitors are companies that are substantially larger and have greater financial and other resources than the Company. If other international companies relocate vessels to the Gulf of Mexico, levels of competition may increase and the Company's business could be adversely affected. See "Business -- Competition."

CUSTOMER CONCENTRATION

The Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. During 1996, the Company derived approximately 24% of its contract revenue from one customer. While the Company currently has a good relationship with its customers, the loss of any one of its largest customers, or a sustained decrease in demand, could result in a substantial loss of revenues and could have a material adverse effect on the Company's operating performance. See "Business -- Customers."

DEPENDENCE ON KEY PERSONNEL

The Company's success depends on the continued active participation of key management personnel. The loss of key people could adversely affect the Company's operations. The Company has two-year employment and non-compete agreements with each of Messrs. Owen Kratz, Gerald G. Reuhl and S. James Nelson and six of its senior officers. The Company has also obtained and is the sole beneficiary under key person life insurance policies with Messrs. Kratz and Reuhl, each in the amount of $6 million. The Company believes that its success is also dependent upon its ability to employ and retain skilled personnel. See "Management."

REGULATORY AND ENVIRONMENTAL MATTERS

The Company's subsea construction, inspection, maintenance, salvage, and abandonment operations and its natural gas and oil production from offshore properties are subject to and affected by various types of government regulation, including numerous federal, state and local environmental protection laws and regulations. These laws and regulations are becoming increasingly complex, stringent and expensive and there can be no assurance that continued compliance with existing or future laws or regulations will not adversely affect the operations of the Company. Significant fines and penalties may be imposed for non-compliance. See "Business -- Government Regulation" and "Business -- Environmental Regulations."

ABSENCE OF A PRIOR PUBLIC TRADING MARKET; POSSIBLE VOLATILITY OF MARKET PRICE; DILUTION

Prior to this Offering, there has been no public market for the Common Stock. Although the Company has applied for quotation of the shares of Common Stock offered hereby on the Nasdaq National Market, there can be no assurance that an active public market will develop or be maintained for the Common Stock. The initial public offering price will be determined by negotiations among the Company, the Selling Shareholders and the Underwriters. For the factors considered in such negotiations, see "Underwriting." There can be no assurance that future market prices will equal or exceed the initial public offering price set forth on the cover page of this Prospectus. Following this Offering, the market price of the Common Stock may fluctuate depending on various factors, including the general economy, stock market conditions, general trends in the oilfield services industry, announcements by the Company or its competitors and variations in the Company's quarterly and annual operating results. Purchasers of the Common Stock offered hereby will experience an immediate and substantial dilution in the net tangible book value per share. In addition, to the extent equity financing is pursued by the Company in connection with the acquisition or building of additional vessels, dilution may occur to investors. See "Dilution."

VOTING CONTROL BY PRINCIPAL SHAREHOLDERS

After giving effect to this Offering, the current shareholders of the Company will own approximately % of the outstanding Common Stock (% if the Underwriters' over-allotment option is exercised in full). The current shareholders are parties to a shareholders agreement which, among other things, provides for the election of directors. As a result, the current shareholders may be able to control the outcome of certain matters requiring a shareholder vote, including the election of directors. See "Business -- Coflexip Strategic Alliance," "Certain Relationships and Related Transactions" and "Principal and Selling Shareholders."

ABSENCE OF DIVIDENDS

The Company has never paid cash dividends on its Common Stock and intends for the foreseeable future to retain any earnings otherwise available for dividends for the future operation and growth of the Company's business. In addition, the Company's financing arrangements prohibit the payment of cash dividends on its capital stock. See "Dividend Policy."

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the current shareholders, directors and officers of the Company will beneficially own shares of the Common Stock, which will represent approximately % of the then issued and outstanding shares (% if the Underwriters' over-allotment option is exercised in full). The Company, its officers and directors, the Selling Shareholders, certain other shareholders of the Company and Coflexip have agreed with the Underwriters not to offer, sell or otherwise dispose of any shares of Common Stock for 180 days from the date of this Prospectus without the prior consent of the Representatives of the Underwriters. After the expiration of such agreement, however, such shareholders may sell shares pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), or otherwise. In addition, the current shareholders, including Coflexip, have been granted demand and "piggyback" registration rights by the Company with respect to all of the shares of Common Stock owned by them. Although the Company cannot predict the timing or amount of future sales of Common Stock or the effect that the availability of such shares for sale will have on the market price prevailing from time to time, sales of substantial amounts of Common Stock in the public market following this Offering could adversely affect the market price of the Common Stock. See "Principal and Selling Shareholders," "Description of Capital Stock -- Registration Rights" and "Shares Eligible for Future Sale."

ANTI-TAKEOVER CONSIDERATIONS

The Board of Directors of the Company has the authority, without any action by the shareholders, to fix the rights and preferences on up to 5,000,000 shares of undesignated preferred stock, including dividend, liquidation and voting rights. In addition, the Company's Articles of Incorporation divide the Company's Board of Directors into three classes. Except for a transaction involving Coflexip (which is specifically excluded), the Company also is subject to certain anti-takeover provisions of the Minnesota Business Corporations Act ("MBCA"). In addition, the Company is a party to a Shareholders Agreement that provides Coflexip with a right of first refusal in connection with certain acquisition proposals for the Company. Any or all of the provisions or factors described above may have the effect of discouraging a takeover proposal or tender offer not approved by management and the Board of Directors of the Company, and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt. See "Description of Capital Stock -- Certain Anti-Takeover Provisions" and "Certain Relationships and Related Transactions."

THE COMPANY

Cal Dive is a leading provider of subsea construction, maintenance and salvage services to the offshore natural gas and oil industry in the Gulf of Mexico. In July 1990, the Company was purchased by a group of investors including current management and key employees. In September 1992, Cal Dive formed ERT as a wholly owned subsidiary, to purchase producing offshore natural gas and oil properties which are in the later stages of their economic lives. In January 1995, First Reserve Corporation ("First Reserve"), on behalf of certain of the investment funds it manages, acquired 50% of the Company's Common Stock. In April 1997, Coflexip purchased approximately 32% of the Company's Common Stock. Most of the Company's senior and middle operations management have been actively involved with Cal Dive since the mid-1980s.

The Company was organized under the laws of Minnesota in June 1990. The principal executive offices of the Company are located at 13430 Northwest Freeway, Suite 350, Houston, Texas 77040, and its telephone number is (713) 690-1818.

USE OF PROCEEDS

The net proceeds from the sale of the shares of Common Stock offered by the Company (assuming an initial public offering price of $ per share) will be approximately $ million ($ million if the Underwriters' over-allotment option is exercised in full). Of such net proceeds, the Company intends to repay indebtedness incurred in connection with the purchase of the UNCLE JOHN and the BALMORAL SEA, to fund capital improvements to the UNCLE JOHN and other vessels and for the purchase of natural gas and oil properties. Any remaining net proceeds will be used for other general corporate purposes and the possible purchase of additional vessels. Pending such uses, the Company intends to invest the net proceeds of this Offering in short-term investment grade, interest bearing securities. As of December 31, 1996, borrowings under the Company's Amended Loan and Security Agreement with Fleet Capital Corporation (the "Revolving Credit Agreement") which matures in December 2000, had an aggregate outstanding principal balance of $25 million, bearing interest at rates of 7.37% ($22 million) and 8.75% ($3 million). In April 1997, the Company and Fleet Capital Corporation amended the Revolving Credit Agreement to, among other things, (i) increase the credit line to $40 million, (ii) reduce the interest rate, (iii) release liens on ERT properties and (iv) reduce the financial covenants from four to two (a fixed charge coverage ratio and a $60 million debt limitation). The Company will not receive any of the proceeds from the sale of shares of Common Stock by the Selling Shareholders. See "Principal and Selling Shareholders" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DIVIDEND POLICY

The Company has never paid cash dividends on its Common Stock and does not intend to pay cash dividends in the foreseeable future. The Company currently intends to retain earnings, if any, for the future operation and growth of its business. In addition, the Company's financing arrangements prohibit the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

DILUTION

The net tangible book value of the Company at December 31, 1996, was $ or $ per share of Common Stock. Net tangible book value per share of Common Stock is determined by dividing the tangible net worth (total tangible assets less total liabilities) of the Company by the shares of Common Stock outstanding prior to the consummation of this Offering. After giving effect to the sale of Common Stock by the Company in this Offering (assuming no exercise of the Underwriters' over-allotment option and net proceeds to the Company of $), the pro forma net tangible book value of the Company at December 31, 1996, would have been approximately $ or $ per share of Common Stock. This represents an immediate increase in net tangible book value of $ per share of Common Stock to present holders of Common Stock and an immediate dilution of approximately $ per share to new investors purchasing shares in this Offering. The following table illustrates this per share dilution to new investors:

Assumed initial public offering price per share		$
Net tangible book value per share before the Offering	$	
Increase per share attributable to new investors	$	
Pro forma net tangible book value per share after the Offering		
Dilution per share to new investors		$

The following table sets forth, as of December 31, 1996, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by the existing shareholders and by new investors:

	SHARES PURCHASED		TOTAL CONTRIBUTION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders(1)					
New investors					
Total					

(1) Includes the issuance of 528,541 shares of Common Stock to Coflexip at a value of $9.46 per share on April 11, 1997.

The above computations do not give effect to the 911,500 shares issuable pursuant to outstanding stock options, all of which are exercisable at exercise prices ranging from $ to $ per share. To the extent any options are exercised in the future at an exercise price less than the initial public offering price, there will be further dilution to new investors. See "Management -- Compensation Pursuant to Plans."

CAPITALIZATION

The following table sets forth the capitalization of the Company (i) as of December 31, 1996, and (ii) as adjusted to give effect to the sale by the Company of the shares of Common Stock offered hereby at an assumed offering price of $ per share and the application of the estimated net proceeds to the Company therefrom as described in "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Financial Statements and notes thereto included elsewhere in this Prospectus.

	DECEMBER 31, 1996	
	ACTUAL	AS ADJUSTED(1)
	(DOLLARS IN THOUSANDS)	
Short-term debt:		
Current maturities of long-term debt	$ --	$
Long-term debt	25,000	
Shareholders' equity:		
Common Stock, no par value, 20,000,000 shares authorized; 18,448,010 shares issued and outstanding; shares issued and outstanding, as adjusted(1)	9,093	
Additional paid-in capital	--	
Retained earnings	25,806	
Treasury Stock, 7,348,750 shares	(4,056)	
Total shareholders' equity	30,844	
Total capitalization	$ 55,844	$
Total debt to total capitalization (%)	45	

(1) Gives effect to the application of the net proceeds of this Offering, but does not include an aggregate of 911,500 shares of Common Stock issuable upon exercise of outstanding stock options. See "Management -- Compensation Pursuant to Plans."

SELECTED FINANCIAL DATA

The historical financial data presented in the table below for and at the end of each of the years in the five-year period ended December 31, 1996 are derived from the consolidated financial statements of the Company audited by Arthur Andersen LLP, independent public accountants. The data should be read in conjunction with the Company's Financial Statements and the notes thereto included elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	1992	1993	1994	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA:					
Revenues:					
Subsea and salvage	$ 21,309	$ 35,365	$ 35,718	$ 32,748	$ 63,870
Natural gas and oil production	--	1,807	2,314	4,777	12,252
Total revenue	21,309	37,172	38,032	37,525	76,122
Cost of sales:					
Subsea and salvage	16,973	26,208	25,477	25,568	46,766
Natural gas and oil	--	586	1,594	3,107	7,270
Gross profit	4,336	10,377	10,961	8,849	22,086
Selling and administrative expenses	3,136	4,075	4,657	4,932	8,291
Operating income	1,200	6,302	6,304	3,917	13,795
Other income and expenses:					
Interest expense, net	344	395	428	135	745
Other (income) expense, net	(159)	148	69	61	36
Income before income taxes	1,015	5,759	5,807	3,721	13,014
Provision for income taxes	324	1,811	1,773	1,047	4,579
Net income	$ 691	$ 3,948	$ 4,034	$ 2,674	$ 8,435
Net income per share	$ 0.04	$ 0.30	$ 0.46	$ 0.24	$ 0.75
Weighted average number of shares outstanding	16,603	13,014	8,836	11,016	11,286
OTHER FINANCIAL DATA:					
EBITDA(1)	$ 2,438	$ 7,785	$ 8,321	$ 6,712	$ 19,052
Depreciation and amortization	1,238	1,483	2,017	2,795	5,257
Capital expenditures	460	1,203	1,397	16,857	27,290

	AS OF DECEMBER 31,				
	1992	1993	1994	1995	1996
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Working capital	$ 4,178	$ 5,309	$ 6,052	$ 4,033	$ 13,409
Total assets	17,051	20,023	26,731	43,648	82,358
Long-term debt	2,922	5,141	3,766	5,300	25,000
Shareholders' equity	7,436	6,360	10,394	22,408	30,844

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(1) As used herein, EBITDA represents earnings before net interest expense, taxes, depreciation and amortization. EBITDA is frequently used by security analysts and is presented here to provide additional information about the Company's operations. EBITDA should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a better measure of liquidity.

OVERVIEW

Natural gas and oil prices, the offshore mobile rig count and Gulf of Mexico lease activity are three of the primary indicators management uses to predict the level of the Company's business. Cal Dive's construction services generally follow successful drilling activities by six to eighteen months. The level of drilling activity is related to both short and long-term trends in natural gas and oil prices. A decline in natural gas and oil prices generally leads to a reduction in offshore drilling activity which can lower demand for construction services. Recently, this relationship has been less pronounced due to a number of industry trends, including advances in technology that have increased drilling success rates and efficiency, and a worldwide growth in the demand for both natural gas and oil. The number of offshore rigs working in the Gulf of Mexico has averaged close to practical full utilization since mid-1995 which management expects will lead to increased construction activity over the next several years. Given worldwide shortages of drilling rigs, subsea hardware and experienced personnel, efforts to drill Gulf of Mexico leases on a timely basis have accelerated demand for the Company's subsea services resulting in improved pricing.

Product prices impact the Company's natural gas and oil operations in several respects. The Company seeks to acquire producing natural gas and oil properties that are generally in the later stages of their economic life. These properties typically have few, if any, unexplored drilling locations, so the potential abandonment liability is a significant consideration with respect to the offshore properties which the Company has purchased to date. Although higher natural gas prices tended to reduce the number of mature properties available for sale, these higher prices contributed to improved operating results for the Company in 1996.

Salvage operations consist of platform decommissioning, removal and abandonment, P&A services performed by the Company's stiff-leg derrick barge and well servicing equipment. In addition, salvage related support, such as debris removal and preparation of platform legs for removal, is often provided by the Company's surface diving vessels. In 1989, management targeted platform removal and salvage operations as a regulatory driven activity which offers a partial hedge against fluctuations in the commodity price of natural gas. In particular, MMS regulations require removal of platforms within one year from the date production ceases and also require remediation of the seabed at the well site to its original state. In 1996, the Company contracted and managed, on a turnkey basis, all aspects of the decommissioning and abandonment of certain fields for two major oil companies using third party heavy lift derrick barges, a service the Company intends to expand in the future.

The following table sets forth for the periods presented (i) average U.S. natural gas prices, (ii) the Company's natural gas production, (iii) the average number of offshore rigs under contract in the Gulf of Mexico, (iv) the number of platforms installed and removed in the Gulf of Mexico and (v) the vessel utilization rates for each of the major categories of the Company's fleet.

	1994				1995			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. Natural Gas Prices(1)	$ 2.42	$ 1.95	$ 1.70	$ 1.60	$ 1.51	$ 1.63	$ 1.54	$ 2.06
ERT Gas Production (MMcf)	132	323	380	415	267	410	765	940
Rigs Under Contract in the Gulf of Mexico(2)	125	129	134	140	119	133	421	147
Platform Installations(3)	12	23	39	50	12	17	26	22
Platform Removals(3)	18	28	43	31	15	37	24	10
Average Company Vessel Utilization Rate(4)								
Dynamic Positioned	--	--	80%	99%	77%	--	--	90%
Saturation DSV	37%	57%	82%	89%	38%	53%	88%	88%
Surface Diving	57%	68%	78%	66%	45%	63%	77%	74%
Derrick Barge	14%	70%	60%	55%	21%	46%	63%	32%

	1996			
	Q1	Q2	Q3	Q4
U.S. Natural Gas Prices(1)	$ 3.44	$ 2.33	$ 2.18	$ 2.96
ERT Gas Production (MMcf)	899	966	1,168	1,277
Rigs Under Contract in the Gulf of Mexico(2)	150	157	161	164
Platform Installations(3)	12	35	31	29
Platform Removals(3)	14	11	25	30
Average Company Vessel Utilization Rate(4)				
Dynamic Positioned	81%	71%	82%	92%
Saturation DSV	55%	73%	82%	88%
Surface Diving	62%	77%	84%	74%
Derrick Barge	15%	58%	91%	65%

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(1) Average of the monthly Henry Hub cash prices in $ per MMBtu, as reported in Natural Gas Week.

(2) Average weekly number of rigs contracted, as reported by Offshore Data Services.

(3) Source: Offshore Data Services; installation and removal of platforms with two or more piles in the Gulf of Mexico.

(4) Average vessel utilization rate is calculated by dividing the total number of days the vessels in this category generated revenues by the total number of days in each quarter.

Vessel utilization is historically lower during the first quarter due to winter weather conditions in the Gulf of Mexico. Accordingly, the Company plans its drydock inspections and other routine and preventive maintenance programs during this period. During the first quarter, a substantial number of the Company's customers finalize capital budgets and solicit bids for construction projects. The bid and award process during the first two quarters leads to the commencement of construction activities during the second and third quarters. As a result, the Company has historically generated approximately 60 to 65% of its consolidated revenues in the last six months of the year. The Company's operations can also be severely impacted by weather during the fourth quarter. The Company's salvage barge, which has a shallow draft, is particularly sensitive to adverse weather conditions, and its utilization rate will be lower during such periods. To minimize the impact of weather conditions on the Company's operations and financial condition, Cal Dive began operating DP vessels and expanded into the acquisition of mature offshore properties. The unique station-keeping ability offered by dynamic positioning enables these vessels to operate throughout the winter months and in rough seas. Operation of natural gas and oil properties tends to offset the impact of weather since the first and fourth quarters are typically periods of high demand for natural gas and of strong natural gas prices.

RESULTS OF OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Consolidated revenues of $76.1 million in 1996 were more than double the $37.5 million reported in the prior year due primarily to the addition of new DP vessels and to higher commodities prices and increased production from natural gas and oil properties. A full year of operations from the WITCH QUEEN (placed in service in November 1995) and the additions of the BALMORAL SEA and UNCLE JOHN increased revenues from the DP vessels to 33% of consolidated 1996 revenues compared to 10% in 1995. This trend is expected to continue in 1997 because the Company will have full year operations from the BALMORAL SEA and UNCLE JOHN, which were only in service for eight and two months, respectively, in 1996. The establishment of a new management team resulted in improved performance in the operation of the salvage assets (BARGE I and well servicing equipment) which included the removal of four large structures by subcontracting heavy lift barges. Natural gas and oil production from 14 offshore blocks owned at year-end 1996 was $12.3 million compared to $4.8 million in 1995. This increase of $7.5 million, or 156%, was a result of natural gas prices increasing by approximately 58% and to production from the five properties acquired in 1996 as well as the full year contributions of the Company's other properties.

GROSS PROFIT. Gross profit increased by $13.2 million in 1996, from $8.8 million in 1995 to $22.1 million in 1996. Improved rates and performance on turnkey contracts resulted in subsea and salvage margins increasing from 22% in 1995 to 27% in 1996. This increase reflects in part the benefit of operating five specialized SAT vessels. Gross profit from salvage assets was $2.2 million in 1996 or 13% of that generated by subsea and salvage operations in contrast to "break-even" results for the prior year. Natural gas and oil production gross profit was $5.0 million in 1996 compared to $1.7 million in the prior year, with the $3.3 million increase resulting from higher natural gas prices and greater production levels.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 68% in 1996 to $8.3 million from $4.9 million in 1995. Payments of $2.3 million were made to 223 offshore, supervisory and management personnel under 1996 incentive plans (an increase of $2.0 million over 1995). The balance of the increase reflects higher sales and administrative costs necessary to support the 103% increase in 1996 revenues.

NET INTEREST. Net interest expense increased by $610,000 (from $135,000 in 1995 to $745,000 in 1996) due to the borrowings incurred in conjunction with the acquisition of the BALMORAL SEA and UNCLE JOHN. Borrowings under the Revolving Credit Agreement averaged $13 million in 1996 compared to $6 million in 1995.

INCOME TAXES. Income taxes of $4.6 million compares to $1.0 million in 1995 as a result of significant increases in 1996 margins and profitability. The effective tax rate increased significantly, from 28% to 35% because the Company no longer qualified for the "Small Producer" tax benefit of percentage depletion. Higher depreciation related to the new DP vessels had the result of reducing the amount of cash taxes paid. In 1996, cash payments for Federal income taxes were $2.2 million or 48% of the total $4.6 million tax provision.

NET INCOME. In 1996, net income of $8.4 million increased $5.8 million, or 215%, from 1995 as a result of the factors described above.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994

REVENUES. During 1995, the Company's revenues decreased $500,000 to $37.5 million compared to $38 million in 1994. A $2.5 million increase in natural gas and oil revenues offset decreases in subsea services, particularly derrick barge and well servicing revenues, which together decreased $1.3 million. The increase in natural gas and oil revenues was due to the Company's acquisition of seven offshore properties in 1995. The Company's subsea revenues in 1995 were negatively impacted by Hurricanes ROXANNE and OPAL. While dealing with adverse

weather in the Gulf of Mexico is an accepted risk in the marine contracting business, these storms were unusual in that while little damage was incurred in the Gulf of Mexico, the Company's vessels were unable to leave the dock for 20 days during what are generally the two busiest months of the year (September and October). In addition, the number of platforms with two or more piles removed in the Gulf of Mexico decreased by almost 30% for the year which included a 50% reduction during the last six months, primarily as a result of contractors shifting assets to higher margin construction projects. The Company's revenues in 1995 were also negatively impacted by operating difficulties with the BARGE I which have been resolved.

GROSS PROFIT. Gross profit decreased by $2.2 million in 1995 as compared to 1994, from $11 million to $8.8 million. Approximately $1.0 million of the decrease was due to vessel drydockings during 1995 with the balance related to the down time caused by two hurricanes and operational difficulties with respect to BARGE I. Three of the Company's vessels, CAL DIVER II, CAL DIVER V and BARGE I, underwent major U.S. Coast Guard ("USCG") drydock inspections during 1995. In addition to the work required to maintain the USCG Certificates of Inspection, the Company completed a major capital upgrade program. As a result, these three vessels were out of service for a combined aggregate of ten months during 1995. Natural gas and oil operations contributed 19% of consolidated gross profit in 1995 as compared to 7% for 1994 due to the increase in the number of properties owned at December 31, 1995.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 6% to $4.9 million in 1995 compared to $4.7 million in 1994. This increase was due primarily to improved results in the Company's natural gas and oil business resulting in an additional $200,000 of incentive compensation earned by key ERT personnel.

NET INTEREST. During 1995, net interest expense declined 69% to $135,000 as compared to $428,000 in 1994. Interest income generated by the cash deposits set aside to fund abandonment liabilities was $202,000 in 1995, an increase of $100,000 from 1994.

INCOME TAXES. Income taxes of $1 million reflect an effective tax rate of 28.1% in 1995 compared to 30.5% in 1994. The decrease in tax rate was due to the impact of percentage depletion of natural gas and oil operations comprising a larger percentage of the Company's 1995 income.

NET INCOME. Net income decreased to $2.7 million from $4 million in 1994 as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES. The Company has historically funded its operating activities principally from internally generated cash flow, even in an industry-depressed year such as 1992. Management purchased the Company in July 1990, in a leveraged buyout funded with $10.7 million in debt and $1 million in equity. By July 1993, cash flow from operating activities enabled the Company to reduce total debt to $3.5 million while increasing equity to $9 million. In August 1993, management acquired all of the Common Stock of the Company held by the two financial institutions that financed the buyout, a transaction which increased the Company's debt to $8.2 million and reduced equity to $5.1 million. Internally generated cash flow (EBITDA divided by revenue) was 22%, 18% and 25% of revenues in 1994, 1995 and 1996. This cash generation, when combined with the 1995 equity infusion from First Reserve and its investment funds, enabled the Company to formulate and implement its expansion strategy.

Net cash provided by operating activities was $7.6 million in 1996 compared to $12.0 million in 1995 with the decrease principally a result of $15.3 million necessary to fund an increase in trade receivables. Trade receivables increased 140% over the prior year, a level greater than the 103% increase in revenues due to the significant increase in offshore activity. Depreciation and amortization, which is included in cost of subsea and salvage sales, also increased by $2.5 million as a result of the new vessel additions. However, as noted previously, overall subsea and salvage

margins increased from 22% in 1995 to 27% in 1996 notwithstanding higher depreciation charges. The additional depreciation increased the provision for deferred income taxes which was $2.1 million in 1996 compared to $600,000 in the prior year.

CAPITAL EXPENDITURES. Capital expenditures consisted principally of strategic asset acquisitions including the WITCH QUEEN, BALMORAL SEA and UNCLE JOHN, improvements to existing vessels and the acquisition of offshore natural gas and oil properties. Since 1993, the Company has invested $17 million to acquire 15 offshore natural gas and oil properties in seven separate transactions. The Company records the amount of cash paid together with the abandonment liability assumed at the time such properties are acquired. Only the cash paid at closing is reflected in the Company's statement of cash flows together with bond and escrow deposits required in connection with these purchases. The MMS requires an operator bond, and certain of the purchase and sale agreements have required the Company to fund portions of the estimated decommissioning liability. Accordingly, the Company's balance sheet as of December 31, 1996 includes $5.2 million of cash deposits restricted for abandonment obligations which aggregated $6.0 million on that date. In addition the Company had also issued letters of credit totaling $2.8 at December 31, 1996 in lieu of cash deposits in connection with property acquisitions.

FINANCING ACTIVITIES. The Company has financed seasonal operating requirements and capital expenditures with internally generated funds, borrowings under credit facilities, and the sale of Common Stock described above. Since 1993, Fleet Capital Corporation has provided all debt funding pursuant to a Revolving Credit Agreement which initially was $15 million and which, as amended in April 1997, is currently $40 million. The Revolving Credit Agreement, which terminates in December 2000, is secured by trade receivables and mortgages on the Company's vessels. The Revolving Credit Agreement prohibits the payment of dividends on the Company's capital stock and contains, among other restrictions, certain financial covenants. During 1995 and 1996, those covenants typically required the Company to (i) maintain income from operations at specified levels, (ii) limit leverage, as defined, to no more than a specified ratio of net worth, (iii) maintain certain interest coverage and debt service ratios, as defined, and (iv) maintain a minimum ratio of current assets to current liabilities. The Company was in compliance with, or obtained waivers of default from, the covenants under the Revolving Credit Agreement during 1995 and 1996. The Revolving Credit Agreement, as amended, contains only two financial covenants (a fixed charge coverage ratio and a limitation that debt not exceed $60 million). The interest rate during 1996 was equal to the lender's floating prime rate plus .5%, or the Eurodollar Base Rate plus 2.25% for borrowings less than $10 million, and 2% if borrowings exceed $10 million. Pursuant to these terms, borrowings at December 31, 1996 included $22 million at 7.37% (Eurodollar option) and $3 million at 8.75% (prime option). The Revolving Credit Agreement, as amended, reduces these rates to LIBOR plus 1.75% in 1997 with incentive pricing thereafter pursuant to a formula based upon EBDIT (as defined therein). Letters of credit are also available under the Revolving Credit Agreement which the Company typically uses if performance bonds are required or, in certain cases, in lieu of purchasing U.S. Treasury Bonds in conjunction with gas and oil property acquisitions.

CAPITAL COMMITMENTS. In connection with its business strategy, management expects the Company to acquire or build additional vessels, acquire other assets such as the ROV purchase from Coflexip, as well as seeking to buy additional natural gas and oil properties. Depending upon the size of any future acquisitions, the Company may require additional debt financing, possibly in excess of the Revolving Credit Agreement, as amended, or additional equity financing. If the Company seeks equity financing in connection with such acquisitions, investors in this Offering may experience dilution. Other than potential asset acquisitions, management believes the net cash generated from operations and available borrowing capacity under the Revolving Credit Agreement will be adequate to meet funding requirements for the next year.

GENERAL

Cal Dive is a leading provider of subsea construction, maintenance and salvage services to the offshore natural gas and oil industry in the Gulf of Mexico. Its services are primarily performed in support of offshore infrastructure construction projects involving pipelines, production platforms and risers and subsea production systems. Through ERT, Cal Dive acquires, operates and produces natural gas and oil from mature offshore properties, providing customers a cost effective alternative to the decomissioning process. The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms. See Note 10 of the notes to Financial Statements for financial information with respect to the Company's business segments.

The Company owns a diversified fleet of nine vessels servicing offshore natural gas and oil industry, principally in the Gulf of Mexico. This market is experiencing strong exploration and development activity levels, including rapid growth in Deepwater. Beginning in 1995, the Company acted to fill a market void by assembling a fleet of dynamically positioned vessels which serve as work platforms for Deepwater projects. The vessels acquired include a semi-submersible multi-service vessel (UNCLE JOHN) and two mono-hull DP vessels (WITCH QUEEN and BALMORAL SEA). Management believes that the limited number of competing DP vessels in the Gulf affords the Company a key strategic advantage which has led to rising vessel utilization for its vessels. In addition, interest in the Cal Dive fleet has increased among potential customers and alliance partners evaluating a fast track approach to field development. Management believes that strong worldwide demand for DP vessels will cause this trend to continue.

In the last twelve months, the Company has positioned itself to work on full field development projects by entering into a number of strategic alliances. See "-- Strategic Alliances". As part of this strategy, in April 1997, certain shareholders and Cal Dive sold 32% of its Common Stock to Coflexip and executed the Business Cooperation Agreement. Each company expects to contribute its separate expertise to the alliance as follows:

COFLEXIP SERVICES	CAL DIVE SERVICES
Flexible lay operations (including risers)	ROV operation
Product sales, manufacture and supply of	Diving
-- Umbilicals	Coiled Tubing
-- Flex hose	Flexible lay operations
-- Flex pipe	with deck load requirements
ROV manufacture and sale	up to 600 metric tons
EPIC project design and engineering and project management	Riser installation
	Well servicing
Reeled hard pipe lay (including risers installed in connection with lay operations, excluding coiled tubing)	DP DSV's and related services
	4 Point DSV's (when applicable)
DP construction vessels	

The Company traces its origins to California Divers Inc., which pioneered the use of mixed gas diving in the early 1960s when oilfield exploration off the Santa Barbara coast moved to water depths beyond 250 feet. Cal Dive commenced operations in the Gulf of Mexico in 1975. Since that time, the Company's growth strategy has consisted of three basic elements: (i) identifying niche markets that are underserviced or where no service exists, (ii) developing the technical expertise to provide the service and (iii) acquiring assets or seeking business alliances which fill the market gap.

COMPANY STRENGTHS

DIVERSIFIED FLEET OF VESSELS

Cal Dive has focused on owning and operating a diversified fleet which provides a full complement of subsea construction, maintenance, and salvage project capabilities. The Company operates a fleet of one semi-submersible DP MSV (the UNCLE JOHN), two DP DSV's (the WITCH QUEEN and BALMORAL SEA), two four-point moored saturation DSVs (the CAL DIVER I and II), three other DSVs, two work class ROVs and a salvage barge. This fleet enables the Company to operate in all Gulf water depths where development is currently contemplated. The services provided by these vessels both overlap and are complementary in a number of market segments, enabling the Company to deploy its vessels to areas of highest utility and margin potential. The vessels serve as work platforms for activities performed by divers in water depths of less than 1,000 feet and by ROVs for projects at all depths. The Company intends to continue to expand the capabilities of its diversified fleet through the acquisition of additional vessels and assets.

EXPERIENCED PERSONNEL AND TURNKEY CONTRACTING

The shortage of experienced personnel has resulted in a trend in the oil and gas industry of transferring more responsibility to contractors and suppliers. The Gulf of Mexico spot market is unique in the world in that projects are typically of short duration and generally of a turnkey nature. Management believes that a key element of its growth strategy and success has been its pioneering role in providing turnkey contracting and its ability to attract and retain experienced industry personnel. The Company personnel have the technical expertise and operational experience to effectively manage turnkey projects and thereby deliver bids which are priced to achieve targeted profitability. Because of its experience with turnkey contracting and its people, the Company believes it is well positioned as to capitalize on the trend in the natural gas and oil industry towards outsourcing additional responsibility to contractors.

DEEPWATER TECHNICAL SERVICES

The Company believes that it has established a unique niche in the Deepwater Gulf by assembling the specialized assets, technical personnel and exclusive alliance agreements that represent a cost effective solution to the rising demand for Deepwater services. The Company's mono-hulled DP vessels provide a flexible work platform to launch ROVs and support subsea construction in most weather conditions. Likewise, the Company's MSV, the UNCLE JOHN, has demonstrated its ability to perform certain well completion tasks previously undertaken using more expensive drilling equipment. These vessels in combination with the ROVs acquired from Coflexip allow the Company to control key assets involved in Deepwater subsea construction and field development. Over the last two years, the Company has employed personnel with experience in Deepwater subsea construction and ROV operation. Further, the Company has entered into alliance agreements with a team of specialized contractors that provide access to necessary equipment, technology and services to meet the fast track requirements of Deepwater development activities.

MAJOR PROVIDER OF SATURATION DIVING SERVICES

Cal Dive owns and operates over 50% of the U.S. based SAT DSVs currently operating in the Gulf of Mexico. Saturation diving is required for subsea operations in water depths beyond 300 feet. In recent years there has been an increasing level of construction activity, a trend which is expected to accelerate as development of recently discovered Deepwater fields commences and new Deepwater production is tied into the existing Gulf infrastructure. Management believes that this trend will result in increasing demand for SAT diving services.

LEADER IN SHALLOW WATER SALVAGE OPERATIONS

Since 1989, the Company has established a leading position in the decommissioning and abandonment of facilities in the shallow water Gulf of Mexico. The Company expects the demand for salvage and P&A services to increase. Over 75% of the 3,800 platforms in the Gulf of Mexico are over ten years old and there are approximately 15,000 wells that must ultimately be plugged and abandoned in accordance with government regulations related to the decommissioning of offshore production facilities. During 1996, the Company contracted for and managed, on a turnkey basis, all aspects of the decommissioning and abandonment of several fields for two major oil companies utilizing third party heavy lift derrick barges. These projects involved larger platforms than Cal Dive had historically decomissioned, and represent a service that management expects to expand in the future.

MANAGEMENT OF MATURE NATURAL GAS AND OIL PROPERTIES

The Company formed ERT in 1992 to exploit a market opportunity to provide a more efficient solution to the abandonment of offshore properties, to expand Cal Dive's off season salvage and decommissioning activity and to support full field development projects. The Company has assembled a management team of personnel experienced in geology, reservoir and production engineering and facilities management. The Company has acquired interests in 15 mature producing properties in the last four years, one of which has been plugged and abandoned. Mature properties are generally those properties where decommissioning and abandonment costs are significant relative to the value of remaining natural gas and oil reserves. Cal Dive seeks to acquire properties that it can operate to enhance remaining production, control operating expenses and manage the cost and timing of the decommissioning and abandonment of such properties. Management believes that Cal Dive is the only company acquiring mature properties in the Gulf of Mexico which combines financial strength, reservoir engineering and operations expertise with the availability of company-owned salvage assets, resulting in significant strategic and cost advantages. Since acquiring its initial property in late 1992, the Company has increased estimated proved reserves to approximately 24.6 Bcfe at December 31, 1996.

GROWTH STRATEGY

FOCUS ON THE GULF OF MEXICO

Cal Dive intends to maintain its primary focus on the Gulf of Mexico where the Company is well positioned to respond to rising market demand for services in all water depths, and increasingly to address Deepwater demand. Natural gas and oil exploration, development and production activity levels in the Gulf of Mexico have increased significantly as a result of several factors, including: (i) improvements in exploration technologies such as computer aided exploration and 3D seismic, which have enhanced reservoir mapping, increased drilling success rates and led to entirely new prospects such as the "Subsalt" play; (ii) improvements in subsea completion and production technologies, which have resulted in increased Deepwater drilling and development; (iii) expansion of the region's production infrastructure, which has improved the economics of developing both Deepwater and smaller natural gas and oil fields; and (iv) the short reserve life characteristic of Gulf of Mexico natural gas production, which requires continuous drilling to replace reserves and maintain production. Recent lease sales by the MMS of Gulf of Mexico properties attracted record bidding levels both in terms of the number of leases bid and the amount of capital exposed, including a record level of interest in Deepwater blocks. This has led to new market opportunities as well as increased demand for the Company's traditional marine services, as reflected in both higher vessel utilization rates and operating margins.

CAPTURE A SIGNIFICANT SHARE OF THE DEEPWATER MARKET

As Gulf of Mexico Deepwater developments have created a need for new applications of subsea technology, there is a corresponding need for a new generation of subsea contractor to

develop and deploy that technology. Management, through its Deepwater Technical Services Group, has targeted a market niche in which the Company functions as a focal point in the assembly and delivery of technology required for Deepwater projects. In particular, well completions, subsea installation and infield connection services are more critical in an era of limited availability of Deepwater drilling equipment and hardware. The Company's MSV has the capacity to undertake certain well completion activities, thereby reducing cost to the operator and freeing-up more expensive drilling rig time for drilling operations. Cal Dive has negotiated formal alliance agreements with a number of specialized contractors to provide a full range of services necessary to Deepwater construction projects. These strategic alliances include the recent Coflexip transaction and agreements with Schlumberger, Shell Offshore, Inc., Reading & Bates Development Co., Fugro-McClelland Marine GeoSciences, Inc., Sonat, Inc. and Quality Tubing, Inc. 5Cal Dive is also a preferred installation contractor to Total Offshore Productions Systems ("TOPS"), a company formed by Reading & Bates Development Co. and Intec Engineering, Inc. to conduct Deepwater full field development projects. The objective of Cal Dive's strategy is to increase the proportion of Deepwater field development expenditures captured by Cal Dive while reducing overall costs and project duration for the operator.

CAPITALIZE ON SYNERGIES WITH COFLEXIP

Cal Dive entered into a strategic alliance with Coflexip to strengthen its position in the Deepwater Gulf and to respond to the trend toward full field development services. Management believes that Coflexip and Cal Dive together offer complementary products and services which significantly expand Cal Dive's ability to provide full field development and life of field services. Coflexip is a world leader in the design and manufacture of offshore flexible pipe and umbilicals and is one of the leading subsea construction contractors. Headquartered in Paris, France, Coflexip employs approximately 3,500 employees spread over five continents. In 1996, Coflexip had sales of $945 million and total assets of $1.1 billion at the end of the year.

OFFER FULL FIELD DEVELOPMENT SERVICES

Management believes the significant number of new leases, the number of Deepwater leases due to expire by 2000 and shortages of well completion equipment, drilling rigs and production infrastructure will create a demand for fast track, full field development solutions. Cal Dive's recent acquisitions of assets and its personnel and technical expertise, combined with strategic alliances, put the Company in a strong competitive position to respond to this market need. In addition, the Company intends to apply the technologies and capabilities developed for Deepwater to "midwater" Gulf (500 to 1,000 feet) as a cost effective alternative to fixed platforms.

EXPAND THE COMPANY'S NATURAL GAS AND OIL PRODUCTION

Management believes Cal Dive's reputation in the industry and its size and experience in salvage and remediation work make the Company a preferred buyer of mature natural gas and oil properties. Specifically, customers can sell an offshore property at a reasonable price with the assurance that the offshore property will be decommissioned and abandoned in accordance with regulatory requirements. The Company intends to exploit its recent experience contracting and managing heavy lift salvage to expand the number of mature offshore properties for which the Company will bid. In addition, the Company will continue, on a selective basis, to acquire non-operated working interests in fields where there is the potential of Cal Dive being awarded decommissioning or development work. These fields expand the universe of potential ERT property acquisitions.

THE INDUSTRY

BACKGROUND

The subsea services industry in the Gulf of Mexico originated in the early 1960s to assist natural gas and oil companies with their offshore operations. The industry has grown significantly

since the early 1970s as these companies have increasingly relied upon offshore fields for production. Subsea services are required throughout the economic life of an offshore field and include at various phases the following services, among others:

- EXPLORATION. Pre-installation survey; rig positioning and installation assistance; drilling inspection; subsea equipment maintenance; search and recovery operations.

- DEVELOPMENT. Installation of production platforms; installation of subsea production systems; pipelay support including connecting pipelines to risers and subsea assemblies; pipeline stabilization, testing and inspection; cable and umbilical lay and connection.

- PRODUCTION. Inspection, maintenance and repair of production structures, risers and pipelines and subsea equipment.

- DECOMMISSIONING. Decommissioning and remediation services; plugging and abandonment services; platform salvage and removal; pipeline abandonment; site inspections.

The industry has grown principally due to the economic benefits of new and advanced technologies and custom designed equipment and recently has focused more on Deepwater projects and the integrated "full field development" service concept described below.

FULL FIELD DEVELOPMENT

The Company and its alliance partners can offer oil and gas companies a range of services from subcontracting to complete field development solutions. In offering field development services, Cal Dive and its partners intend to provide a full range of subsea systems and services, from procurement and installation of flowlines, wellheads, control systems, umbilicals and manifolds to installation and commissioning of the complete production system.

Many oil and gas companies prefer to contract with a consortium capable of undertaking major portions or all of an entire field development project. Contracting for engineering, procurement, installation and commissioning ("EPIC") services can relieve a customer of substantially all of the burdens of management of field development and thereby avoid many of the risks inherent in traditional contracting strategies. Field development partnerships can also allow oil and gas companies to increase outsourcing of development work. EPIC contracting for field development projects requires that contractors offer a full range of services to customers. The Company's strategic alliances provide Cal Dive with the necessary capabilities to pursue field development contracts.

OPERATIONS AND EQUIPMENT

SUBSEA CONSTRUCTION VESSELS. Subsea services are typically performed with the use of specialized subsea construction vessels which provide an above water platform that functions as an operational base for divers in water depths up to 1,000 feet and ROVs at all water depths. Distinguishing characteristics of subsea construction vessels include DP systems, SAT diving capabilities, deck space, deck load, craneage and moonpool launching. Deck space, deck load and craneage are important features of the vessel's ability to transport and fabricate hardware, supplies and equipment necessary to complete subsea projects. Vessels with greater deck space and load capacities have the flexibility to service more complex projects in deeper water. A moonpool is a structure built into the center of the vessel, which enables safe and efficient launching of ROVs and SAT diving systems in harsh weather conditions. These characteristics will generally dictate the types of jobs undertaken and the conditions and water depths in which the vessel is capable of working.

DYNAMIC POSITIONING. DP systems allow a vessel to maintain position without the use of anchors, and therefore enhance productivity in extreme weather conditions and are preferred for Deepwater applications. Computer controlled thrusters mounted on the vessel's hull ensure the proper counteraction to wind, current and wave forces to maintain position. Since no anchors are required, risks associated with objects snagging on pipelines or other underwater structures are

minimized. The capabilities provided by the Company's DP vessels have allowed Cal Dive to penetrate new markets and provide additional services to the Deepwater market such as flexible pipelay, well servicing, coring and general field support.

REMOTELY OPERATED VEHICLES. ROVs are robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and at depths for tasks where the use of divers is uncompetitive or impossible. One of the ROVs acquired from Coflexip will be permanently installed on the UNCLE JOHN. The second ROV will be a mobile system working on the other Cal Dive vessels. The Company believes that purchasing ROVs will enable it to better control the quality and cost of its services, replacing the need to rely upon third party equipment and personnel for critical path operations.

SATURATION DIVING. Subsea operations are conducted by manned or unmanned intervention. SAT diving, required at water depths greater than 300 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site. The divers are transferred from the surface to the work site by a diving bell. After completion of the work, the bell is lifted back to the DSV and the divers return to the chamber to be replaced by a new group of divers who are lowered to the job site to continue the work. SAT diving systems allow for continuous operations to be conducted 24 hours a day. The primary advantage of SAT diving is that divers can remain under pressure and make repeated dives for extended periods before beginning decompression. Overall productivity and safety is therefore enhanced due to fewer decompressions, diver continuity and a lower likelihood of delays caused by adverse weather conditions.

SURFACE DIVING. Surface diving is the primary diving technique performed in water depths less than 300 feet. Divers are linked to the surface by a diving umbilical containing compressed air lines and communications equipment. The diver enters the water directly and descends to the work site, accomplishes the prescribed tasks and begins to decompress in the water during a gradual ascent to the surface. The length of time a diver is able to remain at the work site depends upon, and is limited by, the water depth.

The following table summarizes the equipment and techniques primarily used in providing subsea services by water depth:

EQUIPMENT/ TECHNIQUE USED	WATER DEPTH (IN FEET)
Surface Diving	0 to 300
SAT Diving	300 to 1,000
ROVs	All depths
DSVs	0 to 1,000
DP Vessels	Greater than 300

MARINE VESSELS AND EQUIPMENT

The Company owns a fleet of nine vessels. The size of the Company's fleet and its capabilities have increased in recent years with the addition of the WITCH QUEEN, the BALMORAL SEA and the UNCLE JOHN.

Management believes that the Gulf of Mexico market increasingly will require specially designed or equipped vessels to deliver the necessary subsea construction services, especially in the Deepwater. Five of the Company's vessels have been modified to provide saturation diving services. Three of these vessels were specifically upgraded to respond to the emerging Deepwater market.

The table set forth below provides information regarding the strategic features of the Company's vessels.

VESSEL	DATE PLACED IN SERVICE	LENGTH (FEET)	CLEAR DECK SPACE (SQ. FEET)	DECK LOAD (TONS)	ACCOM-MODATIONS	MOONPOOL LAUNCH/ SATURATION DIVING	CRANE
DP MSV:							
Uncle John	11/96	254	25,000	500	102	3	2x 100-ton
DP DSVS:							
Balmoral Sea(2)	9/94	259	3,440	250	60	3	30-ton
Witch Queen	11/95	279	5,000	500	60	3	50-ton
DSVS:							
Cal Diver I	7/84	196	2,400	220	42	3	20-ton
Cal Diver II	7/85	166	1,920	200	36	3	A-Frame
Cal Diver III	8/87	115	1,320	105	18		
Cal Diver IV	10/90	100	1,035	46	16		
Cal Diver V	9/91	166	2,324	490	35		A-Frame
DERRICK BARGE:							
Cal Dive Barge I	8/90	150	NA	200	26		200-ton

VESSEL	CLASSIFI-CATION(1)
DP MSV:	
Uncle John	DNV
DP DSVS:	
Balmoral Sea(2)	DNV
Witch Queen	DNV
DSVS:	
Cal Diver I	ABS
Cal Diver II	ABS
Cal Diver III	ABS
Cal Diver IV	ABS
Cal Diver V	ABS
DERRICK BARGE:	
Cal Dive Barge I	ABS

(1) The Company's DSVs also meet standards for seaworthiness and safety set by the USCG.

(2) This vessel has been operated by the Company under charters from September 1994 to February 1995 and from April 1996 to August 8, 1996, at which time it was acquired by the Company.

Under government regulations and the Company's insurance policies, the Company is required to maintain its vessels in accordance with standards of seaworthiness and safety set by government regulations and classification organizations. The Company maintains its fleet to the standards for seaworthiness, safety and health set by both the American Bureau of Shipping ("ABS"), Det Norske Veritas ("DNV") and the USCG. The ABS is one of several classification societies used by ship owners to certify that their vessels meet certain structural, mechanical and safety equipment standards, including Lloyd's Register, Bureau Veritas and DNV among others.

The Company incurs routine drydock inspection, maintenance and repair costs under USCG Regulations and to maintain ABS or DNV classification for its vessels. In addition to complying with these requirements, the Company has its own vessel maintenance program which management believes permits Cal Dive to continue to provide its customers with well maintained, reliable vessels. In 1995 and 1996, the Company incurred approximately $2.4 million and $3.7 million, respectively, in drydocking, marine inspection and general repair and maintenance costs. See "-- Government Regulation."

In the normal course of its operations, the Company also charters other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels. All of the Company's vessels are subject to ship mortgages. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

COFLEXIP STRATEGIC ALLIANCE

BACKGROUND

As part of the Company's strategy to strengthen its position in the Gulf of Mexico Deepwater and to respond to the growing trend towards integrated contracting of packages of field development services, in April 1997 Cal Dive entered into a strategic alliance with Coflexip. Coflexip is the worldwide leader in the design and manufacture of flexible pipe and umbilicals and is a leading integrated subsea contractor to the offshore oil and gas industry. Deepwater field developments have shifted toward greater use of subsea and floating production systems and away from conventional fixed production platform development systems. As a result, the services and products offered by Companies such as Cal Dive and Coflexip increasingly are required.

The alliance consisted of Coflexip acquiring approximately 32% of the Common Stock of the Company, pursuant to a purchase agreement dated as of April 11, 1997 (the "Purchase Agreement") and entering into the Business Cooperation Agreement. See "Certain Relationships and Related Transactions." In connection with the closing under the Purchase Agreement, Coflexip and the Company entered into certain related agreements, including two-year employment agreements with the Company's nine senior executives, a registration rights agreement, shareholders agreement and amended the Company's Articles of Incorporation and By-Laws. See "Management" and "Description of Capital Stock."

THE BUSINESS COOPERATION AGREEMENT

As part of the transaction, the companies entered into the Business Cooperation Agreement which provides that the parties will form a new entity by June 30, 1997 to which certain assets will be contributed by both parties. The new entity will be governed by a Board of Directors consisting initially of two members (one from each company). Cal Dive and Coflexip will bid each project as a subcontractor to the venture for their respective services. In Cal Dive's case the services will include ROV operations, diving, coiled line pipe installation, umbilical and flexible flowline lay operations, riser installation, well servicing and the provision of DP and other vessels. In Coflexip's case, the services will include flexible flowline lay, product sales (umbilicals, flexible pipe and ROVs), EPIC project design and engineering, reeled and rigid pipelay and providing larger construction vessels. The joint venture will pursue Gulf of Mexico and Caribbean EPIC projects that require at least one Cal Dive service and one Coflexip service, where the aggregate contract value of the combined services involved in the project is at least $25 million, and any such other projects as the parties may agree as being within the intended scope of the joint venture.

COMPLEMENTARY PRODUCTS AND SERVICES

Management believes that Coflexip and Cal Dive offer highly complementary products and services and that the strategic alliance with Coflexip significantly expands Cal Dive's ability to provide full field development and life of field services. The table below illustrates some of the individual strengths, products and services offered by Coflexip and Cal Dive that combined permit them to offer a new approach for Deepwater Gulf Subsea contracting activities:

CAL DIVE

- Significant Gulf market presence
- Deepwater position in the Gulf
- DP vessels
- Spot market turnkey expertise
- Flexible pipe installation
- ROV operation and marketing
- Engineering utilization and marketing
- Well servicing capability: alliance with Schlumberger in the Gulf

COFLEXIP

- Worldwide presence
- Deepwater expertise and credibility
- Large DP construction vessels
- Large project EPIC contractor
- Umbilical and flexible pipe manufacturer
- ROV manufacturer
- Significant subsea engineering group
- Well servicing capability: alliance with Schlumberger in the UK

INFORMATION ON COFLEXIP

Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals, and one of the leading subsea contractors to the offshore oil and gas industry, providing integrated subsea services on large subsea projects throughout the world. Coflexip was established in 1971 to manufacture and market flexible pipe designed by the Institute Francais du Petrole (the "IFP"), a French research and development organization that holds a controlling interest in one of Coflexip's principal shareholders. In December 1994, Coflexip acquired Stena Offshore N.V., a contractor providing subsea services to the oil and gas industry, from Stena International B.V. ("Stena International"), and Stena International became a significant shareholder of Coflexip.

Coflexip targets the subsea production systems segment of the subsea oilfield services industry involving the installation of a wellhead on the seabed rather than on a platform. Subsea productions systems generally require flowlines that are less than 12 inches in internal diameter and less than 20 kilometers in length. This segment corresponds with the Company's technological capabilities and represents its key market.

Coflexip designs and manufactures offshore flexible pipe, a number of products that apply similar technology including umbilicals, and ROVs. Coflexip also performs project management and engineering services in connection with large subsea contracts, installs rigid and flexible pipes, umbilicals and provides a number of related services such as lifting, diving and testing. Its fleet of vessels and equipment is one of the largest and most advanced technologically in the industry.

Coflexip has manufacturing and assembly facilities in five countries and markets its integrated services worldwide. Its principal markets are the North Sea, (UK and Norwegian sectors), offshore Brazil, the Asia-Pacific region and other markets including North America and North and West Africa. Coflexip employs approximately 3,500 employees in five continents and has subsidiaries in France, the United Kingdom, Brazil, Norway, the United States, Australia and India.

STRATEGIC ALLIANCES

Cal Dive has entered into a number of strategic alliances in order to enhance its ability to offer a full range of subsea services including those described below.

ALLIANCE	TYPE OF AGREEMENT	SCOPE OF PROJECT
TOPS	Preferred Provider Agreement	Deepwater projects in the Gulf
Reading & Bates Development Co.	Alliance Agreement	MSV technology and feasibility study of a new build MSV
Schlumberger	Alliance Agreement	Well servicing and testing utilizing DP vessels
Fugro-McClelland Marine Geoscience, Inc.	Performance Contract	Geoscience services and coring work
Quality Tubing, Inc.	Preferred Provider Agreement	Installation of coiled line pipe
Shell Offshore, Inc.	Performance Contracts	Subsea well intervention and research and development of J-lay procedures
Sonat, Inc.	Preferred Provider Agreement	Traditional marine services

DEEPWATER TECHNICAL SERVICES GROUP

The Deepwater Technical Services Group was formed in early 1996 to serve the emerging Deepwater market. It is intended to be a focal point to assemble and deliver the varied technological disciplines required for Deepwater projects. The limited availability of Deepwater rigs makes well completions, subsea installations and infield connection services take on a more critical role. Cal Dive acted to fill a market void by assembling a fleet of proven, dynamically positioned vessels -- a key asset common to the application of Deepwater technologies. The Company's alliances are managed through this group. Services covered by Cal Dive's Deepwater Technical Services Group include geotechnical investigation, turnkey field development, umbilical, controls and flexible pipe installations, well servicing, P&A, subsea tree installation, manifold systems, J-lay infield flowlines, ROV flexible and hard jumper installation by ROVs, subsea piling, pipeline repair systems, catenary and platform risers, and J-tubes.

NATURAL GAS AND OIL OPERATIONS

ERT was formed in 1992 in response to a market opportunity to provide a more efficient solution to offshore abandonment liability and Cal Dive's desire to expand its off-season salvage and decommissioning activity. Within ERT, the Company has assembled experienced personnel with proven track records in geology, reservoir and production engineering as well as offshore facilities management. Cal Dive generates numerous opportunities to acquire mature properties through its established contacts in the industry together with the market's awareness of the Company's comprehensive abandonment management capability. The Company's property analysis utilizes both the expertise of its executives and Cal Dive's years of experience in performing turnkey contracts for decommissioning work. Production is generally sold at prevailing spot market prices in the Gulf of Mexico. In 1994, 1995 and 1996, revenue from natural gas and oil production accounted for 6.1%, 12.7% and 16.1%, respectively, of the Company's total revenues.

The Company's natural gas and oil business has also been successful because of regulatory requirements imposed by the MMS which supervises abandonment of offshore natural gas and oil fields in federal waters. Property owners are required to bond and/or fund the MMS' estimate of the abandonment liability. The Company believes its financial ability to meet the MMS' requirements and its ownership of the required equipment provides it with a competitive advantage over smaller competitors.

To maximize the economic value of its properties, Cal Dive uses its operating expertise to reduce operating costs, maximize production from the properties and minimize the costs of decommissioning and abandonment. This technical expertise would enable Cal Dive to take an equity (reserve) position in conjunction with turnkey field development projects. The Company has acquired interests in 15 mature producing properties in the last five years, ten of which are currently in production and one of which has been plugged and abandoned. Based on the Miller & Lents report, the remaining average useful life of the current properties is approximately 5.6 years based on 1996 production.

The table below sets forth information, as of December 31, 1996, with respect to the Company's estimated net proved reserves and the present value of estimated future net cash flows at such date, as estimated by Miller & Lents. Also see "Risk Factors -- Uncertainty of Estimates of Natural Gas and Oil Reserves."

	TOTAL PROVED
	(DOLLARS IN THOUSANDS)
Estimated Proved Reserves:	
Natural Gas (MMcf).....	24,596
Oil and Condensate (Mbbls).....	124
Future net cash flows before income taxes.....	$ 58,781
Present value of future net cash flows before income taxes.....	$ 48,703
Standardized measure of discounted future net cash flows(1).....	$ 33,805

(1) The standardized measure of discounted future net cash flows attributable to the Company's reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum.

As of December 31, 1996, the Company owned an interest in 48 gross (37.1 net) natural gas wells and one gross (0.5 net) oil well located in federal offshore waters in the Gulf of Mexico. The Company is responsible for the payment of abandonment costs on the natural gas and oil properties pro rata to its working interest. The Company accrues its estimated share of the future abandonment liabilities on the date the applicable property was purchased. As of December 31,

1996, the recorded abandonment liability was approximately $6.0 million. Estimates of abandonment costs and their timing may change due to many factors including production results, inflation rates, and changes in environmental laws and regulations.

CUSTOMERS

The Company's customers are primarily major and independent oil and gas exploration, transportation and marine construction companies operating in the Gulf of Mexico. The level of construction services required by any particular customer depends on the size of that customer's capital expenditure budget devoted to construction plans in a particular year. Consequently, customers that account for a significant portion of contract revenues in one fiscal year may represent an immaterial portion of contract revenues in subsequent fiscal years. The Company estimates that in 1996 it provided subsea services to approximately 100 customers. For the years ended December 31, 1995 and 1996, approximately 21% and 24%, respectively, of the Company's total revenues were attributable to J. Ray McDermott, S.A. The Company's projects are typically of short duration and are generally awarded shortly before remobilization. Accordingly, backlog is not a meaningful indicator of future activities.

MARKETING

Contracts for work in the Gulf of Mexico are typically awarded on a competitive bid basis with customers usually requesting bids on projects several months prior to commencement. The Company maintains a focused marketing effort through a 12-person direct sales force operating from Houston, Texas together with sales offices in Lafayette and New Orleans, Louisiana. Most contracts are awarded on a turnkey basis, but the Company also performs work on a cost-plus or day rate basis, or on a combination of such bases.

The Company sells substantially all of its natural gas under short-term contracts (maximum of one year in duration) at pricing based on spot market indexes. Cal Dive has not engaged in hedging transactions.

COMPETITION

The subsea services industry is highly competitive. Competition for subsea construction work in the Gulf of Mexico has historically been based on the location and type of equipment available, ability to deploy such equipment, the safety and quality of service in recent years and price. While price has been an important factor in obtaining contracts, the ability to acquire specialized vessels, to attract and retain skilled personnel, and to demonstrate a good safety record have also been important competitive factors. The Company's competitors for shallow water projects include American Oilfield Divers, Inc. Subsea International, Global Industries Ltd., Oceaneering International, Inc. as well as a number of smaller companies, some of which only operate a single vessel, that often compete solely on price. For Deepwater projects, Cal Dive's principal U.S. based competitors include Oceaneering International, Inc., Global Industries, Ltd., Subsea International, and J. Ray McDermott, S.A. Other large foreign based subsea contractors, including Stolt Comex Seaway, S.A. have announced their intention to perform services in the Gulf. The Company generally has fewer competitors in Deepwater projects given the more sophisticated vessels and technology required. The Company believes that its ability to provide a full range of services and advanced vessels will generally result in less price competition, higher margins and will enable it to compete effectively, particularly in water depths greater than 300 feet.

The Company also encounters significant competition for the acquisition of producing natural gas and oil properties. Many of the Company's competitors are well-established companies with substantially larger operating staffs and greater capital resources than the Company which, in many instances, have been engaged in the energy business for a much longer time than the Company. The Company's ability to acquire additional properties will depend upon its ability to

evaluate and select suitable properties and to consummate transactions in a highly competitive environment.

TRAINING AND QUALITY ASSURANCE

The Company maintains a stringent safety and quality assurance program. In 1994, the Company devised and instituted a comprehensive revision to its safety program which emphasizes team building by assembling a core group of personnel specifically for each vessel to promote offshore efficiency and safety. Assembling core groups of personnel specifically assigned to each vessel has also reduced recorded incidents. As a result, management believes that the Company's safety programs are among the best in the industry.

FACILITIES

Cal Dive is headquartered at 13430 Northwest Freeway in Houston, Texas. The Company's subsea and marine services operations are based in Morgan City, Louisiana. All of Cal Dive's facilities are leased.

PROPERTY AND FACILITIES SUMMARY

	FUNCTION	SIZE
Houston, Texas	Corporate Headquarters	23,700 square feet
	Project Engineering	
	Account Management	
	Sales Office	
Morgan City, Louisiana	Operations/Docking	3.5 acres
	Warehouse/Offices	10,000 square feet
		4,500 square feet

The Company expects shortly to move to a larger and more modern operating facility near its current facility in Morgan City. The new facility will provide many advantages when compared to the present location including, more room (28.5 acres), more office space (30,000 square feet), more bulkhead (over 1000 feet) for vessel repair and maintenance, new warehouses and mechanics buildings and more parking. This facility is important to enable Cal Dive to manage operations effectively as it continues to grow. The Company also has sales offices in Lafayette and New Orleans, Louisiana.

The Company also expects to move to a new and more modern headquarters in Houston in July 1997. The facility will have over 30,000 square feet and parking to house administrative, project engineering, account management, sales and ERT personnel.

GOVERNMENT REGULATION

Many aspects of the offshore marine construction industry are subject to extensive governmental regulation. The Company is subject to the jurisdiction of the USCG, the Environmental Protection Agency, MMS and the U.S. Customs Service, as well as private industry organizations such as the American Bureau of Shipping.

The Company also supports and voluntarily complies with The Association of American Diving Contractor Standards. The USCG sets safety standards and is authorized to investigate vessel and during accidents and recommend improved safety standards, and the U.S. Customs Service is authorized to inspect vessels at will. As the Company expands its operations to foreign waters, it will also be subject to regulation by other governments.

The Company is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The Company believes that it has obtained or can obtain all permits, licenses and certificates necessary to the

conduct of its business. The Company is subject to regulation by the Maritime Administration, USCG and U.S. Customs Services.

In addition, the Company depends on the demand for its services from the oil and gas industry and, therefore, the Company's business is affected by laws and regulations, as well as changing taxes and policies relating to the oil and gas industry generally. In particular, the development and operation of natural gas and oil properties located on the Outer Continental Shelf ("OCS") of the United States is regulated primarily by the MMS.

The MMS requires lessees of OCS properties to post bonds in connection with the plugging and abandonment of wells located offshore and the removal of all production facilities. Operators in the OCS waters of the Gulf of Mexico are currently required to post an area wide bond of $3 million or $500,000 per producing lease. The Company currently has bonded its offshore leases as required by the MMS. Under certain circumstances, the MMS has the authority to suspend or terminate operations on federal leases for failure to comply with applicable bonding requirements or other regulations applicable to plugging and abandonment. Any such suspensions or terminations of the Company's operations could have a material adverse effect on the Company's financial condition and results of operations.

The Company acquires production rights to offshore mature oil and gas properties under federal oil and gas leases, which the MMS administers. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and orders pursuant to the Outer Continental Shelf Lands Act ("OCSLA") (which are subject to change by the MMS). The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications, and proposed additional safety-related regulations concerning the design and operating procedures for OCS production platforms and pipelines. These latter regulations were withdrawn pending further discussions among interested federal agencies. The MMS also has issued regulations restricting the flaring or venting of natural gas, and has recently proposed to amend such regulations to prohibit the flaring of liquid hydrocarbons and oil without prior authorization. Similarly, the MMS has promulgated other regulations governing the plugging and abandonment of wells located offshore and the removal of all production facilities. Finally, under certain circumstances, the MMS may require any operations on federal leases to be suspended or terminated. Any such suspension or termination could materially and adversely affect the Company's financial condition and operations.

The MMS has also issued a notice of proposed rulemaking in which it proposes to amend its regulations governing the calculation of royalties and the valuation of crude oil produced from federal leases. The proposed rule would modify the valuation procedures for both arm's length and non-arm's length crude oil transactions to decrease reliance on oil posted prices and assign a value to crude oil that better reflects market value, establish a new MMS form for collecting value differential data, and amend the valuation procedure for the sale of federal royalty oil. The Company cannot predict at this stage of the rulemaking proceeding how it might be affected by this amendment to the MMS' regulations.

In April 1997, after two years of study, the MMS withdrew proposed changes to the way it values natural gas for royalty payments that would have established an alternative market-based method to calculate royalties on certain natural gas sold to affiliates or pursuant to non-arm's length sales contracts.

Historically, the transportation and sale for resale of natural gas in interstate commerce have been regulated pursuant to the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 (the "NGPA"), and the regulations promulgated thereunder by the Federal Energy Regulatory Commission (the "FERC"). In the past, the federal government has regulated the prices at which gas and oil could be sold. While sales by producers of natural gas, and all sales of crude oil, condensate, and natural gas liquids can currently be made at uncontrolled market prices, Congress could reenact price controls in the future. Deregulation of wellhead sales in the natural gas industry

began with the enactment of the NGPA. In 1989, the Natural Gas Wellhead Decontrol Act was enacted. This act amended the NGPA to remove both price and non-price controls from natural gas sold in "first sales" as of January 1, 1993.

Commencing in April 1992, the FERC issued Order Nos. 636, 636-A, 636-B and 636-C (collectively, "Order No. 636"), which, among other things, require interstate pipelines to "restructure" to provide open-access transportation separate or "unbundled" from the pipelines' sales of gas. Order No. 636 further requires pipelines to provide open-access transportation on a basis that is equal for all gas supplies. Order No. 636 could subject the Company to more restrictive pipeline imbalance tolerances and greater penalties for violations of those tolerances. The Company does not believe, however, that it will be affected by Order No. 636 materially differently than other natural gas producers, gatherers and marketers with which it competes.

In July 1996, the United States Court of Appeals for the District of Columbia Circuit largely upheld Order No. 636. Certain issues as well as individual pipeline restructuring proceedings are still subject to judicial review, and upon judicial review, the FERC's orders may be remanded or reversed in whole or part. Consequently, it is difficult to predict Order No. 636's ultimate effects.

Additional proposals and proceedings that might affect the oil and gas industry are pending before various federal and state regulatory agencies and the courts. The Company cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the regulatory approach currently pursued by the FERC will continue indefinitely. Notwithstanding the foregoing, the Company does not anticipate that compliance with existing federal, state and local laws, rules, and regulations will have a material effect upon the capital expenditures, earnings, or competitive position of the Company.

ENVIRONMENTAL REGULATIONS

The Company's operations are subject to a variety of federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations to implement and enforce such laws which are often difficult and costly to comply with and which carry substantial penalties for failure to comply. For example, state and federal agencies have issued rules and regulations pursuant to environmental laws that regulate environmental and safety matters, including restrictions on the types, quantities, and concentration of various substances that can be released into the environment in connection with production and abandonment activities and remedial measures to prevent pollution from current and former operations. Federal environmental laws include, without limitation, the Clean Water Act, the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), OCSLA and the Oil Pollution Act of 1990 ("OPA"). See "Risk Factors -- Government Regulation."

The Clean Water Act imposes strict controls on the discharge of pollutants into the navigable waters of the U.S., and imposes potential liability for the costs of remediating releases of petroleum and other substances. The Clean Water Act provides for civil, criminal and administrative penalties for any unauthorized discharge of oil and other hazardous substances in reportable quantities and imposes substantial potential liability for the costs of removal, remediation and damages. Many states have laws which are analogous to the Clean Water Act and also require remediation of accidental releases of petroleum in reportable quantities in state waters. The Company's vessels routinely transport diesel fuel to offshore rigs and platforms, and also carry diesel fuel for their own use. The Company's supply boats transport bulk chemical materials used in drilling activities, and also transport liquid mud which contains oil and oil by-products. In addition, offshore facilities and vessels operated by the Company have facility and vessel response plans to deal with potential spills of oil or its derivatives.

RCRA regulates the generation, transportation, storage and disposal of hazardous and non-hazardous wastes, and requires states to develop programs to ensure the safe disposal of wastes. The Company generates non-hazardous wastes and small quantities of hazardous wastes in connection with routine operations, and while certain of its onshore waste handling practices may require upgrading, management believes that the wastes it generates are generally handled in substantial compliance with RCRA and analogous state statutes.

CERCLA contains provisions dealing with remediation of releases of hazardous substances into the environment and imposes liability without regard to fault or the legality of the original conduct, on certain classes of persons including owners and operators of contaminated sites where the release occurred and those companies who transport, dispose of or who arrange for disposal of hazardous substances released at the sites. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, companies that incur CERCLA liability frequently also confront third party claims because it is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Although the Company handles hazardous substances in the ordinary course of business, the Company is not aware of any hazardous substance contamination for which it may be liable.

OCSLA provides the federal government with broad discretion in regulating the release of offshore resources of natural gas and oil production as well as regulating safety and environmental protection applicable to lessees and permittees operating in the OCS. Specific design and operational standards may apply to OCS vessels, rigs, platforms, vehicles and structures. Violations of lease conditions or regulations issued pursuant to OCSLA can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and cancellation of leases. Because the Company's operations rely on offshore oil and gas exploration and production, if the government were to exercise its authority under OCSLA to restrict the availability of offshore oil and gas leases, such an action could have a material adverse effect on the Company's financial condition and the results of operations. As of this date, the Company is not the subject of any civil or criminal enforcement actions under OCSLA.

OPA imposes a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. A "responsible party" includes the owner or operator of a facility or vessel, or the lessee or permittee of the area in which an offshore facility is located. OPA assigns liability to each responsible party for oil spill removal costs and a variety of public and private damages from oil spills. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill is caused by gross negligence or willful misconduct, if the spill resulted from violation of a federal safety, construction, or operating regulation, or if a party fails to report a spill or to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA for oil spills. The failure to comply with these requirements or inadequate cooperation in a spill event may subject a responsible party to civil or criminal enforcement actions. Management of the Company is currently unaware of any oil spills for which the Company has been designated as a responsible party under OPA and that will have a material adverse impact on the Company or its operations. OPA also imposes ongoing requirements on facility operators, such as the preparation of an oil spill contingency plan. The Company is in the process of updating such plans.

OPA, as recently amended in 1996, requires the lessee or permittee of the offshore area in which an oil or natural gas facility is located and which has a "worst case" oil spill discharge potential of more than 1,000 barrels of oil to establish and maintain evidence of financial responsibility in amounts ranging from $10.0 million in specified state waters to $35.0 million in federal OCS waters to cover liabilities related to an oil spill for which such person is statutorily responsible. Higher amounts of financial responsibility, up to $150.0 million, will be required in certain limited

circumstances where the MMS believes such a level is justified by the risks posed by the quantity or quality of oil that is handled by the facility. On March 25, 1997, the MMS proposed regulations to implement these financial responsibility requirements. Under the proposed regulations, the amount of financial responsibility required for a facility would depend on the worst case oil spill discharge volume calculated for the facility. For an offshore facility in OCS waters, worst case discharge volumes of up to 35,000 barrels will require a financial responsibility demonstration of $35.0 million, while worst case discharge volumes in excess of 35,000 barrels will require demonstrations ranging from $70.0 million to $150.0 million, depending on the worst case volume. Similarly, for an offshore facility in specified state waters, volumes of up to 10,000 barrels require a financial responsibility demonstration of $10.0 million, while worst case discharge volumes in excess of 10,000 barrels but not more than 35,000 barrels will require demonstrations of $35.0 million, and worst case discharge volumes in excess of 35,000 barrels will require demonstrations ranging from $70.0 million to $150.0 million, depending on the worst case volume. The Company cannot predict whether these financial responsibility requirements under the OPA amendment or proposed rule will result in the imposition of substantial additional annual costs to the Company in the future or otherwise materially adversely affect the Company, but the impact is not expected to be any more burdensome to the Company than it will be to other similar situated companies involved in oil and gas explorations and production in the Gulf of Mexico.

OPA also requires owners and operators of vessels over 300 gross tons to provide the U.S. Coast Guard with evidence of financial responsibility to cover the cost of cleaning up oil spills from such vessels. The Company currently owns and operates five vessels over 300 gross tons. Satisfactory evidence of financial responsibility has been provided to the U.S. Coast Guard for all of the Company's vessels.

While certain of its onshore waste handling practices may require upgrading, management believes the Company is in compliance in all material respects with all applicable environmental laws and regulations to which it is subject. The Company does not anticipate that compliance with existing environmental laws and regulations will have a material effect upon the capital expenditures, earnings or competitive position of the Company.

INSURANCE AND LITIGATION

The Company's operations are subject to the inherent risks of offshore marine activity including accidents resulting in personal injury and the loss of life or property, environmental mishaps, mechanical failures and collisions. The Company insures against these risks at levels consistent with industry standards. The Company believes its insurance is adequate to protect it against, among other things, the cost of replacing the total or constructive total loss of its vessels. The Company also carries workers' compensation, maritime employer's liability, general liability and other insurance customary in its business. All insurance is carried at levels of coverage and deductibles that the Company considers financially prudent.

The Company's services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could result, and litigation arising from such an event may result in the Company being named a defendant in lawsuits asserting large claims. To date, the Company has been involved in no such catastrophic lawsuit. Although there can be no assurance that the amount of insurance carried by Cal Dive is sufficient to protect it fully in all events, management believes that its insurance protection is adequate for the Company's business operations. A successful liability claim for which the Company is underinsured or uninsured could have a material adverse effect on the Company.

The Company is involved in various legal proceedings primarily involving claims for personal injury under the General Maritime Laws of the United States and the Jones Act as a result of alleged negligence. The Company believes that the outcome of all such proceedings, even if

determined adversely, would not have a material adverse effect on its business or financial condition.

EMPLOYEES

Cal Dive relies on the quality and skill of its workforce and has successfully hired, trained, and retained highly skilled managers and divers. As of March 31, 1997, the Company had 385 employees, 93 of which were salaried. None of the Company's employees belong to a union or are employed pursuant to any collective bargaining agreement or any similar arrangement. Management believes that the Company's relationship with its employees is excellent. Of the Company's employees, 19 persons own shares of the Company's Common Stock and 37 other employees hold options to acquire Common Stock under the Company's 1995 Long Term Incentive Plan.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth certain information as of the date of this Prospectus with respect to the executive officers, directors and certain other senior officers of the Company:

NAME	AGE	POSITION WITH THE COMPANY
Gerald G. Reuhl	46	Chairman and Director
Owen Kratz	44	President, Chief Executive Officer and Director
S. James Nelson	55	Executive Vice President, Chief Financial Officer and Director
Andrew C. Becher	51	Senior Vice President and General Counsel
Louis L. Tapscott	58	Senior Vice President -- Business Development
Jon M. Buck	39	Vice President -- Sales
Randall W. Drewry	50	Vice President -- Bids and Proposals
Kenneth Duell	46	Vice President -- Special Projects
Michael P. Middleton	40	Vice President -- Operations
Terrell W. (Jack) Reedy	55	Vice President -- Safety
Lyle K. Kuntz	45	President, ERT
Gordon F. Ahalt	68	Director
Thomas M. Ehret	45	Director
Jean-Bernard Fay	51	Director
Gerald M. Hage	49	Director
David H. Kennedy	47	Director
William E. Macaulay	51	Director
Kevin L. Peterson	40	Director

EXECUTIVE AND OTHER SENIOR OFFICERS

GERALD G. REUHL has served as the Company's Chairman of the Board since 1990 and Chief Executive Officer from 1988 until April of 1997. From 1986 to 1988, Mr. Reuhl managed the Company's Domestic Diving Division, and from 1980 to 1986, he held a variety of management positions within both the domestic and international divisions of the Company. Mr. Reuhl joined the Company as a diver in 1975.

OWEN KRATZ has served as the Company's Chief Executive Officer since April 1997, President since 1993 and Chief Operating Officer and director since 1990. He joined the Company in 1984 and has held various offshore positions, including SAT diving supervisor, and management responsibility for client relations, marketing and estimating. From 1982 to 1983, Mr. Kratz was the owner of an independent marine construction company operating in the Bay of Campeche. Prior to 1982, he was a supervisor for various international diving companies and a SAT diver in the North Sea.

S. JAMES NELSON, JR., has served as Executive Vice President, Chief Financial Officer and a director of the Company since 1990. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., the former parent of Cal Dive, at which time he had corporate responsibility for the Company. From 1980 to 1985, Mr. Nelson served as Chief Financial Officer of Apache Corporation, an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen & Co., and from 1976 to 1980, he was a partner serving on the firm's worldwide oil and gas industry team. Mr. Nelson received his undergraduate degree from Holy Cross College (B.S.) in 1964 and a masters in business administration (M.B.A.) from Harvard University in 1966.

ANDREW C. BECHER has served as Senior Vice President and General Counsel of the Company since January 1996. Mr. Becher served as outside general counsel for the Company from 1990 to 1996, while a partner with Robins, Kaplan, Miller & Ciresi. From 1987 to 1990, Mr. Becher served as Senior Vice President of Dain Bosworth, Inc., a Minneapolis-based investment banking firm. From 1976 to 1987, he was a partner specializing in mergers and acquisitions with the law firm of Briggs and Morgan. Mr. Becher received his undergraduate degree from Purdue University (B.S.) in 1968 and his law degree from the University of Illinois in 1971.

LOUIS L. TAPSCOTT joined the Company as Senior Vice President of Business Development in August 1996. From 1992 to 1996, he was a Senior Vice President for Sonsub International, Inc., a company which operates a deepwater fleet of ROVs. From 1984 to 1988, he was a director and Chief Operating Officer of Oceaneering International, Inc. Mr. Tapscott has over thirty years of executive management and operational experience working with subsea contractors and subsea technology organizations in the United States and internationally.

JON M. BUCK has served as the Company's Vice President of Sales since August 1996 and as Sales Coordinator since 1994. From 1987 to 1994, Mr. Buck served as one of the Company's Account Managers. Prior to 1987, he held various positions in the hyperbaric welding and sales groups of SubSea International, Inc.

RANDALL W. DREWRY has served as the Company's Vice President of Bids and Proposals since 1992. He has held a number of management positions since joining the Company in 1980 and was responsible for custom designing the CAL DIVER I in 1984. Mr. Drewry has 24 years of experience in the industry as a diver, project manager, marine manager and sales coordinator and is a specialist in pipeline construction and saturation project specifications.

KENNETH DUELL joined Cal Dive in November of 1994 and was appointed Vice President -- Special Projects in November 1996. From 1989 to 1994, he helped run a modular refining systems business development in Central Asia. From 1974 to 1988, he held various positions with Santa Fe International, including the ROV and diving division. Mr. Duell has over 22 years of worldwide experience in all aspects of the onshore and offshore construction and diving industry.

MICHAEL P. MIDDLETON has served as the Company's Vice President of Operations since 1991. Since joining the Company in 1981, Mr. Middleton has held a number of offshore and management positions, including dive tender, diver, diving superintendent, diving personnel manager, marine operations manager and general manager.

TERRELL W. (JACK) REEDY has been the Company's Vice President of Safety since 1991, becoming Vice President of Safety and Training in 1994. Prior to joining the Company in 1990, Mr. Reedy worked for McDermott International, Inc. as a diving supervisor and in offshore operations and the safety area. Prior thereto, he served in the United States Navy as a SAT diver, a diving medical technician and a member of the Experimental Diving Unit.

LYLE K. KUNTZ has served as President of the Company's subsidiary, Energy Resource Technology, Inc., since its inception in 1992. Prior to forming ERT, Mr. Kuntz spent 17 years with ARCO Oil and Gas Co. in a broad range of senior engineering and management positions.

GORDON F. AHALT has served on the Company's Board of Directors since July 1990 and has extensive experience in the oil and gas industry. Since 1982, Mr. Ahalt has been the President of GFA, Inc., a petroleum industry management and financial consulting firm. From 1979 to 1982, he served as Senior Vice President and Chief Financial Officer of Ashland Oil Company. Prior thereto, Mr. Ahalt spent a number of years in executive positions with Chase Manhattan Bank.

WILLIAM E. MACAULAY has served on the Company's Board of Directors since January 1995. Since 1983, Mr. Macaulay has served as President and Chief Executive Officer of First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors. Mr. Macaulay serves as a director of Weatherford Enterra, Inc., an oilfield service company, Maverick Tube Corporation, a manufacturer of steel pipe and casing, Transmontaigne Oil Company, an oil products distribution and refining company, Hugoton Energy Corporation, an independent oil and gas exploration and product company and National-Oilwell Inc., a manufacturer and distributor of oil field equipment.

DAVID H. KENNEDY has served on the Company's Board of Directors since January 1995 and has more than 20 years of experience in the oil and gas industry. Since 1981, Mr. Kennedy has served as Managing Director of First Reserve Corporation. From 1971 to 1981, he was with Price Waterhouse & Co. where his responsibilities included tax and audit services for major energy companies. Mr. Kennedy is a director of Maverick Tube Corporation, a manufacturer of steel pipe and casing and of Berkley Petroleum Corporation, Pursuit Resources Corporation and Burner Exploration Ltd., three Canadian exploration and production companies.

GERALD M. HAGE has served on the Company's Board of Directors since January 1995. Since 1995, Mr. Hage has served as President and Chief Executive Officer of Phoenix Energy Services, Inc., and from 1993 to 1994, he was President and Chief Executive Officer of Total Energy Services, Inc., which was later merged into Enterra Corporation. From 1991 to 1993, Mr. Hage served as President and Chief Executive Officer of First Reserve Energy Services Co. From 1981 to 1991, he held a number of senior management positions with Baker Hughes, Incorporated. including President and Chief Executive Officer of Baker Oil Tools and President, Chief Executive Officer, Vice President of Manufacturing and Vice President of Operations for Baker Tubular Services.

THOMAS M. EHRET has served on the Company's Board of Directors since April 1997. Mr. Ehret has been the Senior Executive Vice President of Coflexip since 1996 and Chief Operating Officer and director since 1995. From 1989 through 1994, Mr. Ehret served as Chief Executive Officer with Stena Offshore Group based in Aberdeen, Scotland.

JEAN-BERNARD FAY has served on the Company's Board of Directors since April 1997. Mr. Fay has been Chief Financial Officer of Coflexip since 1997, and from 1990 to 1996 was Group Vice President -- Finance and Administration. From 1986 to 1990, he was a Managing Director with SCOR, a French reinsurance group.

Kevin L. Peterson has served on the Company's Board of Directors since April 1997. Mr. Peterson has been the President and Chief Executive Officer of Coflexip Stena Offshore since January 1997. From 1990 to the present, Mr. Peterson has served as the President and Chief Executive Officer of Perry Tritech, Inc., a wholly-owned subsidiary of Coflexip.

The Company's Bylaws provide for the Board of Directors to be divided into three classes of directors with each class to be as nearly equal in number of directors as possible, serving staggered three-year terms. The terms of the Class I directors, Owen Kratz, Gerald M. Hage and Thomas M. Ehret, will expire in 1998. The terms of the Class II directors, William E. Macaulay, Gerald G. Reuhl, Gordon F. Ahalt and Jean-Bernard Fay will expire in 1999. The terms of the Class III directors, David H. Kennedy, S. James Nelson and Kevin L. Peterson will expire in 2000. Each director serves until the end of his term or until his successor is elected and qualified. See "Description of Capital Stock -- Certain Anti-Takeover Provisions."

COMMITTEES

As authorized by the Company's By-Laws (and as provided in the Shareholders Agreement (defined below)) the Board has established the following four committees: (i) a five-member Executive Committee comprised of one First Reserve director, one Coflexip director, one independent director and two directors appointed by management (one of whom shall be the Chairman of the Board) which, when the Board is not in session, shall exercise such power and authority of the Board in the management of the business of the Company pursuant to the unanimous vote of such Committee as the Board may from time to time authorize, (ii) a four-member Audit Committee comprised of one First Reserve director, one Coflexip director and two independent directors, which shall consult with the independent public auditors of the Company in connection with such auditors' audit and review of the financial statements of the Company and shall consult with the Company's Chief Financial Officer and staff in connection with the preparation of the Company's financial statements, subject to such limitations as the Board may from time to time impose; (iii) a five-member Compensation Committee comprised of one First Reserve director, one Coflexip director, one director appointed by management and two independent directors, which shall administer awards under any Stock Option Plan and shall evaluate and make recommendations with respect to the compensation arrangements of executive officers of the Company, subject to such limitations as the Board may from time to time impose; and (iv) a three-member Nominating Committee comprised of one First Reserve director, one Coflexip director and one director appointed by management, which shall be responsible for searching for and selecting nominees to serve as independent directors from a list of acceptable potential nominees prepared by the First Reserve director and Coflexip director with the advice of the director appointed by management, from which list the director appointed by management shall select a nominee.

COMPENSATION OF DIRECTORS

The Company has agreed to pay its independent directors each an annual retainer which totals $20,000. All directors are reimbursed for reasonable out-of-pocket expenses incurred to attend Board and committee meetings.

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the cash compensation paid or accrued for services rendered in all capacities to the Company in 1996, to the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company (the "Named Executives").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	1996 ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS
	SALARY	BONUS	OTHER ANNUAL COMPENSATION (1)	OPTIONS
Lyle K. Kuntz..... President, ERT	$ 102,920	$ 408,586	$ 3,750	--
Gerald G. Reuhl..... Chairman and Chief Executive Officer, Cal Dive	146,000	146,000	3,650	--
Owen Kratz (2)..... President and Chief Operating Officer, Cal Dive	163,200	163,200	3,750	--
S. James Nelson..... Executive Vice President and Chief Financial Officer, Cal Dive	128,300	128,300	3,208	--
Randall W. Drewry..... Vice President -- Bids and Proposals, Cal Dive	101,750	67,581	2,544	--

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(1) Represents the Company's matching contribution to the Company's 401(k) Plan.
(2) Owen Kratz became Chief Executive Officer in April 1997.

Except as indicated above, no stock options were granted to the Named Executives during 1996 or 1997 and none of these individuals exercised a stock option during 1996 or 1997.

Each of the Company's three principal executive officers, Gerald G. Reuhl, Owen Kratz and S. James Nelson has entered into a two-year employment agreements with the Company. These agreements provide, among other things, that until the later of April 11, 2002 or the first or second anniversary date of termination of the executive's employment with the Company (depending on the event of termination), the executive shall not, directly or indirectly either for himself or any other individual or entity, participate in any business which engages or which proposes to engage in the business of providing diving services in the Gulf of Mexico or any other business actively engaged in by the Company on the date of termination of employment, so long as the Company continues to make payments to such executive, including his base salary and insurance benefits received by senior executives of the Company. In connection with the Coflexip transaction, the Company also entered into employment agreements with six of the Company's other senior officers substantially similar to the above agreements.

COMPENSATION PURSUANT TO PLANS

BONUS PLAN

Cal Dive has established three types of bonus compensation plans, each of which is based on the Company's performance. The first bonus plan applies to the three principal executive officers and is determined by the Compensation Committee. The second bonus plan applies to subsea operating and administrative personnel. This plan affords covered project management and sales personnel the ability to participate in a bonus pool division if gross profits exceeds specified targets and allows operating and administrative personnel to earn up to 50% of their base salaries. The third plan is applicable to the three principal employees of ERT and provides for a bonus of between 1% to 10% of net income before taxes of ERT up to a maximum total of 15% of such net income.

PROFIT SHARING AND RETIREMENT PLAN

The Company's Retirement Plan (the "Retirement Plan") is a 401(k) savings plan. The Retirement Plan permits each employee to become a participant in the savings plan feature on

January 1, April 1, July 1, or October 1 following the employee's completion of 90 consecutive days of employment.

Under the Retirement Plan, each active participant may elect, subject to certain limitations required by law, to defer payment of from 1% to 15% of his or her compensation. Upon such an election, the Company contributes such deferred amounts to the Retirement Plan on behalf of such participant. Such contributions to the 401(k) savings plan are invested according to the instructions of the participant in investment funds designated by the plan administrator. Subject to reduction or elimination based on its financial performance and needs as described in the Plan, the Company's contributions are determined annually as 50% of each employee's contribution (up to a maximum of 5% of the employee's annual salary).

Employee contributions to the 401(k) savings plan and earnings thereon are 100% vested at all times. Contributions by the Company to the profit sharing feature, and earnings thereon, vest based on the participant's years of service with the Company, vesting 20% after two years of service, increasing to 50% with three years of service, and becoming 100% vested following four years of service. All contributions vest, regardless of years of service, upon termination of employment by reason of death or disability, attainment of age 65 or the termination or discontinuance of the Retirement Plan. After termination of employment, an employee is entitled to receive a lump-sum distribution of his or her entire vested interest in the Retirement Plan.

STOCK OPTION PLAN

The Company's 1995 Long Term Incentive Plan, as amended (the "Stock Option Plan") is administered by the Board and provides for grants of incentive and nonqualified options as defined by the Internal Revenue Code of 1986, as amended, to employees as determined by the Compensation Committee. The Stock Option Plan provides that options for a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted. No options may be granted under the Stock Option Plan after October 2005. Options granted to employees under the Stock Option Plan have a maximum term of five years and, subject to certain exceptions, are not transferable.

The number and exercise price of options granted to employees will be determined by the Compensation Committee; provided, however, that (i) the exercise price of an incentive option may not be less than the fair market value of the shares subject to the option on the date of the grant, and (ii) the exercise price of a non-qualified option may not be less than 85% of the fair market value of the shares subject to the option on the date of the grant. The Stock Option Plan provides that, upon a change of control, the options immediately vest and become exercisable.

To date, options to purchase approximately 911,500 shares of Common Stock at exercise prices ranging from $4.50 to $9.50 have been granted to 34 employees.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the period from 1991 to 1994, the Company loaned $150,000 to each of S. James Nelson and Owen Kratz. These loans bore an interest rate of 1.5% above the prime rate per annum and were repaid in full in July 1995. The Company believes the terms of the loans with Messrs. Nelson and Kratz were at least as favorable as could have been obtained from unaffiliated third parties.

DESCRIBED BELOW ARE CERTAIN RELATED AGREEMENTS. THE FOLLOWING DESCRIPTIONS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE COMPLETE TEXT OF THE RELEVANT AGREEMENTS, COPIES OF WHICH ARE FILED AS EXHIBITS TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART AND ARE INCORPORATED BY REFERENCE HEREIN.

PURCHASE AGREEMENT

On April 11, 1997, the Company, the Selling Shareholders, Messrs. Reuhl, Kratz and Nelson and certain other shareholders of the Company entered into an agreement with Coflexip pursuant to which (i) the Company sold to Coflexip 528,541 shares of Common Stock and (ii) certain shareholders of the Company, including Messrs. Reuhl, Kratz and Nelson, sold to Coflexip 3,171,247 shares of Common Stock, all at a purchase price of $9.46 per share for an aggregate price of $35 million (the "Purchase Agreement"). For issuing Common Stock to Coflexip, the Company received $5 million in consideration, consisting of two heavy work class construction ROVs. Among other terms of the Purchase Agreement, the Company was required to make a number of specific representations, warranties and covenants about its business, capital structure, assets and liabilities. Individual selling shareholders were required to make separate representations. The Company and Coflexip also agreed to indemnify each other against certain claims and liabilities arising in connection with the transaction for a minimum of three years for up to the amount of consideration transferred for shares, in the case of the Company, or for value assets transferred, in the case of Coflexip.

SHAREHOLDERS AGREEMENT

COMPOSITION OF THE BOARD

Pursuant to the Shareholders Agreement, the Board will consist of 11 members. The Company will include, as nominees for the Board, nine directors, three from Coflexip, three from First Reserve and three from the Company's senior management. In addition, the Board will nominate two additional directors by a majority vote of the entire Board, to serve in separate classes. The Shareholders Agreement provides that the Company will nominate and use its best efforts to take all necessary action to elect to the Board the individuals required to be nominated for election as directors.

RIGHT OF FIRST OFFER

The Shareholders Agreement provides that the Company will not enter into any agreement (i) to sell the Company (ii) to retain an advisor to sell the Company or (iii) to pursue any acquisition in excess of 50% of the Company's market capitalization (based on the 30-day average trading value of the Common Stock) without first notifying Coflexip in writing and providing Coflexip with the right to acquire the Company without first notifying Coflexip in writing and providing Coflexip (including its affiliates) the opportunity to consummate an acquisition on terms substantially equivalent to any proposal. If Coflexip does not notify the Company of its intent to pursue a transaction within 15 days of the notice (the "Notice Period"), the Board will have the right to pursue the transaction.

If Coflexip elects to pursue an acquisition of the Company, the Company will take no further action with respect thereto for 120 days from the date of Coflexip's notice. If Coflexip does not pursue an acquisition of the Company, Coflexip has the right to acquire the Company's interest in the joint venture formed pursuant to the Business Cooperation Agreement by providing notice within the Notice Period. The purchase price for the joint venture shall be based on a valuation prepared by an independent appraiser appointed by the Board. Coflexip retains the foregoing rights to acquire the Company or the joint venture so long as it owns at least five percent of the Company's Common Stock.

LIMITED PREEMPTIVE RIGHTS

The Shareholders Agreement provides that, except under limited circumstances (including issuances of securities under stock option plans or in connection with acquisitions), the Company shall provide preemptive rights to acquire the Company's securities to each of Coflexip, First Reserve and the Executive Directors. In the event of any public offering (other than this Offering),

Coflexip and First Reserve shall have the opportunity to acquire their pro rata share unless the managing underwriters for such offering believe it would affect the marketability of such offering.

LIMITATIONS ON TRANSFERS

The Shareholders Agreement contains certain customary transfer restrictions that prohibit the parties from transferring any Common Stock, except for certain permitted transfers.

BUSINESS COOPERATION AGREEMENT

In connection with the Purchase Agreement, the Company and Coflexip entered into a Business Cooperation Agreement pursuant to which, by June 30, 1997, the parties intend to form an entity to pursue opportunities with the offshore oil and gas industry in the Gulf and the Caribbean exceeding $25 million in value and meeting certain other criteria. For further information, see "Business -- Coflexip Strategic Alliance."

REGISTRATION RIGHTS AGREEMENTS

In January 1995, the Company entered into an agreement pursuant to which it sold an aggregate of 3,795,393 shares of Common Stock to the Selling Shareholders at a purchase price of $4.50 per share. In connection with the purchases of such shares of Common Stock, each of the Selling Shareholders entered into a registration rights agreement with the Company and Gerald G. Reuhl, Owen Kratz, S. James Nelson and the other shareholders of the Company providing for demand and "piggyback" registration rights with respect to such shares.

In connection with the Purchase Agreement, the Company and Coflexip entered into a Registration Rights Agreement providing for demand and "piggyback" registration rights with respect to such shares.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information as of April 30, 1997, with respect to the beneficial ownership of Common Stock by (i) each shareholder of the Company who owns more than 5% of the outstanding stock, (ii) each director of the Company, (iii) each of the Named Executives, (iv) all directors and executive officers as a group and (v) each Selling Shareholder.

	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1)		SHARES BEING	SHARES BENEFICIALLY OWNED AFTER OFFERING(1)(2)	
NAME	NUMBER	PERCENT	OFFERED	NUMBER	PERCENT
Gerald G. Reuhl(3)(4).....	1,054,001	9.1%		1,054,001	
Owen Kratz(3)(4).....	1,440,929	12.4		1,440,929	
S. James Nelson(3).....	367,393	3.2		367,393	
Lyle K. Kuntz.....	--	*		--	
Randall W. Drewry.....	65,773	*		65,773	
Gordon F. Ahalt(5).....	35,000	*		35,000	
First Reserve Corporation(6).....	4,492,548	38.6			
William E. Macaulay(7).....	--	*			
Gerald M. Hage(8).....	22,000	*		22,000	
Thomas M. Ehret.....	--	*			
Jean-Bernard Fay.....	--	*			
Kevin L. Peterson.....	--	*			
First Reserve Fund VI(9)...	2,156,421	18.5			
First Reserve Fund V(9)....	1,527,472	13.1			
First Reserve Fund V-2(9).....	449,252	3.9			
First Reserve Secured Energy Assets Fund(9)....	359,403	3.1			
Coflexip(10).....	3,699,788	31.8		3,699,788	
All directors and executive officers as a group (18 persons)(11).....	7,477,644	67.2			

* Less than 1%.

(1) Unless otherwise indicated, the persons listed in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The number of shares of Common Stock deemed outstanding after this Offering includes million shares of Common Stock being offered for sale by the Company in this Offering.

(3) The address of each executive officer is 13430 Northwest Freeway, Suite 350, Houston, Texas 77040.

(4) Messrs. Reuhl and Kratz are parties to an option agreement pursuant to which Mr. Kratz can purchase up to 168,350 shares of Common Stock from Mr. Reuhl. If such option were exercised in full, Messrs. Reuhl and Kratz would own and shares of Common Stock, respectively, after the Offering.

(5) Does not include 22,000 shares issuable upon exercise of options held by

Mr. Ahalt.

(6) The address of First Reserve Corporation is 475 Steamboat Rd., Greenwich, Connecticut 06830. The 4,492,548 shares indicated as beneficially owned by First Reserve Corporation are owned of record by First Reserve Fund VI Limited Partnership, First Reserve Fund V, Limited Partnership, First Reserve Fund V-2 Limited Partnership and First Reserve Energy Assets Fund, Limited Partnership, of which First Reserve Corporation is the sole general partner and as to which it possesses sole voting and investment power. Through their ownership of common stock of First Reserve Corporation, Messrs. Macaulay and John A. Hill may be deemed to share beneficial ownership of the shares shown as beneficially owned by First Reserve Corporation. Messrs. Macalulay and Hill disclaim beneficial ownership of such shares of Common Stock.

(7) Does not include any shares of Common Stock beneficially owned by First Reserve Corporation.

(8) Includes 22,000 shares issuable upon exercise of options held by Mr. Hage.

(9) The address of First Reserve Fund VI, First Reserve Fund V, First Reserve Fund V-2 and First Reserve Secured Energy Assets Fund is c/o First Reserve Corporation, 475 Steamboat Road, Greenwich, Connecticut 06830.

(10) The address of Coflexip is 23 Avenue de Neuilly, 75116 Paris, France.

(11) Includes shares issuable upon exercise of options to directors and executive officers.

DESCRIPTION OF CAPITAL STOCK

Cal Dive's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") provide for authorized capital stock of 60,000,000 shares of Common Stock, no par value per share, of which shares will be outstanding upon completion of this Offering, and 5,000,000 shares of Preferred Stock, $.01 par value per share ("Preferred Stock"), of which no shares will be outstanding upon completion of this Offering. The following summary description of the capital stock of the Company is qualified in its entirety by reference to the Amended and Restated Articles of Incorporation and the Company's Amended and Restated Bylaws (the "Bylaws"), a copy of each of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

COMMON STOCK

The holders of Common Stock are entitled to one vote for each share on all matters voted on by shareholders, and except as otherwise required by law or as provided in any resolution adopted by the Board of Directors with respect to any series of Preferred Stock, the holders of shares of Common Stock exclusively possess all voting power.

Subject to any preferential rights of any outstanding series of Preferred Stock created by the Board of Directors from time to time, the holders of Common Stock are entitled to such dividends as may be declared from time to time by the Board of Directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of the Company available for distribution to such holders. The Common Stock is not convertible or redeemable and there are no sinking fund provisions therefor. Holders of the Common Stock are not entitled to any preemptive rights except under the Shareholders Agreement. See "Certain Relationships and Related Transactions."

PREFERRED STOCK

The Board of Directors of the Company, without any action by the shareholders of the Company, is authorized to issue up to 5,000,000 shares of Preferred Stock, in one or more series and to determine the voting rights, preferences as to dividends and in liquidation and the conversion and other rights of each such series. There are no shares of Preferred Stock outstanding. See "-- Certain Anti-Takeover Provisions" with regard to the effect that the issuance of Preferred Stock might have on attempts to take over the Company.

REGISTRATION RIGHTS

The Company has entered into a Registration Rights Agreement with certain of its current shareholders, including Gerald G. Reuhl, Owen Kratz, S. James Nelson and the Selling Shareholders, pursuant to which the holders are entitled to certain demand and "piggyback" rights with respect to the registration of such shares under the Securities Act. This Registration Rights Agreement provides that if the Company proposes to register any of its securities under the Securities Act, the holder is entitled to include shares of Common Stock owned by such holder in such offering provided, among other conditions, that the underwriters of any offering have the right to limit the number of such shares included in such registration. Such registration rights agreements further provide for registration upon the request of holders of at least 10% of the shares of Common Stock subject to the agreement. The Selling Shareholders, which collectively hold 4,492,548 shares of Common Stock, are exercising their respective registration rights with respect to a portion of the shares held by them in connection with this Offering. The other shareholders, with the exception of the Selling Shareholders, have waived their right to include shares of Common Stock owned by each of them in this Offering. The Company and Coflexip have entered into a Registration Rights Agreement substantially similar to the agreement described above.

CERTAIN ANTI-TAKEOVER PROVISIONS

The Articles of Incorporation and Bylaws contain a number of provisions that could make the acquisition of the Company by means of a tender or exchange offer, a proxy contest or otherwise more difficult. The description of such provisions set forth below is intended to be only a summary

and is qualified in its entirety by reference to the pertinent sections of the Articles of Incorporation and the Bylaws, copies of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part.

CLASSIFIED BOARD OF DIRECTORS; REMOVAL OF DIRECTORS. The classification of directors will have the effect of making it more difficult for shareholders to change the composition of the Board of Directors. At least two annual meetings of shareholders generally will be required to effect a change in a majority of the Board of Directors. Such a delay may help ensure that the Company's directors, if confronted by a shareholder attempting to force a proxy contest, a tender or exchange offer or an extraordinary corporate transaction, would have sufficient time to review the proposal as well as any available alternatives to the proposal and to act in what they believe to be the best interest of the shareholders. The classification provisions will apply to every election of directors, however, regardless of whether a change in the composition of the Board of Directors would be beneficial to the Company and its shareholders and whether a majority of the Company's shareholders believes that such a change would be desirable.

The Articles of Incorporation provide that directors of the Company may only be removed for cause by the affirmative vote of the holders of 68% of the voting power of all of the then outstanding shares of stock entitled to vote generally in the election of directors (the "Voting Stock").

The classification provisions could also have the effect of discouraging a third party from initiating a proxy contest, making a tender or exchange offer or otherwise attempting to obtain control of the Company, even though such an attempt might be beneficial to the Company and its shareholders. These provisions could thus increase the likelihood that incumbent directors will retain their positions. In addition, the classification provisions may discourage accumulations of large blocks of the Common Stock that are effected for purposes of changing the composition of the Board of Directors. Accordingly, shareholders could be deprived of certain opportunities to sell their shares of Common Stock at a higher market price than might otherwise be the case.

PREFERRED STOCK. The Articles of Incorporation authorize the Board of Directors to establish one or more series of Preferred Stock and to determine, with respect to any series of Preferred Stock, the terms and rights of such series, including (i) the designation of the series, (ii) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the certificate of designation) increase or decrease (but not below the number of shares thereof then outstanding), (iii) whether dividends, if any, will be cumulative or noncumulative and the dividend rate of the series, (iv) the dates at which dividends, if any, will be payable, (v) the redemption rights and price or prices, if any, for shares of the series, (vi) the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series, (vii) the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, (viii) whether the shares of the series will be convertible into shares of any other class or series, or any other security, of the Company or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made, (ix) restrictions, if any, on the issuance of shares of the same series or of any other class or series, and (x) voting rights, if any, of the shareholders of such series, which may include the right of such shareholders to vote separately as a class on any matter.

The Company believes that the ability of the Board of Directors to issue one or more series of Preferred Stock will provide the Company with flexibility in structuring possible future financing and acquisitions and in meeting other corporate needs which might arise. The authorized shares of Preferred Stock, as well as shares of Common Stock, will be available for issuance without further action by the Company's shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded.

Although the Board of Directors has no intention at the present time of doing so, it could issue a series of Preferred Stock that, depending on the terms of such series, might impede the completion of a merger, tender offer or other takeover attempt. The Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of the Company and its shareholders. The Board of Directors, in so acting, could issue Preferred Stock having terms that could discourage an acquisition attempt through which an acquiror may be otherwise able to change the composition of the Board of Directors, including a tender or exchange offer or other transaction that some, or a majority, of the Company's shareholders might believe to be in their best interests or in which shareholders might receive a premium for their stock over the then current market price of such stock.

NO SHAREHOLDER ACTION BY WRITTEN CONSENT; SPECIAL MEETINGS. The Bylaws provide that shareholder action can be taken only at an annual or special meeting of shareholders and prohibit shareholder action by written consent in lieu of a meeting. The Bylaws provide that special meetings of shareholders can be called only upon a written request stating the purpose of such meeting delivered to the Chairman of the Board, the President or the Secretary, and signed by a member of the Board of Directors. Shareholders are not permitted to call a special meeting or to require that the Board call a special meeting. Moreover, the business permitted to be conducted at any special meeting of shareholders is limited to the business brought before the meeting pursuant to the notice of meeting given by the Company.

The provisions of the Articles of Incorporation and the Bylaws prohibiting shareholder action by written consent may have the effect of delaying consideration of a shareholder proposal, including a shareholder proposal that a majority of shareholders believes to be in the best interest of the Company, until the next annual meeting unless a special meeting is called at the request of a majority of the Board of Directors or by resolution of the Board or the Executive Committee thereof. These provisions would also prevent the holders of a majority of the voting stock from unilaterally using the written consent procedure to take shareholder action. Moreover, a shareholder could not force shareholder consideration of a proposal over the opposition of the Board by calling a special meeting of shareholders prior to the time a majority of the Board believes such consideration to be appropriate.

Amendment of Certain Provisions of the Articles of Incorporation and Bylaws. Under the MBCA, the shareholders have the right to adopt, amend or repeal the Bylaws and, with the approval of the Board of Directors, the Articles of Incorporation. The Articles of Incorporation provide that the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, and in addition to any other vote required by the Articles of Incorporation or Bylaws, is required to amend provisions of the Articles of Incorporation or Bylaws relating to: (i) the prohibition of shareholder action without a meeting; (ii) the prohibition of shareholders calling a special meeting; (iii) the number, election and term of the Company's directors; or (iv) the removal of directors. The vote of the holders of a majority of the voting power of the then outstanding shares of Voting Stock is required to amend all other provisions of the Articles of Incorporation. The Bylaws further provide that the Bylaws may be amended by the Board of Directors or by the affirmative vote of the holders of at least a majority of the voting power of the then outstanding shares of Voting Stock, voting together as a single class. These super-majority voting requirements will have the effect of making more difficult any amendment by shareholders of the Bylaws or of any of the provisions of the Articles of Incorporation described above, even if a majority of the Company's shareholders believes that such amendment would be in their best interests.

ANTI-TAKEOVER LEGISLATION. As a public corporation, the Company will be governed by the provisions of Section 302A.673 of the MBCA. This anti-takeover provision may eventually operate to deny shareholders the receipt of a premium on their Common Stock and may also have a depressive effect on the market price of the Company's Common Stock. Section 302A.673 prohibits a public corporation from engaging in a "business combination" with an "interested

shareholder" for a period of four years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions. An "interested shareholder" is a person who is the beneficial owner of 10% or more of the corporation's Voting Stock. Reference is made to the detailed terms of Section 302A.673 of the MBCA.

LIMITATION ON DIRECTORS' LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Articles of Incorporation and Bylaws each contain a provision that eliminates, to the extent currently allowed under the MBCA, the personal monetary liability of a director to the Company and its shareholders for breach of his fiduciary duty of care as a director. If a director were to breach the duty of care in performing his duties as a director, neither the Company nor its shareholders could recover monetary damages from the director, and the only course of action available to the Company's shareholders would be equitable remedies, such as an action to enjoin or rescind a transaction involving a breach of the fiduciary duty of care. To the extent certain claims against directors are limited to equitable remedies, this provision of the Articles of Incorporation may reduce the likelihood of derivative litigation and may discourage shareholders or management from initiating litigation against directors for breach of their duty of care. Additionally, equitable remedies may not be effective in many situations. If a shareholder's only remedy is to enjoin the completion of the Board of Directors's action, this remedy would be ineffective if the shareholder does not become aware of a transaction or event until after it has been completed. In such a situation, such shareholder would have not effective remedy against the directors.

All of the foregoing indemnification provisions include statements that such provisions are not to be deemed exclusive of any other right to indemnity to which a director or officer may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have shares of Common Stock outstanding. The shares sold in this Offering (plus any additional shares sold upon exercise of the Underwriters' over-allotment option) will be freely tradeable in the public market without restriction or further registration under the Securities Act, except for any shares purchased by "affiliates" of the Company, as that term is defined in Rule 144 promulgated under the Securities Act. The remaining outstanding shares of Common Stock (the "Restricted Shares"), are deemed to be "restricted securities" within the meaning of Rule 144 and may be publicly resold only if registered under the Securities Act or sold in accordance with an eligible exemption from registration, such as Rule 144. Of the Restricted Shares, approximately shares will be eligible for resale in the public market immediately, and shares will be eligible for resale commencing in July 1997, subject in each case to certain volume and other restrictions under Rule 144.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated), including an affiliate of the Company, who beneficially owns "restricted securities" acquired from the Company or an affiliate of the Company at least one year prior to the sale is entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock (shares based on the number of shares outstanding immediately after completion of this Offering, assuming no exercise of the Underwriters' over-allotment option), and (ii) the average weekly reported trading volume of the Common Stock during the four calendar weeks immediately preceding the date on which notice of such sale is filed with the Commission, provided certain manner of sale and notice requirements and requirements as to the availability of current public information concerning the Company are satisfied (which requirements as to the availability of current public information are expected to be satisfied commencing 90 days after the date of this Prospectus). Under Rule

144(k), a person who has not been an affiliate of the Company for a period of three months preceding a sale of securities by him, and who beneficially owns such "restricted securities" acquired from the Company or an affiliate of the Company at least two years prior to such sale, would be entitled to sell shares without regard to volume limitations, manner of sale provisions, notification requirements or requirements as to the availability of current public information concerning the Company. Shares held by persons who are deemed to be affiliates of the Company, including any shares acquired by affiliates in this Offering, are subject to such volume limitations, manner of sale provisions, notification requirements and requirements as to availability of current public information concerning the Company, regardless of how long the shares have been owned or how they were acquired, and, in addition, the sale of any "restricted securities" beneficially owned by affiliates is subject to the one-year holding period requirement. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly through the use of one or more intermediaries controls, or is controlled by, or is under common control with, such issuer.

The Company, its executive officers and directors, the Selling Shareholders, certain other shareholders of the Company and Coflexip have agreed that, for a period of 180 days after the date of this Prospectus, they will not, directly or indirectly, offer, sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock (or securities convertible into or exchangeable for, or any rights to purchase or acquire, Common Stock, other than options under the Stock Option Plan and upon exercise of options granted under the Stock Option Plan) without prior written consent of the Representatives of the Underwriters.

In connection with the purchase of Common Stock by First Reserve in January 1995 and the purchase of Common Stock by Coflexip in April 1997, the Company entered into Registration Rights Agreements which include certain demand and "piggyback" registration rights, on customary terms and conditions, to the Company's existing shareholders who currently hold an aggregate of shares of Common Stock. Such registration rights are subject to certain notice requirements, timing restrictions and volume limitations. See "Certain Relationships and Related Transactions" and "Description of Capital Stock -- Registration Rights."

The Company has granted options to purchase an aggregate of 911,500 shares of Common Stock under the Stock Option Plan. See "Management -- Compensation Pursuant to Plans." The Company intends to register under the Securities Act the shares issuable upon exercise of options granted under the Stock Option Plan and, upon such registration, such shares will be eligible for resale in the public market, except that any such shares issued to affiliates are subject to the volume limitations and other restrictions of Rule 144.

Prior to this Offering, there has been no public market for the Common Stock, and no prediction can be made as to the effect, if any, that the sale of shares or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock in the public market could adversely affect prevailing market prices and the ability of the Company to raise equity capital in the future. See "Underwriting."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, each of the Underwriters named below, and each of the Underwriters for whom Schroder Wertheim & Co. Incorporated, Raymond James & Associates, Inc. and Simmons & Company International are acting as Representatives (the "Representatives") has severally agreed to purchase from the Company and the Selling Shareholders an aggregate of shares of Common Stock at the price to public less the underwriting discounts set forth on the cover page of this Prospectus, in the amounts set forth below opposite their respective names.

UNDERWRITERS	NUMBER OF SHARES TO BE PURCHASED
Schroder Wertheim & Co. Incorporated....	
Raymond James & Associates, Inc.....	
Simmons & Company International.....	
Total.....	

The Underwriting Agreement provides that the Underwriters' obligation to pay for and accept delivery of the shares of Common Stock offered hereby is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all such shares, excluding shares covered by the over-allotment option, if any are purchased. The Underwriters have informed the Company that no sales of Common Stock will be confirmed to discretionary accounts.

The Company has been advised by the Underwriters that they propose initially to offer the Common Stock to the public at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price, less a concession not in excess of $ per share. The Underwriters may allow and such dealers may reallow a concession not in excess of $ per share to certain other brokers and dealers. After the Offering, the public offering price, the concession and reallowances to dealers and other selling terms may be changed by the Underwriters.

The Company and the Selling Shareholders have granted to the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of additional shares of Common Stock to cover over-allotments, if any, at the same price per share to be paid by the Underwriters for the other shares of Common Stock offered hereby. If the Underwriters purchase any such additional shares pursuant to the over-allotment option, each Underwriter will be committed, subject to certain conditions, to purchase a number of the additional shares of Common Stock proportionate to such Underwriter's initial commitment.

The Company, its directors and executive officers, certain shareholders who will beneficially own an aggregate of shares of the Common Stock outstanding after the Offering and Coflexip have agreed with the Representatives, for a period of 180 days after the date of this Prospectus, not to issue, sell, offer to sell, grant any options for the sale of, or otherwise dispose of any shares of Common Stock or any rights to purchase shares of Common Stock (other than stock issued or options granted pursuant to the Company's stock incentive plans), without the prior written consent of the Representatives. See "Shares Eligible for Future Sale."

The Company and the Selling Shareholders have severally agreed to indemnify the Underwriters against certain liabilities that may be incurred in connection with the sale of the Common Stock, including liabilities arising under the Securities Act, and to contribute to payments that the Underwriters may be required to make with respect thereto.

Prior to this Offering, there has been no public market for the Common Stock. The initial public offering price for the Common Stock will be determined by negotiation between the Company and the Representatives. Among other factors considered in determining the public offering price will be prevailing market and economic conditions, revenues and earnings of the Company, the state of the Company's business operations, an assessment of the Company's management and consideration of the above factors in relation to market valuation of companies in related businesses and other factors deemed relevant. There can be no assurance, however, that the prices at which the Common Stock will sell in the public market after the Offering will not be lower than the public offering price.

In order to facilitate the Offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may overallot in connection with the Offering, creating a short position in the Common Stock for their own account. In addition, to cover overallotments or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Common Stock in the Offering, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

In connection with the Coflexip transaction, Schroder Wertheim & Co. Incorporated provided advisory services to Coflexip for which it has received customary compensation. From time to time, Simmons & Company International has provided advisory services to the Company and First Reserve for which it has received customary compensation.

The Company has filed an application for quotation of its Common Stock on the Nasdaq National Market under the symbol "CDIS."

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company and the Selling Shareholders by Robins, Kaplan, Miller & Ciresi L.L.P., Minneapolis, Minnesota. Vinson & Elkins L.L.P., Houston, Texas will pass upon certain legal matters for the Underwriters.

EXPERTS

The consolidated balance sheets as of December 31, 1996 and 1995, and the consolidated statements of operations, cash flows and shareholders' equity for the three years in the period ended December 31, 1996 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report. The estimated reserve evaluations and related calculations of Miller & Lents, Ltd. set forth in this Registration Statement have been included herein in reliance upon the authority of said firm as an expert in petroleum engineering.

ADDITIONAL INFORMATION

The Company has not previously been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. The Company has filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered by this Prospectus. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto. The Registration Statement and the exhibits and schedules thereto filed with the Commission may be inspected, without charge, and copies may be obtained at prescribed rates, at the public reference facilities maintained by the Commission at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 and the Commission's regional offices or public reference facilities of the Commission located at 7 World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. The Registration Statement and other information filed by the Company with the Commission are also available at the web site of the Commission at http:www.sec.gov. For further information pertaining to the Company and to the shares of Common Stock offered hereby, reference is made to the Registration Statement including the exhibits and schedules thereto. Any statements contained herein concerning provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of such document so filed. Each statement is qualified in its entirety by such reference.

REPORTS TO SHAREHOLDERS

The Company intends to furnish its shareholders with annual reports containing audited consolidated financial statements certified by independent public accountants following the end of each fiscal year, and quarterly reports containing unaudited consolidated financial statements for the first three quarters of each fiscal year following the end of each such fiscal quarter.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Cal Dive International, Inc.:

We have audited the accompanying consolidated balance sheets of Cal Dive International, Inc. (a Minnesota corporation), and subsidiary as of December 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for the three years in the period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal Dive International, Inc., and subsidiary as of December 31, 1996 and 1995, and the results of their operations and their cash flows for the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Houston, Texas
March 7, 1997 (except with respect
to the matters discussed in Note 12,
as to which the date is
April 30, 1997)

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS -- DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 203,663	$ 159,310
Accounts receivable --		
Trade, net of reserve for potential uncollectible amounts of $1,021,000 and $402,000	18,848,837	5,143,247
Unbilled revenue	7,363,631	5,782,410
Other current assets	2,056,123	1,050,254
Total current assets	28,472,254	12,135,221
PROPERTY AND EQUIPMENT	61,466,303	34,584,088
Less- Accumulated depreciation	(13,259,914)	(8,411,353)
	48,206,389	26,172,735
OTHER ASSETS:		
Cash deposits restricted for salvage operations	5,233,509	4,978,720
Loan acquisition costs and other assets, net	445,673	361,537
	$ 82,357,825	$ 43,648,213
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 9,909,349	$ 5,219,215
Accrued liabilities	5,059,407	2,883,044
Income taxes payable	94,280	--
Total current liabilities	15,063,036	8,102,259
LONG-TERM DEBT	25,000,000	5,300,000
DEFERRED INCOME TAXES	5,417,188	2,915,555
DECOMMISSIONING LIABILITIES	6,033,831	4,921,900
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par, 20,000,000 shares authorized, 18,448,010 shares issued and outstanding	9,093,040	9,093,040
Retained earnings	25,806,261	17,370,990
Treasury stock, 7,348,750 shares, at cost	(4,055,531)	(4,055,531)
Total shareholders' equity	30,843,770	22,408,499
	$ 82,357,825	$ 43,648,213

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
REVENUES:			
Subsea and salvage revenues	$ 63,870,190	$ 32,747,484	$ 35,717,882
Natural gas and oil production	12,252,187	4,777,122	2,314,219
	76,122,377	37,524,606	38,032,101
COST OF SALES:			
Subsea and salvage	46,765,933	25,568,063	25,476,808
Natural gas and oil production	7,269,966	3,107,203	1,594,450
Gross profit	22,086,478	8,849,340	10,960,843
SELLING AND ADMINISTRATIVE EXPENSES:			
Selling expenses	1,157,807	938,883	1,006,754
Administrative expenses	7,133,663	3,993,018	3,649,619
Total selling and administrative expenses	8,291,470	4,931,901	4,656,373
INCOME FROM OPERATIONS	13,795,008	3,917,439	6,304,470
OTHER INCOME AND EXPENSE:			
Interest expense, net	745,182	134,743	428,324
Other (income) expense, net	35,608	61,525	69,399
INCOME BEFORE INCOME TAXES	13,014,218	3,721,171	5,806,747
PROVISION FOR INCOME TAXES	4,578,947	1,047,428	1,773,090
NET INCOME	$ 8,435,271	$ 2,673,743	$ 4,033,657
NET INCOME PER SHARE	$ .75	$ .24	$ .46
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	11,286,117	11,015,953	8,836,077

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	COMMON STOCK		RETAINED	TREASURY STOCK		TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	EARNINGS	SHARES	AMOUNT	EQUITY
BALANCE, December 31, 1993.....	18,388,010	$ 1,178,340	$ 10,663,590	(10,068,600)	$ (5,481,945)	$ 6,359,985
NET INCOME.....	--	--	4,033,657	--	--	4,033,657
BALANCE, December 31, 1994.....	18,388,010	1,178,340	14,697,247	(10,068,600)	(5,481,945)	10,393,642
NET INCOME.....	--	--	2,673,743	--	--	2,673,743
EXERCISE OF WARRANTS AND STOCK OPTIONS.....	60,000	121,500	--	500,000	150,000	271,500
SALE OF TREASURY STOCK.....	--	8,723,586	--	2,219,850	1,276,414	10,000,000
COSTS ASSOCIATED WITH SALE OF TREASURY STOCK.....	--	(930,386)	--	--	--	(930,386)
BALANCE, December 31, 1995.....	18,448,010	9,093,040	17,370,990	(7,348,750)	(4,055,531)	22,408,499
NET INCOME.....	--	--	8,435,271	--	--	8,435,271
BALANCE, December 31, 1996.....	18,448,010	$ 9,093,040	$ 25,806,261	(7,348,750)	$ (4,055,531)	$ 30,843,770

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 8,435,271	$ 2,673,743	$ 4,033,657
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	5,257,255	2,794,506	2,017,015
Provision for deferred income taxes	2,122,094	634,729	203,378
Other changes in assets and liabilities, net	(8,169,928)	5,892,495	(5,397,054)
Net cash provided by operating activities	7,644,692	11,995,473	856,996
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(27,289,754)	(16,857,354)	(1,396,995)
Purchase of deposits restricted for salvage operations	(254,789)	(2,726,463)	(1,652,257)
Proceeds from sale of property	244,204	--	--
Net cash used in investing activities	(27,300,339)	(19,583,817)	(3,049,252)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Sale of treasury stock	--	10,000,000	--
Borrowings under term loan facility	25,000,000	8,252,919	--
Exercise of stock warrants and options	--	271,500	--
Increase (decrease) in short-term borrowing	--	(1,900,000)	1,900,000
Repayments of long-term debt	(5,300,000)	(8,218,919)	(1,609,000)
Costs associated with sale of treasury stock	--	(930,386)	--
Net cash provided by financing activities	19,700,000	7,475,114	291,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,353	(113,230)	(1,901,256)
CASH AND CASH EQUIVALENTS:			
Balance, beginning of year	159,310	272,540	2,173,796
Balance, end of year	$ 203,663	$ 159,310	$ 272,540

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION:

Cal Dive International, Inc. (Cal Dive or the Company), headquartered in Houston, Texas, owns, staffs and operates eight marine construction vessels and a derrick barge in the Gulf of Mexico. The Company provides a full range of services to offshore oil and gas exploration and production and pipeline companies, including underwater construction, maintenance and repair of pipelines and platforms, and salvage operations. The Company was purchased for approximately $10.7 million by a group of investors including current management and key employees in a transaction which was effective July 27, 1990. This transaction was accounted for using the purchase method of accounting.

In September 1992, Cal Dive formed a wholly owned subsidiary, Energy Resource Technology, Inc. (ERT), to purchase producing offshore oil and gas properties which are in the later stages of their economic lives. ERT is a fully bonded offshore operator and, in conjunction with the acquisition of properties, assumes the responsibility to abandon the property in full compliance with all governmental regulations.

During 1995, First Reserve Corporation, on behalf of certain of the investment funds it manages, acquired a 50 percent ownership position in the Company by purchasing shares held by the employees and treasury shares held by the Company (see Note 9).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany accounts and transactions have been eliminated.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided primarily on the straight-line method over the estimated useful lives of the assets.

ERT offshore property acquisitions are recorded at the value exchanged at closing together with an estimate of its proportionate share of the decommissioning liability assumed in the purchase based upon its working interest ownership percentage. These costs, together with any associated capital expenditures, are then amortized on a unit-of-production basis (UOP) based on the estimated remaining oil and gas reserves.

The following is a summary of the components of property and equipment:

	ESTIMATED USEFUL LIFE	1996	1995
Vessels	15	$ 40,403,400	$ 21,066,687
Offshore leases and equipment	UOP	14,766,670	8,030,826
Machinery and equipment	5	5,125,500	4,466,514
Furniture, software and computer equipment	5	1,060,510	885,325
Automobiles and trucks	3	110,223	134,736
Total property and equipment		$ 61,466,303	$ 34,584,088

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Drydocking costs (exclusive of the cost of new steel and new equipment added to a vessel) are also charged to operations as incurred. Total repair and maintenance charges were $3,655,000, $2,368,000 and $1,518,000 for the years ended December 31, 1996, 1995 and 1994, respectively. Upon the disposition of property and equipment,

the related cost and accumulated depreciation accounts are relieved, and the resulting gain or loss is included in other income (expense).

In March 1995, Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," was issued. SFAS No. 121, which becomes effective for fiscal years beginning after December 15, 1995, requires that certain long-lived assets be reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable and that an impairment loss be recognized under certain circumstances in the amount by which the carrying value exceeds the fair value of the asset. The Company adopted SFAS No. 121 in January 1996, as required, and the adoption had no effect on the Company's results of operations or financial position.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company earns the majority of its service revenues during the summer and fall months. Revenues are derived from billings under contracts (which are typically of short duration) that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. The Company recognizes revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on such contracts are made in the period such losses are determined. Unbilled revenue represents revenue attributable to work completed prior to year-end which has not yet been invoiced and work in process at the balance sheet date which will be billed at the conclusion of the project. All amounts included in unbilled revenue at December 31, 1996 and 1995, are expected to be billed and collected within one year.

MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The market for the Company's services is the offshore oil and gas industry, and the Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. The Company performs ongoing credit evaluations of its customers and provides allowances for possible credit losses when necessary; however, such losses have historically been insignificant.

Two customers which represented 26 percent and 10 percent, respectively, of 1994 revenues merged during 1995 and accounted for 21 percent and 24 percent of consolidated revenues in the years 1995 and 1996, respectively.

INCOME TAXES

Deferred taxes are recognized for revenues and expenses reported in different years for financial statement purposes and income tax purposes in accordance with SFAS No. 109, "Accounting for Income Taxes." The statement requires, among other things, the use of the liability

method of computing deferred income taxes. The liability method is based on the amount of current and future taxes payable using tax rates and laws in effect at the balance sheet date.

STATEMENT OF CASH FLOW INFORMATION

The cash flow provided (used) by the various components of assets and liabilities, excluding cash and cash equivalents and the effects of investing and financing activities, is as follows:

	1996	1995	1994
Trade receivables, net	$ (15,286,811)	$ 2,591,866	$ (5,161,776)
Other current assets	(811,630)	374,672	(254,184)
Restricted cash	--	508,000	(508,000)
Accounts payable	4,690,134	1,116,521	1,547,780
Accrued liabilities	2,176,363	1,214,332	28,599
Income taxes payable/receivable	279,580	(327,042)	37,712
Other changes in noncurrent assets and liabilities, net	782,436	414,146	(1,087,185)
Other changes in assets and liabilities, net	$ (8,169,928)	$ 5,892,495	$ (5,397,054)

The Company defines cash and cash equivalents as cash and all highly liquid financial instruments with original maturities of less than three months. During the years ended December 31, 1996, 1995 and 1994, the Company's cash payments for interest were approximately $1,069,000, $526,000 and $559,000, respectively, and cash payments for federal income taxes were approximately $2,200,000, $663,000 and $1,633,000, respectively. In connection with 1996 and 1995 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately $1,200,000 and $3,800,000, respectively (see Note 3).

The Company follows SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS No. 115, debt securities, including treasury bills and notes, that the Company has both the intent and ability to hold to maturity, are carried at amortized cost and are included in cash deposits restricted for salvage operations in the accompanying consolidated balance sheets. As all of these securities as of December 31, 1996, are U.S. Treasury securities and notes, the majority of which mature beyond one year, the Company believes the recorded balance of these securities approximates their fair market value.

RECLASSIFICATIONS

Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes to make them consistent with the current presentation format.

3. OFFSHORE PROPERTY ACQUISITIONS:

In 1992 and 1994, ERT acquired a 100 percent net working interest in three offshore properties for value exchanged and for ERT assuming the liability to plug the wells, abandon the platform and remediate the site. Upon depletion during 1994, the property purchased in 1992 was salvaged and abandoned in full compliance with all regulatory requirements and included a transaction structured as a Section 1031 "Like Kind" exchange for tax purposes. Accordingly, the cash received ($508,000) plus accrued interest at December 31, 1994, was restricted and used for the acquisition of ERT properties during 1995. During 1995, net working interests of 50 percent to 100 percent in seven offshore blocks were acquired in exchange for cash of $1,780,000 and ERT assuming the related abandonment liabilities. The 1996 property acquisitions included net working

interests of 33 percent to 100 percent in four offshore blocks which were acquired for cash of $3,600,000 and assumption of a pro rata share of the decommissioning liability.

ERT production activities are regulated by the federal government and require a significant amount of third-party involvement, such as refinery processing and pipeline transportation. The Company records revenue from its offshore properties net of royalties paid to the Minerals Management Service. Royalty fees paid totaled approximately $1,996,000, $875,000 and $460,000 for the years ended 1996, 1995 and 1994, respectively. In accordance with federal regulations that require operators in the Gulf of Mexico to post an areawide bond of $3,000,000, cash deposits restricted for salvage operations include U.S. Treasury bonds of $3,300,000 at December 31, 1996 and 1995, respectively (see Note 2). In addition, the terms of certain of the 1992 and 1993 purchase and sale agreements require that ERT deposit a portion of a property's net production revenue into an interest-bearing escrow account until such time as a specified level of funding has been set aside for salvaging and abandoning the properties. As of December 31, 1996, such deposits totaled $1,900,000 and are included in cash deposits restricted for salvage operations in the accompanying balance sheet.

4. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following:

	1996	1995
Accrued payroll and related benefits	$ 2,960,710	$ 1,093,614
Accrued insurance	998,925	1,213,861
Other	1,099,772	575,569
Total accrued liabilities	$ 5,059,407	$ 2,883,044

5. REVOLVING CREDIT FACILITY:

During 1995, the Company entered into a $30 million revolving credit facility, maturing in May 2000, which is secured by property and equipment and trade receivables. At the Company's option, interest is at a rate equal to 2.00 percent above a Eurodollar base rate (2.25 on borrowings less than $10 million) or .5 percent above prime. Pursuant to these terms, borrowings at December 31, 1996, included $22 million at 7.37 percent (Eurodollar option) and $3 million at 8.75 percent. 1995 year-end borrowings were comprised of $4.5 million at 8.2 percent (Eurodollar option) and $800,000 at 9 percent. The Company drew upon the revolving credit facility throughout 1996 and for a total of 238 days during 1995 with maximum borrowings of $25,000,000 and $8,000,000 in those years. At March 7, 1997, $5.9 million was available under the revolving credit facility.

Under this credit facility, letters of credit (LOC) are also available which the Company typically uses if performance bonds are required and, in certain cases, in lieu of purchasing U.S. Treasury bonds in conjunction with ERT property acquisitions. At December 31, 1996, LOC totaling $4.25 million were outstanding pursuant to these terms.

The revolving credit facility contains, among other restrictions, financial covenants which require the Company to (a) maintain income from operations at specified levels, (b) limit leverage, as defined, to no more than a specified ratio of net worth, (c) maintain certain interest coverage and debt service ratios, as defined, and (d) maintain a minimum ratio of current assets to current liabilities. The Company was in compliance with, or obtained waivers of default from the bank for, these debt covenants at December 31, 1996.

Borrowings during 1994 bore interest at prime plus 1 percent pursuant to a revolving credit and term loan facility in place during those years. During 1994, the Company drew upon this facility for 151 days with a maximum borrowing of $2,377,000. The amount outstanding on the term loan was converted to the new revolving credit facility in May of 1995.

6. FEDERAL INCOME TAXES:

Federal income taxes have been provided based on the statutory rate of 34 percent adjusted for items which are allowed as deductions for federal income tax reporting purposes, but not for book purposes. The primary differences between the statutory rate and the Company's effective rate are as follows:

	1996	1995	1994
Statutory rate	34%	34%	34%
Percentage depletion related to the natural gas production of ERT properties	--	(7)	(3)
Other	1	1	--
Effective rate	35%	28%	31%

Components of the provision for income taxes reflected in the statements of operations consist of the following:

	1996	1995	1994
Current	$ 2,456,853	$ 412,699	$ 1,569,712
Deferred	2,122,094	634,729	203,378
	$ 4,578,947	$ 1,047,428	$ 1,773,090

Deferred income taxes result from those transactions which affect financial and taxable income in different years. The nature of these transactions and the income tax effect of each as of December 31, 1996 and 1995, is as follows:

	1996	1995
Deferred tax liabilities --		
Depreciation	$ 5,417,188	$ 2,915,555
Total deferred tax liabilities	5,417,188	2,915,555
Deferred tax assets --		
Tax carryforward	--	(67,893)
Reserves, accrued liabilities and other	(552,577)	(105,145)
Total deferred tax assets (included in other current assets)	(552,577)	(173,038)
Net deferred tax liability	$ 4,864,611	$ 2,742,517

Internal Revenue Service (IRS) conducted an examination of the Company's federal income tax returns for the period from inception (July 27, 1990) through December 1991. In connection with this examination, the IRS proposed additional taxes due based upon its interpretation of the recording of certain transactions at the date the Company was acquired. This matter was settled during 1996 with insignificant impact upon the Company's consolidated financial position or results of operations.

7. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

The Company occupies several facilities under noncancelable operating leases, with the more significant leases expiring in 1997. Future minimum rentals under these leases are $223,000 at December 31, 1996, with $164,000 in 1997 and the balance thereafter. Total rental expense under operating leases was $262,000, $240,000 and $226,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

INSURANCE

The Company carries hull protection on vessels, indemnity insurance and a general umbrella policy. All onshore employees are covered by workers' compensation, and all offshore employees, including divers and tenders, are covered by Jones Act employee coverage, the maritime equivalent of workers' compensation. The Company is exposed to deductible limits on its insurance policies, which vary from $5,000 to a maximum of $50,000 per accident occurrence. Effective August 1, 1992, the Company adopted a self-insured (within specified limits) medical and health benefits program for its employees whereby the Company is exposed to a maximum of $15,000 per claim.

LITIGATION

Various actions and claims are pending against the Company which management believes are covered by insurance. In the opinion of management, the ultimate liability to the Company, if any, which may result from these actions and claims will not materially affect the Company's consolidated financial position, results of operations or cash flows.

8. EMPLOYEE BENEFIT PLANS:

DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution 401(k) retirement plan covering substantially all of its employees. The Company's contributions and cost are determined annually as 50 percent of each employee's contribution up to 5 percent of the employee's salary. The Company's costs related to this plan totaled $197,000, $168,000 and $150,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

INCENTIVE AND STOCK OPTION PLAN

During 1995, the board of directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a total of 600,000 shares of common stock is available for awards to key executives and selected employees who are likely to make a significant positive impact on the reported net income of the Company. The Incentive Plan is administered by a committee which determines, subject to board approval, the type of award to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. The committee may grant stock options, stock appreciation rights, or stock and cash awards.

The stock option plan is accounted for using APB Opinion No. 25, and therefore no compensation expense is recorded. If SFAS Statement No. 123 had been used for the accounting of these plans, the Company's pro forma net income for 1996, 1995 and 1994 would have been $8,330,000, $2,607,000 and $4,034,000, respectively, and the Company's pro forma earnings per share would have been $.74, $.24 and $.46, respectively. These pro forma results exclude

consideration of options granted prior to January 1, 1995, and therefore may not be representative of that to be expected in future years.

Options outstanding are as follows:

	1996		1995		1994	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	447,500	$ 4.50	560,000	$ .35	560,000	$.35
Granted	135,000	4.50	447,500	4.50	--	--
Exercised	--	--	(560,000)	.35	--	--
Terminated	(38,000)	4.50	--	--	--	--
Options outstanding, December 31	544,500	4.50	447,500	4.50	560,000	.35
Options exercisable, December 31	124,700	4.50	44,000	4.50	560,000	.35

All of the options outstanding at December 31, 1996, have an exercise price of $4.50 and a weighted average remaining contractual life of 3.9 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1996 and 1995: risk-free interest rates of 5.9 percent; expected dividend yields of 0 percent; expected lives of five years; and expected volatility of 0 percent.

9. COMMON STOCK:

During 1991, certain key employees were granted options to purchase 60,000 shares at a price of $.75 per share. In addition, a member of the management group sold 1,000,000 shares to the Company during 1992 at a price established by the board of directors and was granted an option to repurchase 500,000 of those shares at the same price. All of these options were exercised in 1995 in conjunction with the sale of stock to First Reserve Corporation as discussed below.

During 1995, the board of directors and shareholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares from 2,000,000 to 20,000,000. In connection with this measure, a 10-for-1 stock split was also approved. Accordingly, all of the share and per share information included in the financial statements and notes thereto has been restated retroactively to reflect the 10-for-1 stock split.

During 1995, First Reserve Corporation, on behalf of certain of the investment funds it manages, acquired a 50 percent ownership position in the Company by purchasing 3,329,780 shares held by employees and 2,219,850 treasury shares held by the Company, increasing shareholders' equity by $10,000,000.

In conjunction with this transaction, the Company entered into an Amended and Restated Shareholders' Agreement which increased the board of directors from five to seven members and which provides that First Reserve Corporation can cause a sale of the Company in certain circumstances (as defined) subsequent to December 31, 1999.

10. BUSINESS SEGMENT INFORMATION:

The following summarizes certain financial data by business segment:

	FOR THE YEAR ENDED DECEMBER 31		
	1996	1995	1994
Revenues --			
Subsea and salvage revenues.....	$ 63,870,190	$ 32,747,484	$ 35,717,882
Natural gas and oil production.....	12,252,187	4,777,122	2,314,219
Total.....	$ 76,122,377	$ 37,524,606	$ 38,032,101
Income from operations --			
Subsea and salvage revenues.....	$ 10,502,576	$ 3,184,801	$ 6,261,082
Natural gas and oil production.....	3,292,432	732,638	43,388
Total.....	$ 13,795,008	$ 3,917,439	$ 6,304,470
Identifiable assets --			
Subsea and salvage revenues.....	$ 62,519,348	$ 30,261,736	$ 22,024,877
Natural gas and oil production.....	19,838,477	13,386,477	4,705,701
Total.....	$ 82,357,825	$ 43,648,213	$ 26,730,578
Capital expenditures --			
Subsea and salvage revenues.....	$ 20,037,911	$ 14,260,225	$ 917,893
Natural gas and oil production.....	7,251,843	2,597,129	479,102
Total.....	$ 27,289,754	$ 16,857,354	$ 1,396,995
Depreciation and amortization expenses --			
Subsea and salvage revenues.....	$ 2,525,300	$ 1,658,588	$ 1,548,575
Natural gas and oil production.....	2,731,955	1,135,918	468,440
Total.....	$ 5,257,255	$ 2,794,506	$ 2,017,015

11. SUPPLEMENTAL OIL AND GAS DISCLOSURES (UNAUDITED):

The following information regarding the Company's oil and gas producing activities is presented pursuant to SFAS No. 69, "Disclosures About Oil and Gas Producing Activities."

CAPITALIZED COSTS

Aggregate amounts of capitalized costs relating to the Company's oil and gas producing activities and the aggregate amount of related accumulated depletion, depreciation and amortization as of the dates indicated are presented below. The Company has no capitalized costs related to unproved properties.

	AS OF DECEMBER 31	
	1995	1996
Proved properties being amortized....	$ 8,030,826	$ 14,766,670
Less -- Accumulated depletion, depreciation and amortization.....	(1,596,042)	(3,997,715)
Net capitalized costs.....	$ 6,434,784	$ 10,768,955

COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

The following table reflects the costs incurred in oil and gas property acquisition and development activities during the dates indicated:

	FOR THE YEAR ENDED DECEMBER 31		
	1994	1995	1996
Proved property acquisition costs.....	$ 1,629,101	$ 6,091,869	$ 4,688,003
Development costs.....	--	309,856	2,047,841
Total costs incurred.....	$ 1,629,101	$ 6,401,725	$ 6,735,844

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

	FOR THE YEAR ENDED DECEMBER 31		
	1994	1995	1996
Revenues.....	$ 2,314,219	$ 4,777,122	$ 12,252,187
Production (lifting) costs.....	1,126,010	1,971,284	5,153,670
Depreciation, depletion and amortization.....	468,440	1,135,918	2,731,955
Pretax income from producing activities.....	719,769	1,669,920	4,366,562
Income tax expenses.....	244,721	567,773	1,528,297
Results of oil and gas producing activities.....	$ 475,048	$ 1,102,147	$ 2,838,265

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES

Proved oil and gas reserve quantities are based on estimates prepared by Company engineers in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 1996, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

RESERVE QUANTITY INFORMATION
(UNAUDITED)

	OIL (BBLS.)	GAS (MCF.)
Total proved reserves at December 31, 1993.....	3,247	133,967
Production.....	(29,234)	(1,249,899)
Purchases of reserves in place.....	119,163	3,400,229
Total proved reserves at December 31, 1994.....	93,176	2,284,297
Production.....	(31,219)	(2,382,343)
Purchases of reserves in place.....	91,755	20,131,154
Total proved reserves at December 31, 1995.....	153,712	20,033,108
Production.....	(38,417)	(4,310,328)
Purchases of reserves in place.....	8,505	8,873,620
Total proved reserves at December 31, 1996.....	123,800	24,596,400

As of December 31, 1995, 1994 and 1993, all of the Company's proved reserves were developed. As of December 31, 1996, 4,500 Bbls. of oil and 6,325,700 Mcf. of gas of the Company's proved reserves were undeveloped.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

The following table reflects the standardized measure of discounted future net cash flows relating to the Company's interest in proved oil and gas reserves as of December 31:

	1995	1996
Future cash inflows	$ 44,127,379	$ 92,392,900
Future costs --		
Production	(23,989,944)	(26,246,500)
Development and abandonment	(6,167,903)	(7,365,000)
Future net cash flows before income taxes	13,969,532	58,781,400
Future income taxes	(5,071,878)	(17,980,165)
Future net cash flows	8,897,654	40,801,235
Discount at 10% annual rate	(1,252,573)	(6,995,808)
Standardized measure of discounted future net cash flows	$ 7,645,081	$ 33,805,427

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved oil and gas reserves are as follows:

	1994	1995	1996
Standardized measure, beginning of year	$ 122,446	$ 604,104	$ 7,645,081
Sales, net of production costs	(1,188,209)	(2,805,838)	(9,881,548)
Net change in prices, net of production costs	(59,282)	1,217,360	22,200,743
Changes in future development costs	--	--	(555,205)
Development costs incurred	--	--	2,007,016
Accretion of discount	13,092	60,410	1,200,286
Net change in income taxes	8,471	(4,357,882)	(10,539,391)
Purchases of reserves in place	1,719,149	13,067,712	21,729,868
Changes in production rates (timing) and other	(11,563)	(140,785)	(1,423)
Standardized measures, end of year	$ 604,104	$ 7,645,081	$ 33,805,427

12. SUBSEQUENT EVENTS

INITIAL PUBLIC OFFERING

In April 1997, the Company announced its intention to file a Form S-1 Registration Statement under the Securities Act of 1933. The net proceeds to the Company from the Offering are estimated to be approximately $26 million. The Company intends to use these proceeds to repay indebtedness incurred in connection with the purchase of, and enhancement to, the UNCLE JOHN and other vessels and for the purchase of natural gas and oil properties.

STOCK SALE TO COFLEXIP

On April 11, 1997 Coflexip purchased approximately 32% of the Company's Common Stock at a price of $9.46 per share. Coflexip acquired approximately 3,700,000 shares of the Company's stock, consisting of approximately 2.1 million shares sold by management of the Company, 1.1 million shares sold by First Reserve Funds and approximately 500,000 shares sold by the Company. Coflexip and the Company have formed a strategic alliance to jointly pursue deepwater opportunities in the Gulf of Mexico.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING SHAREHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO MAKE ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

SHARES

[COMPANY LOGO]

CAL DIVE INTERNATIONAL, INC.

COMMON STOCK

(WITHOUT PAR VALUE)

SCHRODER WERTHEIM & CO.

RAYMOND JAMES
& ASSOCIATES, INC.

SIMMONS & COMPANY
INTERNATIONAL

JUNE , 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses of the Registrant in connection with the offering described in the Registration Statement. All of the amounts shown are estimates except the SEC registration fee and the NASD filing fee.

SEC Filing Fee	$ 15,470
NASD Filing Fee	6,100
NASDAQ Listing Fee	(1)
Legal Fees and Expenses	(1)
Accounting Fees and Expenses	(1)
Printing Expenses	(1)
Blue Sky Fees and Expenses	(1)
Miscellaneous Expenses	(1)
Total	$ (1)(2)

- ------------
(1) To be provided by amendment.

(2) All of the issuance and distribution expenses will be borne by the Registrant.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Minnesota Statutes Section 302A.521 provides that a corporation organized under Minnesota law shall indemnify any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official capacity (as defined) of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceedings if certain statutory standards are met. "Proceeding" means a threatened, pending or completed civil, criminal, administrative, arbitration or investigative proceeding, including one by or in the right of the corporation. Section 302A.521 contains detailed terms regarding such rights of indemnification and reference is made thereto for a complete statement of such indemnification rights.

Reference is made to the Underwriting Agreement filed as Exhibit 1 to this Registration Statement for a description of indemnification arrangements related to this Offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

15. RECENT SALES OF UNREGISTERED SECURITIES.

During the last three years, the Company has sold the following securities (as adjusted for a -for-1 reverse stock split effective , 1997) that were not registered under the Act.

1. On January 12, 1995, the Company issued an aggregate of 3,795,393 shares of Common Stock to First Reserve Secured Energy Assets, First Reserve Fund V, First Reserve Fund V-2 and First Reserve Fund VI at a price of $4.50 per share for an aggregate consideration of $10 million.

2. From November 1995 through May 1996, pursuant to the provisions of the 1995 Long Term Incentive Plan, the Company granted options to purchase an aggregate of 476,500 shares of Common Stock at an exercise price of $4.50 per share to certain employees, including officers and directors.

3. In January 1995, the Company granted options to purchase 15,046 shares of Common Stock at an exercise price of $4.50 per share to Gerald G. Hage.

4. In April 1997, the Company granted options to employees to purchase an aggregate of 435,000 shares at an exercise price of $9.50 per share.

5. On April 11, 1997, the Company issued an aggregate of 528,541 shares of Common Stock to Coflexip at a per share price equal to $9.46 per share in consideration for the purchase of certain assets valued at an aggregate of $5 millon and in entering into a Business Cooperation Agreement pursuant to which the Company and Coflexip intend to form a joint venture for combined services on Gulf of Mexico projects.

No underwriting commissions or discounts were paid with respect to the sales of unregistered securities described herein.

Except as otherwise noted, all of the above sales were made in reliance on Section 4(2) of the Act for transactions not involving a public offering. With regard to the reliance by the Company upon such exemption for registration, certain inquiries were made by the Company to establish that such sales qualified for such exemption from the registration requirements. In particular, the Company confirmed that (i) each purchaser provided the Company with written assurance of investment intent, and the certificates for the shares sold accordingly bear restrictive legends and (ii) sales were made to a limited number of persons.

16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS

EXHIBIT NO.	DESCRIPTION	MANNER OF FILING
1.1	-- Form of Underwriting Agreement	Filed Herewith
3.1	-- Amended and Restated Articles of Incorporation	Filed Herewith
3.2	-- By-laws	Filed Herewith
4.1	-- Amended and Restated Loan and Security Agreement by and among the Company, ERT and Fleet Capital Corporation (f/n/a Shawmut Capital Corporation) dated as of May 23, 1995	Filed Herewith
4.2	-- Amendment No. 5 to Loan	Filed Herewith
4.3	-- Specimen of Common Stock certificate	(1)
4.4	-- Shareholders Agreement by and among the Company, First Reserve Secured Energy Assets Fund, First Reserve Fund V, First Reserve Fund V-2, First Reserve fund (collectively, the "Selling Shareholders"), Messrs. Reuhl, Kratz and Nelson and other shareholders of the Company and Coflexip	Filed Herewith
4.5	-- Registration Rights Agreement by and among the Company, the Selling Shareholders, Messrs. Reuhl, Kratz, Nelson and other shareholders of the Company	Filed Herewith
4.6	-- Registration Rights Agreement by and between the Company and Coflexip	Filed Herewith
5	-- Opinion of Robins, Kaplan, Miller & Ciresi L.L.P.	(1)

10.1	-- Purchase Agreement dated April 11, 1997 by and between Coflexip and the Company	Filed Herewith
10.2	-- Business Cooperation Agreement dated April 11, 1997 by and between Coflexip and the Company	Filed Herewith
10.3	-- 1995 Long Term Incentive Plan, as amended	Filed Herewith
10.4	-- Employment Agreement by and between Gerald G. Reuhl and the Company	Filed Herewith
10.5	-- Employment Agreement by and between Owen E. Kratz and the Company	Filed Herewith
10.6	-- Employment Agreement by and between S. James Nelson and the Company	Filed Herewith
10.7	-- 1997 Annual Incentive Compensation Program	Filed Herewith
21	-- Subsidiaries of the Registrant. The Company has one subsidiary, Energy Resource Technology, Inc.	
23.1	-- Consent of Robins, Kaplan, Miller & Ciresi L.L.P. (included in Exhibit 5)	(1)
23.2	-- Consent of Arthur Andersen LLP	Filed Herewith
23.3	-- Consent of Miller & Lents, Ltd.	Filed Herewith
24	-- Power of Attorney (included on signature page)	Filed Herewith

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(1) To be filed by amendment

(b) FINANCIAL STATEMENT SCHEDULES

None

17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The Registrant hereby undertakes to provide of the Underwriter at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

(c) The undersigned registrant hereby undertakes that:

i. For purposes of determining liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement filed pursuant to Rule 430A and contained in the form of a prospectus filed by the registrant pursuant to Rule 424(b)(1) or Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

ii. For the purpose of determining liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-1 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON MAY 1, 1997.

CAL DIVE INTERNATIONAL, INC.
By /s/ OWEN KRATZ
OWEN KRATZ
CHIEF EXECUTIVE OFFICER

Each person whose signature appears below constitutes and appoints GERALD G. REUHL and ANDREW C. BECHER, his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to the Registration Statement on Form S-1 and any additional Registration Statement pursuant to Rule 462(b), and to file the same, with all exhibits hereto, and all documents in connection herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED ON MAY 1, 1997.

SIGNATURE	TITLE
/s/GERALD G. REUHL GERALD G. REUHL	Chairman of the Board
/s/OWEN KRATZ OWEN KRATZ	President, Chief Executive Officer, Chief Operating Officer and Director (principal executive officer)
/s/S. JAMES NELSON S. JAMES NELSON	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)
/s/ANDREW C. BECHER ANDREW C. BECHER	Senior Vice President and General Counsel
/s/WILLIAM E. MACAULAY WILLIAM E. MACAULAY	Director
/s/GORDON F. AHALT GORDON F. AHALT	Director
/s/DAVID H. KENNEDY DAVID H. KENNEDY	Director
/s/GERALD M. HAGE GERALD M. HAGE	Director
_____ THOMAS M. EHRET	Director
_____ JEAN-BERNARD FAY	Director
/s/KEVIN L. PETERSON KEVIN L. PETERSON	Director

EXHIBIT 1.1

CAL DIVE INTERNATIONAL, INC.

_____ Shares
Common Stock
(No Par Value Per Share)

UNDERWRITING AGREEMENT

New York, New York
_____ ___, 1997

SCHRODER WERTHEIM & CO. INCORPORATED
RAYMOND JAMES & ASSOCIATES, INC.
SIMMONS & COMPANY INTERNATIONAL
As Representatives of the several
Underwriters named in Schedule I hereto
c/o Schroder Wertheim & Co. Incorporated
Equitable Center
787 Seventh Avenue
New York, New York 10019-6016

Dear Sirs:

Cal Dive International, Inc., a Minnesota corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell, and certain shareholders of the Company (named in Schedule II attached hereto the "Selling Shareholders") propose to sell, to the Underwriters named in Schedule I hereto (the "Underwriters"), an aggregate of _____ shares of Common Stock, no par value per share (the "Common Stock"). The _____ shares of Common Stock to be sold by the Company and the _____ shares to be sold by the Selling Shareholders are herein referred to as the "Firm Securities." In addition, the Company proposes to grant to the Underwriters an option to purchase up to an additional _____ shares of Common Stock (the "Option Securities"), on the terms and for the purposes set forth in Section 2 hereof. The Firm Securities and the Option Securities are herein collectively referred to as the "Securities." Except as may be expressly set forth below, any reference to you in this Agreement shall be solely in your capacity as the Representatives of the several Underwriters (the "Representatives").

i. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement on Form S-l (File No. 333-_____) as amended by Amendment No.___ filed (the "Initial Registration _____Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the Rules and Regulations of the Commission under the Act (the "Rules and Regulations"), is hereinafter called a "Preliminary Prospectus;" the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, each as amended at the time such part of the registration statement became effective, is hereinafter collectively called the "Registration Statement"; such final prospectus, in the form first filed pursuant to

Rule 424(b) under the Act, is hereinafter called the "Prospectus");

(ii) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Rules and Regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Schroder Wertheim & Co. Incorporated ("Schroder Wertheim") expressly for use therein;

(iii) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations of the Commission thereunder, and did not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto, and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Schroder Wertheim expressly for use therein;

(iv) The Company has been duly incorporated and is validly existing as a corporation in good standing

under the laws of the state of Minnesota, with power and authority (corporate and other) to own its properties and to conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases property, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the business affairs or prospects of the Company and its subsidiaries taken as a whole, (such adverse effect to be hereinafter referred to as a "Material Adverse Effect"); and each of the Company's subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, with power and authority (corporate and other) to own its properties and to conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases property, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction, (except where the failure to so qualify would not have a Material Adverse Effect);

(v) All of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non- assessable and are owned by the Company free and clear of all liens, encumbrances, equities, security interests, or claims; and there are no outstanding options, warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue, any shares of capital stock of any subsidiary or any security convertible or exchangeable or exercisable for capital stock of any

subsidiary; except for the shares of stock of each subsidiary owned by the Company, neither the Company nor any subsidiary owns, directly or indirectly, any shares of capital stock of any corporation or has any equity interest in any firm, partnership, joint venture or other entity;

(vi) The Company has all corporate power and authority to execute, deliver and perform its obligations under this Agreement; the execution, delivery and performance by the Company of its obligations under this Agreement have been duly and validly authorized by all requisite corporate action of the Company; and this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the rights of creditors generally;

(vii) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, which loss or interference is material to the Company and its subsidiaries, taken as a whole; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been, and prior to the Time of Delivery (as defined in Section 4 hereof) there will not be, any change in the capital stock (other than shares issued pursuant to the exercise of employee stock options that the Prospectus indicates are outstanding (the "Employee Option Shares")), or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its

subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus;

(viii) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described or contemplated by the Prospectus, or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries, and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property and buildings by the Company and its subsidiaries;

(ix) The Company has an authorized, issued and outstanding capitalization as set forth in the Registration Statement, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable, are free of any preemptive rights, rights of first refusal or similar rights, were issued and sold in compliance with the applicable Federal and state securities laws and conform in all material respects to the description in the Prospectus; except as described in the Prospectus, there are no outstanding options warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue, any shares of capital stock of the Company or any security convertible or exchangeable or exercisable for capital stock of the Company;

(x) The Securities to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued, fully paid and non-assessable, and will conform in all material respects to

the description thereof in the Prospectus and will be quoted on the Nasdaq National Market as of the Effective Date;

(xi) The performance of this Agreement, the consummation of the transactions herein contemplated and the issue and sale of the Securities and the compliance by the Company with all the provisions of this Agreement will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, claim, or encumbrance upon, any of the property or assets of the Company or any of its subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the Amended and Restated Articles of Incorporation (the "Articles of Incorporation") or the By-Laws, in each case as amended to the date hereof, of the Company or any of its subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties; and no consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the issue and sale of the Securities or the consummation of the other transactions contemplated by this Agreement, except the registration under the Act of the Securities, and such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

(xii) There are no legal or governmental proceedings pending to which the Company or any of its subsidiaries or any of their respective officers or

directors is a party or of which any property of the Company or any of its subsidiaries is the subject, other than litigation or proceedings incident to the business conducted by the Company and its subsidiaries which will not individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened or contemplated by others;

(xiii) The Company and its subsidiaries have such licenses, permits and other approvals or authorizations of and from governmental or regulatory authorities ("Permits") as are necessary under applicable law to own their respective properties and to conduct their respective businesses in the manner now being conducted and as described in the Prospectus; and the Company and its subsidiaries have fulfilled and performed all of their respective obligations with respect to such Permits, and no event has occurred which allows, or after notice or lapse of time or both would allow, revocation or termination thereof or result in any other impairment of the rights of the holder of any such permits where such revocation, termination or impairment would have a Material Adverse Effect;

(xiv) Arthur Andersen LLP who have certified certain financial statements of the Company and its consolidated subsidiaries and delivered their report with respect to the audited consolidated financial statements and schedules included in the Registration Statement and the Prospectus, are independent public accountants as required by the Act and the Rules and Regulations of the Commission thereunder;

(xv) The historical information underlying the estimates of the reserves of the Company supplied by the Company to Miller & Lents, Ltd. ("Miller & Lents"), independent petroleum engineers, for the purposes of preparing the reserve reports of the Company referenced in the Prospectus (the "Reserve

Report"), including, without limitation, production volumes, sales prices for production, contractual pricing provisions under oil or gas sales or marketing contracts or under hedging arrangements, costs of operations and development, and working interest and net revenue information relating to the Company's ownership interests in properties, was true and correct in all material respects on the date of such Reserve Report; the estimates of future capital expenditures and other future exploration and development costs supplied to Miller & Lents were prepared in good faith and with a reasonable basis; the information provided by Miller & Lents for purposes of preparing the Reserve Report was prepared in accordance with customary industry practices; to the best of the Company's knowledge, Miller & Lents was, as of the date of the Reserve Report prepared by it, and are, as of the date hereof, independent petroleum engineers with respect to the Company; other than normal production of reserves and intervening spot market product price fluctuations, and except as disclosed in the Registration Statement and the Prospectus, the Company is not aware of any facts or circumstances that would result in a materially adverse change in the reserves in the aggregate, or the aggregate present value of future net cash flows therefrom, as described in the Prospectus and as reflected in the Reserve Report; estimates of such reserves and the present value of the future net cash flows therefrom as described in the Prospectus and reflected in the Reserve Report comply in all material respects to the applicable requirements of the Rules and Regulations;

(xvi) The Company (A) is in compliance with any and all applicable federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or waste, pollutants or contaminants ("Environmental Laws"), (B) has received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business and (C) is in compliance with all terms and conditions of any such permit, license or approval,

except for such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals that would not, singularly or in the aggregate, have a Material Adverse Effect. There has been no storage, disposal, generation, transportation, handling or treatment of hazardous substances or solid wastes by the Company (or to the knowledge of the Company, any of its predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action by the Company under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not result in, or which would not be reasonably likely to result in, singularly or in the aggregate with all such violations and remedial actions, a Material Adverse Effect; there has been no spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any solid wastes or hazardous substances due to or caused by the Company, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not result in or would not be reasonably likely to result in, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a Material Adverse Effect; and the terms "hazardous substances" and "solid wastes" shall have the meanings specified in any applicable local, state and federal laws or regulations with respect to environmental protection;

(xvii) The consolidated financial statements and schedules of the Company and its subsidiaries included in the Registration Statement and the Prospectus present fairly the financial condition, the results of operations and the cash flows of the Company and its subsidiaries as of the dates and for the periods therein specified in conformity with

generally accepted accounting principles consistently applied throughout the periods involved, except as otherwise stated therein; and the other financial and statistical information and data set forth in the Registration Statement and the Prospectus is accurately presented and, to the extent such information and data is derived from the financial statements and books and records of the Company and its subsidiaries, is prepared on a basis consistent with such financial statements and the books and records of the Company and its subsidiaries; no other financial statements or schedules are required to be included in the Registration Statement and the Prospectus;

(xviii) There are no statutes or governmental regulations, or any contracts or other documents that are required to be described in or filed as exhibits to the Registration Statement which are not described therein or filed as exhibits thereto; and all such contracts to which the Company or any subsidiary is a party have been duly authorized, executed and delivered by the Company or such subsidiary, constitute valid and binding agreements of the Company or such subsidiary and are enforceable against the Company or such subsidiary in accordance with the terms thereof;

(xix) The Company and its subsidiaries own or possess adequate patent rights or licenses or other rights to use patent rights, inventions, trademarks, service marks, trade names, copyrights, technology and know-how necessary to conduct the general business now or proposed to be operated by them as described in the Prospectus; neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any patent, patent rights, inventions, trademarks, service marks, trade names, copyrights, technology or know-how which, singularly or in the aggregate, would have a Material Adverse Effect;

(xx) Neither the Company nor any of its subsidiaries are in violation of any term or provision of its Articles of Incorporation or By-Laws (or similar corporate constituent documents), in each case as amended to the date hereof; nor are the Company or any of its subsidiaries in violation of any law, ordinance, administrative or governmental rule or regulation applicable to the Company or any of its subsidiaries, or of any decree of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries where such violation would have a Material Adverse Effect;

(xxi) No default exists, and no event has occurred which with notice or lapse of time, or both, would constitute a default in the due performance and observance of any term, covenant or condition of any indenture, mortgage, deed of trust, bank loan or credit agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which any of them or their respective properties is bound or may be affected where such default would have a Material Adverse Effect;

(xxii) The Company and its subsidiaries have timely filed all necessary tax returns and notices and have paid all federal, state, county, local and foreign taxes of any nature whatsoever for all tax years through December 31, 1995, to the extent such taxes have become due. The Company has no knowledge, or any reasonable grounds to know, of any tax deficiencies which would have a Material Adverse Effect; the Company and its subsidiaries have paid all taxes which have become due, whether pursuant to any assessments, or otherwise, and there is no further liability (whether or not disclosed on such returns) or assessments for any such taxes, and no interest or penalties accrued or accruing with respect thereto, except as may be set forth or adequately reserved for in the financial statements included in the Registration Statement; the amounts currently set up as provisions for taxes or otherwise by the Company and its subsidiaries on their books and records are sufficient

for the payment of all their unpaid federal, foreign, state, county and local taxes accrued through the dates as of which they speak, and for which the Company and its subsidiaries may be liable in their own right, or as a transferee of the assets of, or as successor to any other corporation, association, partnership, joint venture or other entity;

(xxiii) The Company will not, during the period of 180 days after the date hereof except pursuant to this Agreement, offer, sell, contract to sell or otherwise dispose of any capital stock of the Company (or securities convertible into, or exchangeable for, capital stock of the Company), directly or indirectly, without the prior written consent of the Representatives of the Underwriters except for grants under the Company's stock option plan and the issuance of stock upon the exercise of any options granted thereunder;

(xxiv) The Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(xxv) Neither the Company nor any of its subsidiaries is in violation of any foreign, federal, state or local law or regulation relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants, nor any federal or state law relating to discrimination in the hiring, promotion or paying of employees nor any applicable

federal or state wages and hours laws, nor any provisions of the Employee Retirement Income Security Act of 1974, as amended, or the Rules and Regulations promulgated thereunder, where such violation would have a Material Adverse Effect;

(xxvi) None of the Company or its subsidiaries, or its officers, directors, employees or agents has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, or made any unlawful payment of funds of the Company or any subsidiary or received or retained any funds in violation of any law, rule or regulation;

(xxvii) The Company is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended;

(xxviii) Neither the Company nor any of its subsidiaries is party to any union or collective bargaining agreements, and no labor disturbance, strike or slowdown exists, or, to the Company's knowledge, is threatened, by or involving any employees of the Company or its subsidiaries, in any such case that is or would be reasonably likely to have a Material Adverse Effect;

(xxix) The statements set forth in the Prospectus under the caption "Description of Capital Stock," insofar as they purport to constitute a summary of the terms of the Common Stock, are, in all material respects, accurate and complete;

(xxx) The Company and any of its subsidiaries that owns the marine vessels described in the Prospectus (the "Vessels"), which operate in United States coastwise trade, are and at all times have been citizens of the United States within the meaning of Section 2 of the Shipping Act of 1916, as amended,

46 U.S.C. ss.802 (the "Shipping Act"), and qualified to engage in coastwise trade. At no time during the Company or any subsidiary's ownership of the Vessels have any of the Vessels been sold, chartered or otherwise transferred to any person or entity in violation of any applicable laws, rules or regulations. Except as set forth of Schedule III, each Vessel has a clean certificate of inspection from the United States Coast Guard and an American Bureau of Shipping load line certificate where applicable, in each case free of reported or reportable exceptions or notations of record;

(xxxi) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for; and except as described in the Prospectus neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect;

(xxxii) There are no holders of securities of the Company, who, by reason of the filing of the Registration Statement, have the right (and have not waived such right) to require the Company to register under the Act, or to include in the Registration Statement, securities held by them; and

(xxxiii) The Company has not distributed and, prior to the later of (i) any Option Securities Delivery Date and (ii) the completion of the distribution of the Securities, will not distribute any offering material in connection with the offering and sale of the Securities other than the Registration Statement or any

amendment thereto, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, or other materials, if any, permitted by the Act.

1.A. Each of the Selling Shareholders severally and not jointly represents and warrants to, and agrees with, each of the Underwriters that:

(a) Such Selling Shareholder has all requisite power, authority, authorizations, approvals, orders and consents to enter into this Agreement and to carry out the provisions and conditions hereof and in the event that such Selling Shareholder is a corporation, such Selling Shareholder has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation; in the event that such Selling Shareholder is a limited partnership, such Selling Shareholder has been duly formed and is validly existing as a limited partnership in good standing under the laws of the jurisdiction of its formation;

(b) Each of this Agreement, the Custody Agreement (a form of which is attached hereto as Exhibit A) and the Power of Attorney (a form of which is attached hereto as Exhibit B) has been duly authorized, executed and delivered by or on behalf of such Selling Shareholder and constitutes a legal, valid and binding agreement of such Selling Shareholder and is enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the rights of creditors generally;

(c) On the closing date for the Securities, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Securities to be sold by such Selling Shareholder to the Underwriters will have been fully paid or provided for by such Selling Shareholder and all laws imposing such taxes will have been fully complied with;

(d) The performance of this Agreement and the consummation of the transactions contemplated hereby will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of such Selling Shareholder pursuant to the terms or provisions of, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the acceleration of any obligation under the articles of association or charter or By-laws of such Selling Shareholder, if applicable, or any contract or other agreement to which such Selling Shareholder is a party or bound, or under any law, order, statute, regulation, consent or memorandum of understanding applicable to such Selling Shareholder of any court, regulatory body, administrative agency, governmental body or arbitrator having

jurisdiction over such Selling Shareholder or the property of such Selling Shareholder;

(e) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by the Selling Shareholder of the transactions on its part contemplated hereby, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution by the Underwriters of the Shares to be sold by the Selling Shareholder or such as may be required by the National Association of Securities Dealers, Inc. (the "NASD");

(f) To the best of such Selling Shareholder's knowledge, as of the date hereof, and as of each of the Time of Delivery and the Option Securities Delivery Date (as defined in Section 4 hereof), the Registration Statement and the Prospectus did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading;

(g) The Selling Shareholder has not distributed and, prior to the later to occur of (i) the Time of Delivery, (ii) the Option Securities Delivery Date or (iii) completion of the distribution of the Securities, will not distribute without your prior written consent any offering material in connection with the offering and sale of the Securities other than as permitted by the Act; and

(h) The Selling Shareholder now has, and at each of the Time of Delivery and the Option Securities Delivery Date will have, good and valid title to the Securities to be sold by such Selling Shareholder hereto, free and clear of all security interests, liens, encumbrances, equities or other claims, and, upon delivery of and payment for such Securities, the Selling Shareholder will deliver to the Underwriter, good and valid title to such Securities, free and clear of all security interests, liens, encumbrances, equities or other claims.

ii. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell, and the Selling Shareholders agree to sell, to the several Underwriters an aggregate of _____ Firm Securities (_____ shares of such Firm Securities will be sold by the Company and _____ shares of such Firm Securities will be sold by the Selling Shareholders), and each of the Underwriters agrees to purchase from the Company and the Selling Shareholders, at a purchase price of $_____ per share, the respective aggregate number of Firm Securities determined in the manner set forth below. The obligation of each Underwriter to the Company and the Selling Shareholders shall be to purchase that portion of the number of shares of Common Stock to be sold by the Company and the Selling Shareholders pursuant to this Agreement as the number of Firm Securities set forth

opposite the name of such Underwriter on Schedule I bears to the total number of Firm Securities to be purchased by the Underwriters pursuant to this Agreement, in each case adjusted by you such that no Underwriter shall be obligated to purchase Firm Securities other than in 100 share amounts. In making this Agreement, each Underwriter is contracting severally and not jointly.

In addition, subject to the terms and conditions herein set forth, the Company and the Selling Shareholders agree to issue and sell to the Underwriters, as required (for the sole purpose of covering over-allotments in the sale of the Firm Securities), up to _____ Option Securities at the purchase price per share of the Firm Securities being sold by the Company and Selling Shareholders as stated in the preceding paragraph (with any Option Securities sold to the Underwriters pursuant to this paragraph being sold on a pro rata basis by the Company, on the one hand, and the Selling Shareholders collectively, on the other based on the number of shares of Firm Securities sold by the Company and the Selling Shareholders, respectively). The right to purchase the Option Securities may be exercised by your giving 48 hours' prior written or telephonic notice (subsequently confirmed in writing) to the Company of your determination to purchase all or a portion of the Option Securities. Such notice may be given at any time within a period of 30 days following the date of this Agreement. Option Securities shall be purchased severally for the account of each Underwriter in proportion to the number of Firm Securities set forth opposite the name of such Underwriter in Schedule I hereto. No Option Securities shall be delivered to or for the accounts of the Underwriters unless the Firm Securities shall be simultaneously delivered or shall theretofore have been delivered as herein provided. The respective purchase obligations of each Underwriter shall be adjusted by you so that no Underwriter shall be obligated to purchase Option Securities other than in 100 share amounts. The Underwriters may cancel any purchase of Option Securities at any time prior to the Option Securities Delivery Date by giving written notice of such cancellation to the Company.

iii. Upon the authorization by you to release the Firm Shares, the several Underwriters propose to offer the Firm Securities for sale upon the terms and conditions set forth in the Prospectus.

iv. Certificates in definitive form for the Firm Securities to be purchased by each Underwriter hereunder shall be delivered by or on behalf of the Company and the Selling Shareholders to you for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by wire transfer, payable in same-day funds to the order of the Company and the Selling Shareholders, as appropriate, for the purchase price of the Firm Securities being sold by the Company and the Selling Shareholders at the office of Schroder Wertheim & Co. Incorporated, Equitable Center, 787 Seventh Avenue, New York, New York, at 9:30 a.m., New York City time, on _____ ___, 1997, or at such other time, date and place as you and the Company may agree upon in writing, such time and date being herein called the "Time of Delivery."

Certificates in definitive form for the Option Securities to be purchased by each Underwriter hereunder shall be delivered by or on behalf of the Company and the Selling Shareholders to you for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price thereof by certified or official bank check or checks, payable in New York Clearing House funds, to the order of the Company, for the purchase price of the Option Securities, in New York, New York, at such time and on such date (not earlier than the Time of Delivery nor later than ten business days after giving of the notice delivered by you to the Company with reference thereto) and in such denominations and registered in such names as shall be specified in the notice delivered by you to the Company with respect to the purchase of such Option Securities. The date and time of such delivery and payment are herein sometimes referred to as the "Option Securities Delivery Date." The obligations of the Underwriters shall be subject, in their discretion, to the condition that there shall be delivered to the Underwriters on the Option Securities Delivery Date opinions and certificates, dated such Option Securities Delivery Date, referring to the Option Securities, instead of the Firm Securities, but otherwise to the same effect as those required to be delivered at the Time of Delivery pursuant to Sections 7(d), 7(e), 7(f), 7(g), 7(h) and 7(k).

Certificates for the Firm Securities and the Option Securities so to be delivered will be in good delivery form, and in such denominations and registered in such names as you may request not less than 48 hours prior to the Time of Delivery and the Option Securities Delivery Date, respectively. Such certificates will be made available for checking and packaging in New York, New York, at least 24 hours prior to the Time of Delivery and the Option Securities Delivery Date.

v. The Company covenants and agrees with each of the Underwriters:

(i) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order

preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(ii) Promptly from time to time to take such action as you may request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution, PROVIDED that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(iii) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be

necessary during such period to amend or supplement the Prospectus in order to comply with the Act to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(iv) That it has caused the Securities to be included for quotation on the Nasdaq National Market as of the Effective Date; and

(v) To file with the Commission such reports on Form SR as may be required pursuant to Rule 463 under the Act.

5.A. Each of the Selling Shareholders covenants with each of the Underwriters as follows:

(a) Such Selling Shareholder will not at any time, directly or indirectly, take any action intended, or which might reasonably be expected, to cause or result in, or which will cause, stabilization of the price of the shares of Common Stock to facilitate the sale or resale of any of the Securities in connection with the Offering.

(b) As soon as such Selling Shareholder is advised thereof, such Selling Shareholder will advise the Underwriters and confirm such advice in writing, (1) of receipt by such Selling Shareholder, or by any representative of the Selling Shareholder, of any communication from the Commission relating to the Registration Statement, the Prospectus or any Preliminary Prospectus, or any notice or order of the Commission relating to the Company or such Selling Shareholder in connection with the transactions contemplated by this Agreement and (2) of the happening of any event during the period from and after the Effective Date that in the judgment of such Selling Shareholder makes any statement made in the Registration Statement or the Prospectus untrue or that requires the making of any changes in the Registration

Statement or the Prospectus in order to make the statements therein, in light of the circumstances in which they were made, not misleading.

(c) Such Selling Shareholder will not, for a period of 180 days following the date of the Prospectus, without prior written consent of the Underwriters, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, any other shares of Common Stock or any securities convertible into, or exchangeable for, shares of Common Stock.

vi. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid: the fees, disbursements and expenses of counsel and accountants for the Company, and all other expenses, in connection with the preparation, printing and filing of the Registration Statement and the Prospectus and amendments and supplements thereto and the furnishing of copies thereof, including charges for mailing, air freight and delivery and counting and packaging thereof and of any Preliminary Prospectus and related offering documents to the Underwriters and dealers; the cost of copying and distributing this Agreement, the Agreement Among Underwriters, the Selling Agreement, communications with the Underwriters and selling group and the Preliminary and Supplemental Blue Sky Memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Securities; all expenses in connection with the qualification of the Securities for offering and sale under securities laws as provided in Section 5(b) hereof, including filing and registration fees and the fees, reasonable disbursements and expenses for counsel for the Underwriters in connection with such qualification and in connection with Blue Sky surveys or similar advice with respect to sales; the filing fees incident to securing any required review by the NASD of the terms of the sale of the Securities; all fees and expenses in connection with quotation of the Securities on the Nasdaq National Market; and all other costs and expenses incident to the performance of their obligations hereunder which are not otherwise specifically provided for in this Section 6, including the fees of the Company's Transfer Agent and Registrar, the cost of any stock issue or transfer taxes on the sale of the Securities to the Underwriters, the cost of the Company's personnel and other internal costs, the cost of printing and engraving the certificates representing the Securities and all expenses and taxes incident to the sale and delivery of the Securities to be sold by the Company to the Underwriters hereunder. It is understood, however, that, except as provided in this Section 6, Section 8 and Section 11 hereof, the Underwriters will pay all their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Securities by them, and any advertising expenses connected with any offers they may make.

vii. The obligations of the Underwriters hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and the Selling Shareholders herein are, at and as of the Time of Delivery, true and correct, the condition that the Company and the Selling Shareholders shall have performed all their obligations hereunder theretofore to be performed, and the following additional conditions:

(i) The Registration Statement shall have become effective, and you shall have received notice thereof not later than 10:00 p.m., New York City time, on the date of execution of this Agreement, or at such other time as you and the Company may agree; if required, the Prospectus shall have been filed with the Commission in the manner and within the time period required by Rule 424(b); no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(ii) All corporate proceedings and related legal and other matters in connection with the organization of the Company and the registration, authorization, issue, sale and delivery of the Securities shall have been reasonably satisfactory to Vinson & Elkins L.L.P., counsel to the Underwriters, and Vinson & Elkins L.L.P. shall have been timely furnished with such papers and information as they may reasonably have requested to enable them to pass upon the matters referred to in this subsection;

(iii) You shall not have advised the Company that the Registration Statement or Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact or omits to state a fact which in your judgment is in either case material and in the case of an omission is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(iv) Robins Kaplan Miller & Ciresi L.L.P. ("Robins Kaplan"), counsel to the Company, shall have furnished to you their written opinion, dated the Time of Delivery, in form and substance satisfactory to you, to the effect that:

1) The Company has been duly and validly incorporated and is validly existing as a corporation in good standing under the laws of the state of Minnesota, and is qualified to do business and is in good standing in each jurisdiction in which its ownership or leasing of properties requires such qualification or the conduct of its business requires such qualification (except where the failure to so qualify would not have a Material Adverse Effect); and the Company has all necessary corporate power and all material governmental authorizations, permits and approvals required to own, lease and operate its properties and conduct its business as described in the Prospectus;

2) Each of the Company's subsidiaries has been duly and validly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, and is qualified to do business and is in good standing in each jurisdiction in which its ownership or leasing of properties requires such qualification or the conduct of its business requires such qualification (except where the failure to so qualify would not have a Material Adverse Effect); and each such subsidiary has all necessary corporate power and all material governmental authorizations, permits and approvals required to own, lease and operate its properties and to conduct its business as described in the Prospectus;

3) All the outstanding shares of capital stock of each of the Company's subsidiaries have been duly authorized and are validly issued and outstanding, are fully paid and non-assessable, are owned by the Company of record and to the best knowledge of such counsel, (A) beneficially and (B) free and clear of all liens, encumbrances, equities, security interests or claims of any nature whatsoever; and neither the Company nor any of its subsidiaries has granted any outstanding options, warrants or commitments with respect to any shares of its capital stock, whether issued or unissued, except as otherwise described in the Prospectus;

4) The Company has an authorized capitalization as set forth in the Registration Statement and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; are free of any preemptive rights, and were issued and sold in compliance with all applicable Federal and state securities laws; except as described in the Prospectus, to the knowledge of such counsel, there are no outstanding options, warrants or other rights calling for the issuance of, and there are no commitments, plans or arrangements to issue, any shares of capital stock of the Company; the Securities being sold by the Company have been duly and validly authorized and, when duly countersigned by the Company's Transfer Agent and Registrar and issued, delivered and paid for in accordance with the provisions of the Registration Statement and this Agreement, will be duly and validly issued, fully paid and non-assessable; the Securities conform to the description thereof in the Prospectus; the Securities have been duly authorized for quotation on the Nasdaq National Market, as of the Effective Date; and

the certificates for the Securities are in valid and sufficient form and comply with all applicable statutory requirements, all applicable requirements of the Articles of Incorporation and By-laws of the Company and the requirements of the Nasdaq National Market;

5) To the best of such counsel's knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries or any of their respective officers or directors is a party or of which any property of the Company or any of its subsidiaries is the subject which, if resolved against the Company or any of its subsidiaries or any of their respective officers or directors, individually, or to the extent involving related claims or issues, in the aggregate, is of a character required to be disclosed in the Prospectus;

6) This Agreement has been duly authorized, executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the rights of creditors generally and by general principles of equity and, with respect to Section 8 of this Agreement, by public policy under federal and state securities laws;

7) The Company has full corporate power and authority to execute, deliver and perform this Agreement, and the execution, delivery and performance of this Agreement, the consummation of the transactions herein contemplated and the issue and sale of the Securities and the compliance by the

Company with all the provisions of this Agreement will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, claim or encumbrance upon, any of the property or assets of the Company or any of its subsidiaries pursuant to, the terms of any indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the Articles of Incorporation or the By-Laws, in each case as amended, of the Company or any of its subsidiaries, or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties;

8) No consent, approval, authorization, order, registration or qualification of or with any court or any regulatory authority or other governmental body is required for the issue and sale of the Securities or the consummation of the other transactions contemplated by this Agreement, except such as have been obtained under the Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters;

9) To the best of such counsel's knowledge, neither the Company nor any of its subsidiaries is currently in violation of its Articles of Incorporation or By-Laws or in

default under, any indenture, mortgage, deed of trust, lease, bank loan or credit agreement or any other agreement or instrument of which such counsel has knowledge to which the Company or any of its subsidiaries is a party or by which any of them or any of their property may be bound or affected (in any respect that is material in light of the financial condition of the Company and its subsidiaries, taken as a whole);

10) There are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any Securities pursuant to the Company's Articles of Incorporation or By-Laws (except as provided in the Company's Articles of Incorporation with respect to ownership of Common Stock by non-U.S. citizens), in each case as amended to the date hereof, or any agreement or other instrument known to such counsel; and no holders of securities of the Company have rights to the registration thereof under the Registration Statement or, if any such holders have such rights, such holders have waived such rights;

11) To the extent summarized therein, all contracts and agreements summarized in the Registration Statement and the Prospectus are fairly summarized therein, conform in all material respects to the descriptions thereof contained therein, and, to the extent such contracts or agreements or any other material agreements are required under the Act or the Rules and Regulations thereunder to be filed, as exhibits to the Registration Statement, they are so filed; and such counsel does not know of any contracts or other documents required to be summarized or disclosed in the Prospectus or to be so filed as an exhibit to the Registration Statement, which have not been so summarized or disclosed, or so filed;

12) All descriptions in the Prospectus of statutes, regulations or legal or governmental proceedings are fair summaries thereof and fairly present the information required to be shown with respect to such matters; and

13) The Registration Statement has become effective under the Act, the Prospectus has been filed in accordance with Rule 424(b) of the Rules and Regulations of the Commission under the Act, including the applicable time periods set forth therein, or such filing is not required and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the Act, and the Registration Statement, the Prospectus and each amendment or supplement thereto, as of their respective effective or issue dates, complied as to form in all material respects with the requirements of the Act and the Rules and Regulations thereunder; it being understood that such counsel need express no opinion as to the financial statements and schedules or other financial data contained in the Registration Statement or the Prospectus.

Such counsel shall also state that nothing has come to such counsel's attention that would lead such counsel to believe that either the Registration Statement or any amendment or supplement thereto, at the time such Registration Statement or amendment or supplement became effective, or the Prospectus or any amendment or supplement thereto, as of its date and as of the Time of Delivery, contains or contained any untrue statement of material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

In rendering their opinions set forth in Section 7(d) above, such counsel may rely, to the extent deemed advisable by such counsel, (a) as to factual matters, upon certificates of public officials and officers of the Company, and (b) as to the laws of

any jurisdiction other than the United States, the state of New York and the state of Minnesota, on opinions of counsel (PROVIDED, HOWEVER, that you shall have received a copy of each of such opinions which shall be dated the Time of Delivery, addressed to you or otherwise authorizing you to rely thereon, and Robins Kaplan in its opinion to you delivered pursuant to this subsection, shall state that such counsel are satisfactory to them and Robins Kaplan has no reason to believe that the Underwriters and they are not justified to so rely);

(v) Robins Kaplan (or other law firm acceptable to the Underwriters), shall have furnished to you their written opinion, dated the Time of Delivery, in form and substance satisfactory to you, to the effect that:

1) Each of this Agreement, the Power of Attorney and the Custody Agreement has been duly authorized, executed and delivered by or on behalf of each of the Selling Shareholders and constitutes a legal, valid and binding agreement of each Selling Shareholder.

2) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by any Selling Shareholder of the transactions on its part contemplated by this Agreement in connection with the Securities to be sold by any Selling Shareholder hereunder, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of such Securities by the Underwriters; and

3) Upon purchase of the Securities to be sold by the Selling Shareholders as provided in this Agreement, each of the Underwriters (assuming that it is a bona fide purchaser within the meaning of the Uniform Commercial Code) will acquire good and valid title to such Securities, free and clear of all security interests, liens, encumbrances, equities or other claims.

Such counsel may rely upon certificates of the Selling Shareholders. The opinions of such counsel relate solely to, are based solely upon and are limited exclusively to the laws of the state of Minnesota and the state of New York and the laws of the United States of America, to the extent applicable.

(vi) Miller & Lents, such firm constituting independent petroleum engineering consultants (the "Engineering Consultants"), shall have delivered to you on the date of this Agreement a letter (the "Reserve Letter") and also on the Closing Date a letter dated the Closing Date, in each case in form and substance reasonably satisfactory to you and substantially in the form attached hereto as Annex III, stating, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified information with respect to the oil and gas reserves is given or incorporated in the Prospectus as of the date not more than five days prior to the date of such letter), the conclusions and findings of such firm with respect to the oil and gas reserves of the Company;

(vii) Vinson & Elkins L.L.P., counsel to the Underwriters, shall have furnished to you their written opinion or opinions, dated the Time of Delivery, in form and substance satisfactory to you, with respect to the incorporation of the Company, the validity of the Securities, the Registration Statement, the Prospectus and other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(viii) At the time this Agreement is executed and also at the Time of Delivery, Arthur Andersen LLP shall have furnished to you a letter or letters, dated the date of this Agreement and the Time of Delivery, in form and substance satisfactory to you, to the effect, that:

1) They are independent accountants with respect to the Company and its subsidiaries within the meaning of the Act and the

applicable published Rules and Regulations thereunder;

2) In their opinion the consolidated financial statements of the Company and its subsidiaries (including the related schedules and notes) included in the Registration Statement and Prospectus and covered by their reports included therein comply as to form in all material respects with the applicable accounting requirements of the Act and the published Rules and Regulations thereunder;

3) On the basis of specified procedures as of a specified date not more than five days prior to the date of their letter (which procedures do not constitute an examination made in accordance with generally accepted auditing standards), consisting of a reading of the latest available unaudited interim consolidated financial statements of the Company and its subsidiaries, a reading of the latest available minutes of any meeting of the Board of Directors and stockholders of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries who have responsibility for financial and accounting matters, and such other procedures or inquiries as are specified in such letter, nothing came to their attention that caused them to believe that:

(A) The unaudited consolidated condensed financial statements of the Company and its subsidiaries included in the Prospectus do not comply in form in all material respects with the applicable accounting requirements of the Act and the Rules and Regulations promulgated thereunder or are not presented in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statement and the Prospectus;

(B) as of a specified date not more than five days prior to the date of their letter, there was any change in the capital stock, or the long-term debt or subordinated debt of the Company and its subsidiaries on a consolidated basis, or any decrease in total assets, total current assets or stockholders' equity or other items specified by the Representatives, of the Company and its subsidiaries on a consolidated basis, each as compared with the amounts shown on the _____ ___, 1997 balance sheet included in the Registration Statement and the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or such other changes, decreases or increases which are described in their letter and which do not, in the sole judgment of the Representatives, make it impractical or inadvisable to proceed with the purchase and delivery of the Securities as contemplated by the Registration Statement; and

(C) for the period from _____ ___, 1997 to a specified date not more than five days prior to the date of such letter, there was any decrease, as compared with the corresponding period of the preceding fiscal year, in the following consolidated amounts: total revenues, revenues less direct operating expenses, income (loss) before income taxes, net income (loss) or net income (loss) per average common share outstanding, except in all instances for decreases which the Registration Statement discloses have occurred or may occur; or such other decreases which are described in their letter and which do not, in the sole judgment of the Representatives, make it impractical or inadvisable to proceed with the purchase and delivery of the Securities as contemplated by the Registration Statement; and

4) in addition to the examination referred to in their reports included in the Registration Statement and the Prospectus and the limited procedures referred to in clause (iii) above, they have carried out certain specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement, and have compared such amounts and financial information with the accounting records of the Company and its subsidiaries, and have found them to be in agreement and have proved the

mathematical accuracy of certain specified percentages.

(ix) Neither the Company nor any of its sub
sidiaries shall have sustained since the date of the
latest audited financial statements included in the
Prospectus, any loss or interference with its business
from fire, explosion, flood or other calamity, whether
or not covered by insurance, or from any labor dispute
or court or governmental action, order or decree; and
since the respective dates as of which information is
given in the Prospectus, there shall not have been any
change in the capital stock (other than shares issued
pursuant to the exercise of Employee Option Shares) or
short-term debt or long-term debt (excluding changes in
the amount of indebtedness outstanding under the
Company's Revolving Credit Agreement (as defined in the
Registration Statement) incurred for working capital
purposes) of the Company or any of its subsidiaries nor
any change or any development involving a prospective
change, in or affecting the general affairs, management,
financial position, stockholders' equity or results of
operations of the Company and its subsidiaries,
otherwise than as set forth or contemplated in the
Prospectus, the effect of which, in any such case is in
your judgment so material and adverse as to make it
impracticable or inadvisable to proceed with the public
offering or the delivery of the Securities on the terms
and in the manner contemplated in the Prospectus;

(x) Between the date hereof and the Time of
Delivery there shall have been no declaration of war by
the Government of the United States; at the Time of
Delivery there shall not have occurred any material
adverse change in the financial or securities markets in
the United States or in political, financial or economic
conditions in the United States or any outbreak or
material escalation of hostilities or other calamity or
crisis, the effect of which is such as to make it, in
the judgment of the Representatives, impracticable to
market the Securities or to enforce contracts for the
resale of Securities and no event shall

have occurred resulting in (i) trading in securities generally on the New York Stock Exchange or in the Common Stock on the principal securities exchange or market in which the Common Stock is listed or quoted being suspended or limited or minimum or maximum prices being generally established on such exchanges or market, or (ii) additional material governmental restrictions, not in force on the date of this Agreement, being imposed upon trading in securities generally by the New York Stock Exchange or in the Common Stock on the principal securities exchange or market in which the Common Stock is listed or quoted or by order of the Commission or any court or other governmental authority, or (iii) a general banking moratorium being declared by either Federal or New York authorities;

(xi) The Company shall have furnished or caused to be furnished to you at the Time of Delivery certificates signed by the chief executive officer and the chief financial officer, on behalf of the Company, satisfactory to you as to such matters as you may reasonably request and as to (i) the accuracy of the Company's representations and warranties herein at and as of the Time of Delivery and (ii) the performance by the Company of all its obligations hereunder to be performed at or prior to the Time of Delivery; (iii) the fact that they have carefully examined the Registration Statement and Prospectus and, (a) as of the Effective Date, the statements contained in the Registration Statement and the Prospectus were true and correct and neither the Registration Statement nor the Prospectus omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (b) since the Effective Date, no event has occurred that is required by the Act or the Rules and Regulations of the Commission thereunder to be set forth in an amendment of, or a supplement to, the Prospectus that has not been set forth in such an amendment or supplement; and (iv) the matters set forth in subsection (a) of this Section 7;

(xii)Each director, officer and five percent stockholder of the Company shall have delivered to you an agreement not to sell, offer or agree to sell or otherwise dispose of any capital stock of the Company (or securities convertible into, or exchangeable for, capital stock of the Company), directly or indirectly, for a period of 180 days after the date hereof (other than pursuant to this Agreement), without the prior written consent of the Representatives, PROVIDED that the foregoing restrictions shall not apply to grants under the Company's stock option plan and the exercise of options granted thereunder or to any gift of Common Stock or any private sale of Common Stock not made on the open market to a donee or purchaser, respectively, that agrees in writing for the benefit of the Representative to be bound by the same restrictions with respect to such shares; and

(xiii)The Company shall have delivered to you evidence that the Securities have been authorized for quotation on the Nasdaq National Market as of the Effective Date.

viii. The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or in any Blue Sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all the Securities under the security laws thereof or filed with the Commission or any securities association or securities exchange (each, an "Application"), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading, or (ii) any untrue statement or alleged untrue statement made by the Company in Section 1 of this Agreement, or (iii) the employment by the Company of any device, scheme or artifice to defraud, or the engaging by the Company in any act, practice or course of business which operates or would operate as a fraud or deceit, or any conspiracy with respect thereto, in which the Company shall participate, in connection with the issuance and sale of

any of the Securities, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating, preparing to defend, defending or appearing as a third-party witness in connection with any such action or claim; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission relating to an Underwriter made in any Preliminary Prospectus, the Registration Statement, the Prospectus or such amendment or supplement or any Application in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use therein.

(i) In addition to any obligations of the Company under Section 8(a), the Company agrees that it shall perform its indemnification obligations under Section 8(a) (as modified by the last paragraph of this Section 8(b)) with respect to counsel fees and expenses and other expenses reasonably incurred by making payments within 45 days to the Underwriter in the amount of the statements of the Underwriter's counsel or other statements which shall be forwarded by the Underwriter, and that they shall make such payments notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligation to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court and a court orders return of such payments.

The indemnity agreement in Section 8(a) shall be in addition to any liability which the Company may otherwise have and shall extend upon the same terms and conditions to each person, if any, who controls any Underwriter within the meaning of the Act or the Exchange Act.

(ii) Each Selling Shareholder will indemnify and hold harmless each Underwriter or the Company, as the case may be, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or the Company, as the case may be, may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon

(i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or in any Blue Sky application or other document executed by the Company specifically for that purpose or based upon written information furnished to the Company by the Selling Shareholder filed in any state or other jurisdiction in order to qualify any or all the Securities under the security laws thereof or filed with the Commission or any securities association or securities exchange (each, an "Application"), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company by such Selling Shareholder specifically for use therein or (ii) any untrue statement or alleged untrue statement made by the Selling Shareholder in Section 1.A of this Agreement; PROVIDED, HOWEVER, that the Selling Shareholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission relating to an Underwriter made in any Preliminary Prospectus, the Registration Statement, the Prospectus or such amendment or supplement or any Application in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use therein. In addition, in no event shall the liability of any Selling Shareholder for indemnification in this Section 8(c) exceed the proceeds received by such Selling Shareholder in the Offering.

(iii)In addition to any obligations of each of the Selling Shareholders under Section 8(c), each of the Selling Shareholders agrees that it shall perform its indemnification obligations under Section 8(c) (as

modified by the last paragraph of this Section 8(d)) with respect to counsel fees and expenses and other expenses reasonably incurred by making payments within 45 days to the Underwriter in the amount of the statements of the Underwriter's counsel or other statements which shall be forwarded by the Underwriter, and that they shall make such payments notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligation to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court and a court orders return of such payments.

The indemnity agreement in Section 8(c) shall be in addition to any liability which the Company may otherwise have and shall extend upon the same terms and conditions to each person, if any, who controls any Underwriter within the meaning of the Act or the Exchange Act.

(iv) Each Underwriter will indemnify and hold harmless the Company or the Selling Shareholders, as the case may be, against any losses, claims, damages or liabilities to which the Company or any of the Selling Shareholders may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or any Application, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement, the Prospectus or such amendment or supplement or any Application in reliance upon and in conformity with written information furnished to the Company or the Selling Shareholder by such Underwriter relating to such Underwriter through you

expressly for use therein, and will reimburse the Company or the Selling Shareholder for any legal or other expenses reasonably incurred by the Company or the Selling Shareholder in connection with investigating or defending any such action or claim.

The indemnity agreement in this Section 8(e) shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act or the Exchange Act.

(v) Promptly after receipt by an indemnified party under Section 8(a), 8(c) or 8(e) of notice of the commencement of any action (including any governmental investigation), such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under Section 8(a), 8(c) or 8(e) except to the extent it was unaware of such action and has been prejudiced in any material respect by such failure or from any liability which it may have to any indemnified party otherwise than under such Section 8(a), 8(c) or 8(e). In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. If, however, (i) the indemnifying party has authorized the employment of counsel for the indemnified party

at the expense of the indemnifying party or (ii) an indemnified party shall have reasonably concluded that representation of such indemnified party and the indemnifying party by the same counsel would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them and the indemnified party so notifies the indemnifying party, then the indemnified party shall be entitled to employ counsel different from counsel for the indemnifying party at the expense of the indemnifying party and the indemnifying party shall not have the right to assume the defense of such indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to local counsel) for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same set of allegations or circumstances. The counsel with respect to which fees and expenses shall be so reimbursed shall be designated in writing by Schroder Wertheim in the case of parties indemnified pursuant to Section 8(a) and 8(c) and by the Company and the Selling Shareholders in the case of parties indemnified pursuant to Section 8(e).

No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(vi) In order to provide for just and equitable contribution under the Act in any case in which (i) any Underwriter (or any person who controls any Underwriter within the meaning of the Act or the Exchange Act) makes claim for indemnification pursuant to Section 8(a) or 8(c) hereof, but is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be

enforced in such case notwithstanding the fact that Section 8(a) or 8(c) provides for indemnification in such case or (ii) contribution under the Act may be required on the part of any Underwriter or any such controlling person in circumstances for which indemnification is provided under Section 8(e), then, and in each such case, each indemnifying party shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject as an indemnifying party hereunder (after contribution from others) in such proportion as is appropriate to reflect the relative benefits received by the Company or any of the Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under Section 8(d) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company or any of the Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Securities purchased under this Agreement (before deducting expenses) received by the Company or any of the Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Securities purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or any

of the Selling Shareholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, each of the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(g) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(g). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 8(g) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(g), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and no Selling Shareholder shall be required to contribute any amount in excess of the proceeds received by such Selling Shareholder in the Offering. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(vii)Promptly after receipt by any party to this Agreement of notice of the commencement of any action, suit or proceeding, such party will, if a claim for contribution in respect thereof is to be made

against another party (the "contributing party"), notify the contributing party of the commencement thereof; but the omission so to notify the contributing party will not relieve it from any liability which it may have to any other party for contribution under the Act except to the extent it was unaware of such action and has been prejudiced in any material respect by such failure or from any liability which it may have to any other party other than for contribution under the Act. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party of the commencement thereof, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified.

ix. If any Underwriter shall default in its obligation to purchase the Firm Securities which it has agreed to purchase hereunder, you may in your discretion arrange for you or another party or other parties to purchase such Firm Securities on the terms contained herein. If the aggregate number of Firm Securities as to which Underwriters default is more than one-eleventh of the aggregate number of all the Firm Securities and within 36 hours after such default by any Underwriter you do not arrange for the purchase of such Firm Securities, then the Company shall be entitled to a further period of 36 hours within which to procure another party or other parties satisfactory to you to purchase such Firm Securities on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Firm Securities, or the Company notifies you that it has so arranged for the purchase of such Firm Securities, you or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Firm Securities.

(i) If, after giving effect to any arrangements for the purchase of the Firm Securities of such defaulting Underwriter or Underwriters by you or the Company or both as provided in subsection (a) above, the

aggregate number of such Firm Securities which remain unpurchased does not exceed one-eleventh of the aggregate number of all the Firm Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of the Firm Securities which such Underwriter agreed to purchase hereunder and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Firm Securities which such Underwriter agreed to purchase hereunder) of the Firm Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing shall relieve a defaulting Underwriter from liability for its default.

(ii) If, after giving effect to any arrangements for the purchase of the Firm Securities of a defaulting Underwriter or Underwriters by you or the Company as provided in subsection (a) above, the aggregate number of such Firm Securities which remain unpurchased exceeds one-eleventh of the aggregate number of all the Firm Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Firm Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate without liability on the part of any non- defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity agreement in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

x. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Selling Shareholders and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or an officer or director or controlling person of the Company, or any Selling Shareholder, or an officer or director

or controlling person of the Selling Shareholder, and shall survive delivery of and payment for the Securities.

xi. This Agreement shall become effective (a) if the Registration Statement has not heretofore become effective, at the earlier of 12:00 Noon, New York City time, on the first full business day after the Registration Statement becomes effective, or at such time after the Registration Statement becomes effective as you may authorize the sale of the Securities to the public by Underwriters or other securities dealers, or (b) if the Registration Statement has heretofore become effective, at the earlier of 24 hours after the filing of the Prospectus with the Commission or at such time as you may authorize the sale of the Securities to the public by Underwriters or securities dealers, unless, prior to any such time you shall have received notice from the Company that it elects that this Agreement shall not become effective, or you, or through you such of the Underwriters as have agreed to purchase in the aggregate fifty percent or more of the Firm Securities hereunder, shall have given notice to the Company that you or such Underwriters elect that this Agreement shall not become effective; PROVIDED, HOWEVER, that the provisions of this Section and Section 6 and Section 8 hereof shall at all times be effective.

If this Agreement shall be terminated pursuant to Section 9 hereof, or if this Agreement, by election of you or the Underwriters, shall not become effective pursuant to the provisions of this Section, the Company shall not then be under any liability to any Underwriter except as provided in Section 6 and Section 8 hereof, but if this Agreement becomes effective and is not so terminated but the Securities are not delivered by or on behalf of the Company as provided herein because the Company has been unable for any reason beyond its control and not due to any default by it to comply with the terms and conditions hereof, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities, but the Company shall then be under no further liability to any Underwriter except as provided in Section 6 and Section 8 hereof.

xii. The statements set forth in the last paragraph on the front cover page of the Prospectus, the paragraph on the inside front cover of the Prospectus containing stabilization language and the third and eighth paragraphs under the caption "Underwriting" in the Prospectus constitute the only information furnished by any Underwriter through the Representatives to the Company for purposes of Sections 1(b), 1(c) and 8 hereof.

xiii. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made

or given by you jointly or by Schroder Wertheim on behalf of you as the Representatives.

All statements, requests, notices and agreements hereunder, unless otherwise specified in this Agreement, shall be in writing and, if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission (subsequently confirmed by delivery or by letter sent by mail) to you as the Representatives in care of Schroder Wertheim & Co. Incorporated, Equitable Center, 787 Seventh Avenue, New York, New York 10019, Attention: Syndicate Department; and if to the Company, shall be delivered or sent by mail, telex or facsimile transmission (subsequently confirmed by delivery or by letter sent by mail) to the address of the Company set forth in the Registration Statement, Attention: S. James Nelson, Executive Vice President; PROVIDED, HOWEVER, that any notice to any Underwriter pursuant to Section 8(d) hereof shall be delivered or sent by mail, telex or facsimile transmission (subsequently confirmed by delivery or by letter sent by mail) to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

xiv. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company, the Selling Shareholders and, to the extent provided in Section 8 and Section 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

xv. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

XVI. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

xvii. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us two counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement Among Underwriters, manually or facsimile executed counterparts of which, to the extent practicable and upon request, shall be submitted to the Company for examination, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

CAL DIVE INTERNATIONAL, INC.

By:_____
Name:
Title:

SELLING SHAREHOLDERS

By:_____
As Attorney-in-Fact for each of the several Selling Shareholders named in Schedule II

Accepted as of the date hereof:

SCHRODER WERTHEIM & CO.
INCORPORATED
RAYMOND JAMES & ASSOCIATES, INC.
SIMMONS & COMPANY INTERNATIONAL
as Representatives of the several Underwriters

By: SCHRODER WERTHEIM & CO.
INCORPORATED

By:_____
Managing Director

SCHEDULE I

UNDERWRITER	NUMBER OF FIRM SECURITIES
Schroder Wertheim & Co. Incorporated.....	
Raymond James & Associates, Inc.....	
Simmons & Company International.....	
Total.....	==========

CAL DIVE INTERNATIONAL, INC.
UNDERWRITING AGREEMENT
SCHEDULE I

SCHEDULE II

SELLING SHAREHOLDERS	NUMBER OF FIRM SECURITIES

CAL DIVE INTERNATIONAL, INC.
UNDERWRITING AGREEMENT
SCHEDULE II

ARTICLES OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
CAL DIVE INTERNATIONAL, INC.

I, Gerald G. Reuhl, the Chairman of Cal Dive International, Inc., a Minnesota corporation, do hereby certify that by resolutions in lieu of a special meeting of the shareholders of said Corporation, effective as of April 11, 1997, the following resolutions were unanimously adopted in writing by the shareholders:

RESOLVED:

The Articles of Incorporation of this Corporation shall be amended and restated to read as follows:

"1997 AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
CAL DIVE INTERNATIONAL, INC."

ARTICLE I

The name of this Corporation shall be Cal Dive International, Inc.

ARTICLE II

The Corporation shall have general business purposes and shall have authority to engage in and do any act necessary or incidental to the conduct of any business for which corporations may be organized under the provisions of Minnesota Statutes Chapter 302A.

ARTICLE III

The Corporation shall have perpetual existence.

ARTICLE IV
REGISTERED OFFICE

The registered office of this Corporation is located at 2800 LaSalle Plaza, 800 LaSalle Avenue, Minneapolis, Minnesota 55402.

ARTICLE V
CAPITAL

A. The total authorized capital stock of the Corporation is sixty million (60,000,000) shares of Common Stock, without par value, and five million (5,000,000) shares of Preferred Stock with $0.01 par value.

B. Shares of Preferred Stock may be divided into and issued from time to time in one or more series. In addition to, and not by way of limitation of, the power granted to the Board of Directors of this Corporation by Minnesota Statutes, Chapter 302A, the Board of Directors of the Corporation shall have the power and authority to fix by resolution the preferences, limitations and relative rights of the Preferred Stock of each series. The Board of Directors is hereby authorized to fix and determine such variations in the designations, preferences, and relative participating, optional or other special rights (including, without limitation, special voting rights, preferential rights to receive dividends or assets upon liquidation, rights of conversion into Common Stock or other securities, redemption provisions or sinking fund provisions) as between series and as between the Preferred Stock or any series thereof and the Common Stock, and the qualifications, limitations or restrictions of such rights, and the shares of Preferred Stock or any series thereof may have full or limited voting powers. Upon adoption of such resolution, a statement shall be filed with the Secretary of State in compliance with Minnesota Statutes Section 302A.401, before the issuance of any shares for which the resolution creates rights or preferences not set forth in these Articles of Incorporation; provided, however, where the shareholders have received notice of the creation of shares with rights or preferences not set forth in these Articles of Incorporation before the issuance of the shares, the statement may be filed any time within one year after the issuance of the shares.

C. Except in respect of characteristics of a particular series fixed by the Board of Directors, all shares of Preferred Stock shall be of equal rank and shall be identical. All shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular, except that the shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

D. Subject to the preferences of any series of Preferred Stock, the Board of Directors may, in its discretion, out of funds legally available for the payment of dividends and at such times and in such manner as determined by the Board of Directors, declare and pay dividends on the Common Stock of the Corporation. No dividend (other than a dividend in capital stock ranking on a parity with the Common Stock or cash in lieu of fractional shares with respect to such stock dividend) shall be declared or paid on any share or shares of any class of stock or series thereof ranking on a parity with the Common Stock in respect of payment of dividends for any period unless there shall have been declared, for the same dividend period, like proportionate dividends on all shares of Common Stock then outstanding.

E. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary after payment or provision for payment of the debts and other liabilities of the Corporation and payment or

setting aside for payment of any preferential amount due to the holders of any other class or series of stock, the holders of the Common Stock shall be entitled to receive ratably any or all assets remaining to be paid or distributed.

F. The holders of the Common Stock of the Corporation shall be entitled to one vote for each share of such stock held by them.

G. Whenever reference is made in this Article V to shares "ranking prior to" another class of stock or "on a parity with" another class of stock, such reference shall mean and include all other shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over, or rank on an equal basis with, as the case may be, the rights of the holders of such other class of stock. Whenever reference is made to shares "ranking junior to" another class of stock, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are junior and subordinate to the rights of the holders of such class of stock. Except as otherwise provided in these Articles of Incorporation, or in the statement filed with the Secretary of State in compliance with Minnesota Statutes Section 306A.401, each series of Preferred Stock ranks on a parity with each other and each ranks prior to the Common Stock. Common Stock ranks junior to Preferred Stock.

H. The Corporation shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, the full number of shares of Common Stock into which all shares of any series of Preferred Stock having conversion privileges from time to time outstanding are convertible. Unless otherwise provided in these Articles of Incorporation or in the statement filed with the Secretary of State in compliance with, Minnesota Statutes Section 306A.401, with respect to a particular series of Preferred Stock, all shares of Preferred Stock, redeemed or acquired (as a result of conversion or otherwise) shall be retired and restored to the status of authorized but unissued shares.

ARTICLE VI
DIRECTORS

A. The number of directors of the Corporation shall be fixed as specified or provided for in the By-Laws of the Corporation. Election of directors need not be by written ballot unless the By-Laws shall so provide.

B. Any director or the entire Board of Directors may be removed, but only by a 68% vote of the holders of the shares then entitled to vote at an election of directors.

C. Any director absent from a meeting of the Board of Directors or any committee thereof may be represented by any other Director, who may cast the vote of the absent director according to the written instructions, general or special, of the absent director (except that the same person may not be designated to act as proxy for more than one (1) director at any meeting of the Board of Directors or any committee thereof).

D. The Board of Directors, when evaluating a tender offer or an offer to make a tender or exchange offer or to effect a merger, consolidation or share exchange or sale of all or substantially all of the assets of the Corporation, may, in exercising its judgment in determining what is in the best interests of the Corporation and its shareholders, consider the following factors and any other factors that it deems relevant: (1) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation, but also the market price for the

capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; (2) the social and economic effects of such transaction on the Corporation, its subsidiaries, or their employees, customers, creditors and the communities in which the Corporation and its subsidiaries do business; (3) the business and financial condition and earnings prospects of the acquiring party or parties; including, but not limited to, debt service and other existing or likely financial obligations of the acquiring party or parties, and the possible effect of such condition upon the Corporation and its subsidiaries and the communities in which the Corporation and its subsidiaries do business; and (4) the competence, experience, and integrity of the acquiring party or parties and its or their management. Notwithstanding any provision of this Article VI(D), this Article is not intended to confer any rights on any subsidiary of the Corporation, or on any of the Corporation's or its subsidiaries' employees, customers, creditors or other members of the communities in which it or they do business.

ARTICLE VII
SHAREHOLDER VOTING

No shareholder of this Corporation shall be entitled to any cumulative voting rights. Action shall not be taken by written consent of the Shareholders, but, in all cases, shall be taken at a meeting of the Shareholders as described in the By-Laws of the Corporation.

ARTICLE VIII
PREEMPTIVE RIGHTS

Except as provided in that certain 1997 Amended and Restated Shareholders Agreement dated as of April 11, 1997 (as amended pursuant thereto from time to time), no shareholder of this Corporation shall have any preferential, preemptive, or other rights of subscription to any shares of any class or series of stock of this Corporation allotted or sold or to be allotted or sold, whether now or hereafter authorized, or to any obligations or securities convertible into any class or series of stock of this Corporation.

ARTICLE IX
DIRECTOR LIABILITY

A director of this Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for (i) liability based on a breach of the duty of loyalty to the Corporation or the shareholders; (ii) liability for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) liability based on the payment of an improper dividend or an improper repurchase of the Corporation's stock under Minnesota Statutes, Section 302A.559, or on material violations of federal or state securities laws; (iv) liability for any transaction from which the director derived a material improper personal benefit; or (v) liability for any act or omission occurring prior to the date this Article IX becomes effective. If Minnesota Statutes, Chapter 302A, hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation in addition to the limitation on personal liability

provided herein, shall be limited to the fullest extent permitted by the amended Chapter 302A. Any repeal of this provision as a matter of law or any modification of this Article IX by the shareholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE X
BOARD ACTION WITHOUT A MEETING

Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting by written action signed by all of the Directors then in office.

ARTICLE XI
AMENDMENT TO ARTICLES OF INCORPORATION OR BYLAWS

In furtherance of, and not in limitation of, the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation or adopt new By-Laws, without any action on the part of the shareholders; provided, however, that no such adoption, amendment, or repeal shall be valid with respect to By-Law provisions which have been adopted, amended, or repealed by the shareholders; and further provided, that By-Laws adopted or amended by the Board of Directors and any powers thereby conferred may be amended, altered, or repealed by the shareholders. In addition, the affirmative vote of the holders of at least (a) 80% of the voting power of the then outstanding shares of voting stock, voting together as a single class, and in addition to any other vote required by these Articles of Incorporation or the By-Laws, is required to amend provisions of these Articles of Incorporation or the By-Laws relating to: (i) the taking of shareholder action without a meeting; (ii) the right of shareholders to call a special meeting; (iii) the number, election and term of the Corporations's Directors; (iv) the removal of Directors; and (v) fixing a quorum for meetings of shareholders; and (b) at least 90% of the voting power of the then outstanding shares of voting stock, voting together as a single class, and in addition to any other vote required by these Articles of Incorporation or the By-Laws, is required to amend the provisions of these Articles of Incorporation relating to the Minnesota Control Share Acquisition Act or the Minnesota Business Combinations Act contained in Article XII hereof.

ARTICLE XII

MINNESOTA STATUTES SS.SS. 302A.671 AND 302A.673
(CONTROL SHARE ACQUISITIONS AND BUSINESS COMBINATIONS)

The Corporation and its shareholders hereby expressly elect to not have the provisions of Minnesota Statues ss. 302A.671, as now in effect or as hereafter amended from time to time, the Control Share Acquisition Act, apply to any Control Share Acquisition (as in such statute defined) involving the Corporation. The Corporation and its shareholders also hereby expressly elect that Minnesota Statutes ss. 302A.673, as now in effect or as hereafter amended from time to time, the Business Combinations Act, shall not apply to any Business Combination (as in such statute defined) involving Coflexip, a French corporation, Coflexip Stena Offshore USA Holdings Inc., a Delaware corporation, or any company affiliated with either of them.

RESOLVED FURTHER:

The Chairman of this Corporation is hereby authorized and directed to make, execute and acknowledge the 1997 Amended and Restated Articles of Incorporation embracing the foregoing resolution and to cause such 1997 Amended and Restated Articles of Incorporation to be filed for record in the manner required by law.

IN WITNESS WHEREOF, I have hereto set my hand this 10th day of April, 1997.

Gerald G. Reuhl
Chairman

AMENDED AND RESTATED

BY-LAWS

OF

CAL DIVE INTERNATIONAL, INC.

PREAMBLE

The Corporation, Coflexip, a French Corporation ("Coflexip"), First Reserve Secured Energy Assets Fund, Limited Partnership, First Reserve Fund V, Limited Partnership, First Reserve Fund V-2, Limited Partnership and First Reserve Fund VI, Limited Partnership , Gerald G. Reuhl, Owen E. Kratz, S. James Nelson, Gordon F. Ahalt and the other Shareholders of the Company, have entered into that certain 1997 Amended and Restated Shareholders Agreement dated as of April 11, 1997 (the "Shareholders Agreement"). The Shareholders Agreement regulates certain aspects of corporate governance of the Corporation, including, without limitation, the composition of the Corporation's Board of Directors. In conjunction with the Shareholders Agreement, the Corporation agreed to amend and restate these By-Laws. Accordingly, to the extent any provision of these By-Laws conflicts with any provision of the Shareholders Agreement, the provisions of the Shareholders Agreement shall prevail.

ARTICLE 1.

OFFICES

The registered office of the Corporation in Minnesota shall be as stated in the Articles of Incorporation, as from time to time amended. The Corporation may also have offices in Texas and at such other places as the Board of Directors shall from time to time determine.

ARTICLE 2.

CORPORATE SEAL

The Corporation shall have no corporate seal.

ARTICLE 3.

SHAREHOLDERS MEETINGS

SECTION 3.01. REGULAR MEETINGS

(1) Regular meetings of the Shareholders of the Corporation for the purpose of election of Directors and transaction of such other business as may properly come before the regular meetings may be held annually at the principal executive office of the Corporation or at such other place within or without the State of Minnesota or Texas as may be designated by the Board of Directors. Regular meetings of Shareholders, when held, shall be held on the second Tuesday in May of each year at 10:00 a.m., or at such date and time as the Board of Directors may from time to time designate. Regular meetings of the Shareholders (but not special meetings) may also be called by the Shareholders in accordance with the provisions of Minnesota Statutes Chapter 302A. Regular meetings of the Shareholders shall be known as "annual meetings."

(2) At the annual meeting of the Shareholders, only such business shall be conducted as shall have been properly brought before the annual meeting. To be properly brought before the annual meeting of Shareholders, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a Shareholder of the Corporation who is a Shareholder of record at the time of giving of notice provided for in this Section 3.01 of Article 3, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 3.01 of Article 3. For business to be properly brought before an annual meeting by a Shareholder, the Shareholder, in addition to the requirements set forth above, must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of Shareholders of the Corporation. A Shareholder's notice to the Secretary shall set forth as to each matter the Shareholder proposes to bring before the annual meeting: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the Shareholder proposing such business, (c) the class and number of shares of voting stock of the Corporation which are

beneficially owned by the Shareholder, (d) a representation that the Shareholder intends to appear in person or by proxy at the meeting to bring the proposed business before the annual meeting, and (e) a description of any material interest of the Shareholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Article 3. The presiding officer of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Article 3, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 3.02. SPECIAL MEETINGS. Special meetings of the Shareholders may be called for any purpose at any time by the Chief Executive Officer or a majority of the Board of Directors. The Board of Directors or the Chief Executive Officer shall within thirty (30) days of receipt of such written request cause a special meeting of Shareholders to be called, said meeting to be held no later than ninety (90) days after receipt of the written request.

SECTION 3.03. NOTICE OF SHAREHOLDER MEETINGS. Written notice of Shareholders' meetings, whether regular or special, shall be mailed to all Shareholders entitled to vote at any such meeting at least ten (10) days, and not more than sixty (60) days, before the date of the meeting. The written notice shall contain the date, time and place of the meeting and, in the case of a special meeting, the purpose or purposes thereof.

SECTION 3.04. WAIVER OF NOTICE. Failure to receive notice of the time, place and purpose of any meeting of Shareholders may be waived by any Shareholder in writing or orally before, at, or after the meeting. Attendance by a Shareholder at a meeting is a waiver of notice of that meeting, except where the Shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

SECTION 3.05. RECORD DATE. The Board of Directors may fix in advance a date not more than sixty (60) days prior to the date of any meeting of Shareholders as the record date for the determination of Shareholders entitled to vote at the meeting.

SECTION 3.06. QUORUM. The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote thereat shall constitute a quorum for the transaction of business at all meetings of Shareholders. If, however, a quorum is not present or represented at any meeting of Shareholders, the Shareholders entitled to vote at the meeting, either present in person or represented by proxy, shall have the power to adjourn the meeting to a future date. The time and place to which an adjournment is taken shall be publicly announced at the meeting, and no further notice thereof shall be necessary.

Provided that a quorum is present or represented at an adjourned meeting, any business may be transacted which might have been transacted at the original meeting. If a quorum is present when a duly called or held meeting of Shareholders is convened, the Shareholders present may continue to transact business until adjournment, even though the withdrawal of a number of Shareholders originally present leaves less than the proportion or number otherwise required for a quorum.

SECTION 3.07. VOTING. A Shareholder entitled to vote at a meeting of Shareholders may vote in person or by proxy. Except as otherwise provided by law or the Articles of Incorporation, every Shareholder shall be entitled to one vote for each share outstanding in his name on the record of Shareholders of the Corporation. The votes of a corporate Shareholder may be cast in person or by proxy, and shall be executed by any duly elected officer of a corporate Shareholder.

SECTION 3.08. PROXIES. Every appointment of a proxy must be in writing and must be dated and signed by the Shareholder and filed with an officer of the Corporation at or before the Shareholders' meeting at which the appointment is to be effective. No appointment of a proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless a longer period is expressly provided in the appointment.

SECTION 3.09. NOMINATION FOR ELECTION AS A DIRECTOR. Except as provided in the Shareholders Agreement, only persons who are nominated in accordance with the procedures set forth in these ByLaws

shall be eligible for election as, and to serve as, directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of Shareholders (a) by or at the direction of the Board of Directors or (b) by any Shareholder of the Corporation who is a Shareholder of record at the time of giving of notice provided for in this Section 3.09, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 3.09. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a Shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) with respect to an election to be held at the annual meeting of the Shareholders of the Corporation, not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of Shareholders of the Corporation; and (ii) with respect to an election to be held at a special meeting of Shareholders of the Corporation, not later than the close of business on the tenth (10th) day following the date on which notice of the date of the special meeting (whether or not such notice of the date of the special meeting constitutes the "notice of special meeting" required by Section 3.02 of Article 3 of these By-Laws) was mailed to Shareholders or public disclosure of the date of the special meeting was made, whichever first occurs. Such Shareholder's notice to the Secretary shall set forth (i) as to each person whom the Shareholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected); and (ii) as to the Shareholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such Shareholder and (b) the class and number of shares of voting stock of the Corporation which are beneficially owned by such Shareholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a Shareholder's notice of nomination which pertains to the nominee. In the event that a person is validly designated as a nominee to the Board of Directors in accordance with the procedures set forth in this Section 3.09 and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors or the Shareholder who proposed such nominee, as the case may be, may designate a substitute nominee. Other than directors chosen pursuant to this Section 3.09, no person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.09 of Article 3.

The presiding officer of the meeting of Shareholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 3.09, a Shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 3.09.

SECTION 3.10. NO SHAREHOLDER ACTION BY WRITTEN CONSENT. Action shall not be taken by written consent of the Shareholders but, in all cases, shall be taken at a meeting of the Shareholders as described in this Article 3.

ARTICLE 4.

DIRECTORS

SECTION 4.01. DUTIES AND POWERS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors (hereinafter, the "Board of Directors" or "Board"), subject to any Shareholder control agreement entered into in accordance with Minnesota Statutes Chapter 302A, including, without limitation, the Shareholders Agreement. The Board shall take action by the affirmative vote of a majority of the Directors present at a meeting, except as otherwise provided by law, or the Shareholders Agreement, or the Articles of Incorporation; provided a quorum is present. The Board may adopt such rules and regulations for the conduct of its meetings and the management of the Corporation as it deems appropriate, consistent with law, the Shareholders Agreement, these By-Laws and the Articles of Incorporation.

SECTION 4.02. ELECTION OF DIRECTORS. Directors need not be U.S. citizens or Shareholders of the Corporation. The number of directors of the Corporation shall be fixed as provided in the Shareholders Agreement or when such agreement is no longer in effect, from time to time by the Directors or Shareholders pursuant to these By-laws. The Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the Shareholders Agreement and these By-laws, one class to be originally elected for a term expiring at the annual meeting of Shareholders to be

held in 1997, another class to be originally elected for a term expiring at the annual meeting of Shareholders to be held in 1998, and another class to be originally elected for a term expiring at the annual meeting of Shareholders to be held in 1999, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of Shareholders of the Corporation, the successors of the class of directors whose term expires at the meeting shall be elected to hold office for a term expiring at the annual meeting of Shareholders held in the third year following the year of their election.

SECTION 4.03. TERM OF OFFICE. Subject to the Shareholders Agreement, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

SECTION 4.04. REGULAR MEETINGS. The Board of Directors may, pursuant to a standing resolution of the Board, provide for Board meetings to be held at regular intervals. Such meetings shall be known as "regular meetings" and may be held at such place or places, within or without the State of Texas or Minnesota, as the Board shall designate from time to time. No notice of the purpose of regular meetings of the Board shall be required.

SECTION 4.05. SPECIAL MEETINGS. Special meetings of the Board of Directors of the Corporation may be called BY ANY TWO (2) Directors by giving ten (10) days notice to all Directors of the date, time, place and purpose of the meeting. Such notice shall be given to each Director by registered mail or by facsimile or by a notice in writing delivered to the Director personally or to his usual place of business.

SECTION 4.06. PREVIOUSLY SCHEDULED MEETINGS. If the day or date, time and place of a Board meeting have been provided in these By-Laws or announced at a previous meeting of the Board, no notice

is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken.

SECTION 4.07. WAIVER OF NOTICE AND ASSENT TO ACTION. Failure to receive notice of any meeting of the Board may be waived by any Director before, at or after the meeting in writing or orally. Attendance by a Director at a meeting is a waiver of notice of that meeting, except where the Director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting.

SECTION 4.08. QUORUM. The presence of a majority of the Directors shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the Directors present may adjourn a meeting of the Board from time to time until a quorum is present. If a quorum is present when a duly called or held Board meeting is convened, the Directors present may continue to transact business until adjournment, even though the withdrawal of a number of Directors originally present leaves less than the proportion or number otherwise required for a quorum.

SECTION 4.09. ABSENT DIRECTORS. A Director may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the Director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the Director has consented or objected.

SECTION 4.10. VOTING. At all meetings of the Board of Directors, each Director shall have one (1) vote irrespective of the number of shares that he may hold. The Board of Directors shall take action by the affirmative vote of a majority of Directors present at a duly held meeting at which a quorum is present or voting pursuant to Section 4.08 of these By-Laws, except where the affirmative vote of a larger proportion or number is required by law or the Articles of Incorporation or the Shareholders Agreement.

SECTION 4.11. COMPENSATION. The compensation of Directors shall be as fixed from time to time by the Board of Directors.

SECTION 4.12. VACANCIES. Subject to the Shareholders Agreement, vacancies on the Board of Directors resulting from the death, resignation, removal, or disqualification of a Director may be filled by the affirmative vote of a majority of the remaining Directors, even though less than a quorum. Each Director elected under this section to fill a vacancy shall hold office until a qualified successor is elected by the Shareholders.

SECTION 4.13. REMOVAL. Subject to the Shareholders Agreement, a Director may be removed only by the Shareholders as provided in the Corporation's Articles of Incorporation.

SECTION 4.14. RESIGNATION. A Director may resign at any time by giving written notice to the Corporation. The resignation is effective without acceptance when the notice is given to the Corporation, unless a later effective time is specified in the notice.

SECTION 4.15. ELECTRONIC COMMUNICATIONS. A conference among Directors by any means of communication through which the Directors may simultaneously hear each other during the conference constitutes a Board meeting, if the same notice is given of the conference as would be required under these By-Laws for a Board meeting, and if the number of Directors participating in the conference would be sufficient to constitute a quorum at a meeting. A Director may participate in a Board meeting at which he is not personally present by any means of communication through which the Director, other Directors so participating, and all Directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a Board meeting by any of the foregoing means constitutes presence in person at the meeting.

SECTION 4.16. WRITTEN ACTIONS. Any action required or permitted to be taken at a Board meeting may be taken by a written action signed collectively, or individually in counterparts, by all Directors. Any such written action shall be effective when signed by all the Directors, unless a different effective time is provided in the written action.

SECTION 4.17. COMMITTEES. The Board of Directors may from time to time, by resolution, adopted by the affirmative vote of a majority of the Directors present at a duly called Board Meeting, establish one or more committees having the authority of the Board in the management of the business of the Corporation to the extent provided in the resolution. Any committee so established shall consist of one (1) or more natural persons and shall be subject at all times to the direction and control of the Board of Directors. At any meeting of any such committee the presence of a majority of the members of the committee shall be necessary to constitute a quorum for the transaction of business. Unless a larger or smaller proportion or number is provided for in the resolution establishing a committee, such committee shall take action by the affirmative vote of a majority of committee members present at a duly held meeting.

SECTION 4.18. POWER TO AMEND BY-LAWS. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal from time to time the By-Laws of the Corporation in any manner not inconsistent with the laws of the State of Minnesota or the Articles of Incorporation of the Corporation or the Shareholders Agreement.

ARTICLE 5.

OFFICERS

SECTION 5.01. OFFICERS AND QUALIFICATIONS. The officers of the Corporation may consist of positions and titles as the Board of Directors may from time to time designate. Any corporate officer may hold more than one office or any number of offices.

SECTION 5.02. ELECTION. The officers of the Corporation shall be elected or appointed periodically by the Board of Directors.

SECTION 5.03. TERM OF OFFICE. Each officer of the Corporation shall hold office until their respective successors are elected and have qualified, or until their earlier death, resignation, or removal.

SECTION 5.04. REMOVAL. Subject to limitations in the Shareholders Agreement, any officer of the Corporation may be removed at any time, with or without cause, by the affirmative vote of a majority of

the Directors present at a duly called Board meeting. All officers, agents and employees, other than those elected or appointed by the Board of Directors, may be removed by the officer appointing them.

SECTION 5.06. VACANCIES. All vacancies in any office of the Corporation may be filled by the Board of Directors.

SECTION 5.07. DUTIES. The officers of the Corporation including, without limitation, the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Executive and Senior Vice Presidents, Vice Presidents, the Secretary, Treasurer and Assistant Secretary and Treasurer, if any, shall perform such duties as are from time to time prescribed by the Board of Directors or the Chief Executive Officer (excepting the Chairman or Vice Chairman who shall report directly to the Board of Directors) .

SECTION 5.08. COMPENSATION. The Compensation of all officers of the Corporation shall be fixed by the Board of Directors or by such committee or person as the Board may from time to time designate.

ARTICLE 6.

SHARES

SECTION 6.01. CERTIFICATES. The shares of the Corporation shall be represented by certificates approved by the Board of Directors and signed by any two (2) of the Chairman, President or Chief Financial Officer. Each certificate shall state the name of the Corporation, that the Corporation is incorporated in Minnesota, the name of the person to whom it is issued, the number and class or series of shares represented thereby, the date of issue, the par value of such shares, if any, and may contain such other provisions as the Board or the Shareholders Agreement may designate.

SECTION 6.02. SIGNATURE. For the purpose of facilitating the execution of stock certificates, the Board of Directors may appoint one or more additional persons, having power to sign stock certificates, or to execute any instrument on behalf of the Corporation which shall have been approved by the Board of Directors.

SECTION 6.03. TRANSFER OF SHARES. The shares of the Corporation shall be assignable and transferable only on the books and records of the Corporation on behalf of the registered owner, or his duly authorized attorney, upon surrender of the certificate duly and properly endorsed together with proper evidence of authority to transfer. The Corporation shall issue a new certificate for the shares surrendered to the person or persons entitled thereto.

SECTION 6.04. LOST OR DESTROYED CERTIFICATES. If a certificate is lost or destroyed, another may be issued in its stead upon proof of such loss or destruction and upon giving such security as is deemed necessary by the Board of Directors to indemnify the Corporation against loss therefrom.

ARTICLE 7.

INDEMNIFICATION

SECTION 7.01. DEFINITIONS. For purposes of this Article 7, the terms defined in this Section 7.01 have the meanings given them herein.

SECTION 7.1.1 OFFICIAL CAPACITY. "Official capacity" means (a) with respect to a director, the position of director in the Corporation, (b) with respect to a person other than a director, the elective or appointive office or position held by an officer or member of a committee of the Board of Directors and (c) with respect to a director or officer of the Corporation who, while a director or officer of the Corporation, is or was serving at the request of the Corporation or whose duties in that position involve or involved service as a director, officer or trustee of another organization, the position of that person as a director, officer or trustee, as the case may be, of the other organization.

SECTION 7.1.2. PROCEEDING. "Proceeding" means a threatened, pending, or completed civil, criminal, administrative, arbitration, or investigative proceeding, including a proceeding by or in the right of the Corporation.

SECTION 7.02. INDEMNIFICATION REQUIRED. The Corporation shall defend and indemnify a person made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person with the Corporation against judgments, penalties, fines (including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan), settlements, and reasonable expenses (including, without limitation, attorneys' fees and disbursements), incurred by the person in connection with the proceeding, if, with respect to the acts or omissions of the person complained of in the proceeding, the person:

(a) Has not, pursuant to the provisions of Section 7.1.1 (c) of these By-Laws, been indemnified by another organization or employee benefit plan for the same judgments, penalties, fines (including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan), settlements, and reasonable expenses (including attorneys' fees and disbursements), incurred by the person in connection with the proceeding with respect to the same acts or omissions;

(b) Acted in good faith;

(c) Received no improper personal benefit and the provisions of Minnesota Statutes Chapter 302A relating to director conflicts of interest, if applicable, have been satisfied;

(d) In the case of a criminal proceeding, had no reasonable cause to believe the conduct was unlawful; and

(e) In the case of acts or omissions undertaken while acting in the official capacity described in Section 7.1.1, clause (a) or (b), reasonably believed that the conduct was in the best interests of the Corporation, or in the case of acts or omissions undertaken while acting in the official capacity described in Section 7.1.1, clause (c), reasonably believed that the conduct was not opposed to the best interests of the Corporation. If the person's acts or omissions complained of in the proceeding relate to conduct as a director, officer or trustee, the conduct is not considered to be opposed to the best interests of the Corporation if the person reasonably believed that the conduct was in the best interests of the participants or beneficiaries of the employee benefit plan.

Nothing in this Section 7.02 shall be interpreted to prohibit the Board, in its discretion, from extending indemnification hereunder to other persons.

SECTION 7.03. ADVANCES. If a person is made or threatened to be made a party to a proceeding, the person is entitled, upon written request to the Corporation, to payment or reimbursement by the Corporation of reasonable expenses (including, without limitation, attorneys' fees and disbursements), incurred by the person in advance of the final disposition of the proceeding, (a) upon receipt by the Corporation of a written affirmation by the person of a good faith belief that the criteria for indemnification set forth in Section 7.02 have been satisfied and a written undertaking by the person to repay all amounts so paid or reimbursed by the Corporation, if it is ultimately determined that the criteria for indemnification set forth in Section 7.02 have not been satisfied, and (b) after a determination that the facts then known to those making the determination pursuant to Section 7.05 would not preclude indemnification under this Article 7. The written undertaking required by clause (a) is an unlimited general obligation of the person making it, but need not be secured and shall be accepted without reference to financial ability to make the repayment.

SECTION 7.04. REIMBURSEMENT TO WITNESSES. This Article 7 does not require, or limit the ability of, the Corporation to reimburse expenses (including attorneys' fees and disbursements), incurred by a person in connection with an appearance as a witness in a proceeding at a time when the person has not been made or threatened to be made a party to a proceeding.

SECTION 7.05. DETERMINATION OF ELIGIBILITY.

7.5.1. PROCEDURE GENERALLY. All determinations whether indemnification of a person is required because the criteria set forth in Section 7.02 have been satisfied and whether a person is entitled to payment or reimbursement of expenses in advance of the final disposition of a proceeding as provided in Section 7.03 shall be made:

(a) By a majority of the Board of Directors who are not at the time parties to the proceeding (Board members who are part of the proceeding shall not be counted for determining either a majority or the presence of a quorum); or

(b) If a quorum under Clause (a) cannot be obtained, in accordance with Minnesota Statutes Chapter 302A; or

(c) If an adverse determination is made or if no determination is made within 60 (sixty) days after the termination of a proceeding or after a request for an advance of expenses, as the case may be, by a court in this state, which may be the same court in which the proceeding concerning the person's liability took place, upon application of the person and any notice the court requires.

7.5.2. ALTERNATIVE PROCEDURE FOR NON-MANAGEMENT. With respect to a person who is not, and was not at the time of the acts or omissions complained of in the proceedings, a director, officer, or person possessing, directly or indirectly, the power to direct or cause the direction of the management or policies of the Corporation, the determination whether indemnification of this person is required because the criteria set forth in Section 7.02 have been satisfied and whether this person is entitled to payment or reimbursement or expenses in advance of the final disposition of a proceeding as provided in Section 7.03 may be made by an annually appointed committee of the Board, having at least one member who is a director. The committee shall report at least annually to the Board concerning its actions.

7.06. DISCLOSURE. If the Corporation indemnifies or advances expenses to a person in accordance with this Article 7 in connection with a proceeding by or on behalf of the Corporation, it shall report the amount of the indemnification or advance and to whom and on whose behalf it was made as part of the annual financial statements furnished to Shareholders pursuant to Minnesota Statutes Chapter 302A covering the period when the indemnification or advance was paid or accrued under the accounting method of the Corporation reflected in the financial statements.

7.07. INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, senior management employee or agent of the

Corporation or is or was serving at the request of the Corporation as a director, officer, senior management, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or employee benefit plan against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Minnesota Business Corporation Act.

7.08. SAVINGS CLAUSE. If this Article 7 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation, as to costs, charges and expenses (including, without limitation, attorney's fees and disbursements), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article 7 that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE 8.

AMENDMENTS

Except as provided in the Articles of Incorporation, the power to adopt, amend, or repeal the By-Laws of the Corporation is vested in the Board of Directors. The power of the Board is subject to the power of the Shareholders, exercisable in the manner provided by statute, to adopt, amend, or repeal By-Laws adopted, amended or repealed by the Board. The Board shall not amend or repeal a By-Law fixing a quorum for meetings of Shareholders, prohibiting the taking of Shareholder action without a meeting, prohibiting Shareholders from calling a special meeting, fixing the number, election and term of Directors, or providing for the removal of Directors, or removing the provisions relating to the Corporation electing not to be governed by the provisions of Minnesota Statutes Section 302A.671 (Control Share Acquisition Act) or Minnesota Statutes Section 302A.673 (the Business Combinations Act) as such latter Section relates to Coflexip, Coflexip Stena Offshore USA Holdings Inc., a Delaware corporation, or any company affiliated with either of them, contained in Article XII of the Articles of Incorporation of the Corporation, as amended.

ARTICLE 9.

DISTRIBUTIONS

Subject to the Shareholders Agreement, the Board of Directors may declare or authorize and the Corporation may make distributions to the extent provided by law. Such distributions may, but need not, be in the form of a dividend or a distribution in liquidation, or as consideration for the purchase, redemption or other acquisition of shares of the Corporation. The Board may at any time set apart out of any funds of the Corporation available for distribution any reserve or reserves for any proper purpose and may alter or abolish any reserve or reserves so established.

ARTICLE 10.

FISCAL YEAR

The last day of the Corporation's fiscal year shall be December 31 or such other day as is designated by the Board of Directors from time to time.

CERTIFICATION

The undersigned, the General Counsel of the Corporation, hereby certifies that the foregoing Amended and Restated By-Laws were adopted pursuant to a 1997 Written Action of the Board of Directors and Shareholders, effective as of April 11, 1997.

Andrew C. Becher
Senior Vice President/General Counsel

EXHIBIT 4.1

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

BY AND AMONG

CAL DIVE INTERNATIONAL, INC.

AND

ENERGY RESOURCE TECHNOLOGY, INC.

COLLECTIVELY, AS BORROWER

AND

SHAWMUT CAPITAL CORPORATION

AS LENDER

DATED AS OF MAY 23, 1995

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AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT is made this 23rd day of May, 1995, by and among SHAWMUT CAPITAL CORPORATION ("LENDER"), a Connecticut corporation, successor in interest by assignment to Barclays Business Credit, Inc. ("BARCLAYS"), with an office at 2711 North Haskell, Suite 2100, LB21, Dallas, Texas 75204; CAL DIVE INTERNATIONAL, INC. ("CAL DIVE"), a Minnesota corporation, and ENERGY RESOURCE TECHNOLOGY, INC. ("ERT"), a Delaware corporation (Cal Dive and ERT being referred to individually and collectively as "BORROWER"), each Borrower having its chief executive office at 13430 Northwest Expressway, Suite 350, Houston, Texas 77040-6013.

PRELIMINARY STATEMENTS

A. On August 3, 1993, Barclays and Cal Dive entered into that certain Loan and Security Agreement, as amended by (i) that certain First Amendment to Loan and Security Agreement, dated as of August 31, 1994, executed by Barclays and Cal Dive, and (ii) that certain Letter Agreement, dated as of December 30,

1994 by Barclays (as amended, the "ORIGINAL LOAN AGREEMENT"), pursuant to which Barclays agreed to make loans and advances (collectively, the "LOANS") to Cal Dive in accordance with the terms thereof.

B. The Loan Agreement and any other documents evidencing, governing, securing or otherwise pertaining to the Loans are hereinafter referred to as the "ORIGINAL LOAN DOCUMENTS".

C. Cal Dive has requested Lender to extend its relationship with Cal Dive in connection with the Original Loan Documents and to make loans and advances to ERT, and Lender, as the legal and equitable owner and holder of the Original Loan Documents is willing to do so, subject to certain terms and conditions expressed herein.

D. In connection with the extension of the relationship between Lender and Cal Dive and the formation of a relationship between Lender and ERT, Lender, Cal Dive and ERT wish to completely amend, restate and modify (but not extinguish) the Original Loan Agreement and the other Original Loan Documents, each through the execution of this Agreement, which will supersede all prior agreements between Lender and Cal Dive, including without limitation the Original Loan Documents, and Cal Dive, ERT and Lender have agreed that the agreements contained herein represent an arms-length transaction among Lender, Cal Dive and ERT.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender, Cal Dive and ERT covenant and agree as follows:

AGREEMENT

SECTION 1. GENERAL DEFINITIONS

1.1. DEFINED TERMS. When used herein, the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

ACCOUNTS - all accounts, contract rights, chattel paper, instruments and documents, whether now owned or hereafter created or acquired by Borrower or in which Borrower now has or hereafter acquires any interest.

ACCOUNT DEBTOR - any Person who is or may become obligated under or on account of an Account.

ADJUSTED NET EARNINGS FROM OPERATIONS - with respect to any fiscal year, means the Consolidated net earnings (or loss) after provision for income taxes for such fiscal year of Borrower, all as reflected on the Consolidated Financial Statements, but excluding:

(a) except for transactions of ERT as set forth in the last sentence of this definition, any gain or loss arising from the sale of capital assets which is not in the ordinary course of business;

(b) any gain or loss arising from any write-up or write down of assets;

(c) earnings of any Subsidiary accrued prior to the date it became a Subsidiary;

(d) earnings of any corporation, substantially all the assets of which have been acquired in any manner by Borrower, realized by such corporation prior to the date of such acquisition, unless such earnings are combined with the earnings of Borrower pursuant to a Qualified Pooling of Interests;

(e) net earnings of any business entity (except for a Subsidiary) in which Borrower has an ownership interest, unless such earnings are combined with the earnings of Borrower pursuant to a Qualified Pooling of Interests;

(f) any portion of the net earnings of any Subsidiary which for any reason is unavailable for payment of dividends to Borrower;

(g) the earnings of any Person to which any assets of Borrower shall have been sold, transferred or disposed of, or into which Borrower shall have merged, or been a party to any consolidation or other form of reorganization, prior to the date of such transaction;

(h) any gain or loss arising from the acquisition of any Securities of Borrower other than in the ordinary course of business; and

(i) any gain or loss arising from extraordinary or non-recurring items as reflected in the income statement.

Lender acknowledges that ERT sells Offshore Platforms and related Equipment in the ordinary course of business and gains and losses therefrom shall be reported according to GAAP and included in the Consolidated Financial Statements.

ADJUSTED TANGIBLE ASSETS - all assets of Borrower, all as reflected on the Consolidated Financial Statements and other financial reports of Borrower supplied to Lender, but excluding: (a) any surplus resulting from any write-up of assets subsequent to July 27, 1990; (b) deferred assets, other than Cash Deposits for Salvage Operations, Accounts due from Ivory Production Co. and guaranteed by Blue Dolphin Energy Company prepaid insurance and prepaid taxes; (c) patents, copyrights, trademarks, trade names, non-compete agreements, franchises and other similar intangibles; (d) goodwill, including any amounts, however designated on a Consolidated balance sheet of a Person and its Subsidiaries, representing the excess of the purchase price paid for assets or stock over the value assigned thereto on the books of such Person subsequent to July 27, 1990; (e) Restricted Investments; (f) unamortized debt discount and

expense; (g) certain assets located and notes and receivables due from obligors outside of the United States of America as determined by Lender in its discretion, which discretion shall be exercised in good faith; and (h) Accounts, notes and other receivables due from Affiliates or employees; PROVIDED, HOWEVER, for purposes of this CLAUSE (H), the term "Affiliate" shall not include any Person deemed to be an Affiliate hereunder because such Person is an affiliate of First Reserve.

ADJUSTED TANGIBLE NET WORTH - at any date means a sum equal to: (a) the Adjusted Tangible Assets shown on a balance sheet at such date in accordance with GAAP; MINUS (b) the amount at which such Person's liabilities (other than capital stock and surplus) are shown on such balance sheet in accordance with GAAP, and including as liabilities all reserves for contingencies and other potential liabilities.

AFFILIATE - a Person (other than ERT, First Reserve (but not affiliates of First Reserve) or a Subsidiary): (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, Borrower; (b) which beneficially owns or holds ten percent (10%) or more of any class of the Voting Stock of Borrower; (c) ten percent (10%) or more of the Voting Stock (or in the case of a Person which is not a corporation, ten percent (10%) or more of the equity interest) of which is beneficially owned or held by Borrower or a Subsidiary of Borrower; (d) ten percent (10%) or more of whose Voting Stock (or in the case of a Person which is not a corporation, 10% or more of the equity interest) is beneficially owned or held by a Person referred to in CLAUSES (A), (B) or (C) above; or (E) in the case of a natural Person, is a director or officer of any of the foregoing. For purposes hereof, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

AMORTIZATION AMOUNT - (a) for Equipment owned by Borrower on the Closing Date, an amount equal to the aggregate amount of monthly reductions, each in an amount equal to the quotient of (i) the Orderly Liquidation Value of such Equipment determined by Lender on the Closing Date, DIVIDED BY (ii) ninety-six (96), to be made on the first day of each calendar month during the term hereof, commencing on June 1, 1995 and continuing for each month thereafter, and (b) for Equipment purchased by Borrower after the Closing Date, an amount equal to the aggregate amount of monthly reductions, each in an amount equal to the quotient of (i) the cost to Borrower to purchase such Equipment as calculated in accordance with GAAP (exclusive of capitalized interest), DIVIDED BY (ii) ninety-six (96), to be made on the first day of each calendar month during the term hereof, commencing on the first day of the first month succeeding the date of purchase and continuing for each month thereafter. An example of the calculation of the Amortization Amount is attached hereto as EXHIBIT Y.

AGREEMENT - this Amended and Restated Loan and Security Agreement, including all Exhibits hereto, as amended, modified, extended or supplemented from time to time.

APPLICABLE ANNUAL RATE - as defined in SECTION 3.1(A).

AUTHORITY - as defined in SECTION 8.1(V).

BANK - Shawmut Bank Connecticut, N.A.

BARCLAYS - as defined in the preamble of this Agreement.

BASE RATE - the rate of interest generally announced or quoted by Bank from time to time as its base rate for commercial loans, whether or not such rate is the lowest rate charged by Bank to its most preferred borrowers; and, if such base rate for commercial loans is discontinued by Bank as a standard, a comparable reference rate designated by Bank as a substitute therefor shall be the Base Rate.

BORROWER - as defined in the preamble of this Agreement.

BASE RATE LOAN - a Loan which bears interest at a Base Rate.

BORROWING BASE - as at any date of determination thereof, an amount equal to the lesser of:

(a) the Revolving Credit Commitment then in effect; or

(b) an amount equal to:

(i) eighty-five percent (85%) (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the net amount of Eligible Accounts outstanding at such date;

PLUS

(ii) the lesser of (A) Two Million Dollars ($2,000,000) or (B) seventy-five percent (75%) (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the amount of Unbilled Accounts outstanding at such date;

MINUS

(iii) an amount equal to the sum of (A) the face amount of all Credit Enhancements outstanding at such date, (B) any amounts which Lender may pay pursuant to any of the Loan Documents for the account of Borrower, and (C) the Contingency Reserve, if any.

For purposes hereof, the net amount of Eligible Accounts at any time shall be the face amount of such Eligible Accounts LESS (1) any and all returns, rebates, discounts, (which may, at Lender's option, be calculated on shortest terms), credits, allowances or sales, excise or other taxes of any nature at any time granted, issued, owing, or claimed by Account Debtors, outstanding or payable in connection with such Accounts at such time and (2) any interest, late fees, and services charges that may have accrued on such Accounts by reason of the Account Debtors not having paid the Accounts as they became due.

BORROWING NOTICE - as defined in SECTION 2.3(A).

BUSINESS DAY - any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the States of Texas or Illinois or is a day on which banking institutions located in such state are closed or, with respect to Eurodollar Interest Periods, a day on which dealings in U.S. dollars are carried out in the interbank eurodollar market selected by Lender or Bank.

BUY-SELL AGREEMENTS - agreements for the purchase and sale of assets, including, without limitation, federal offshore leases or interests therein, together with all real and personal property held or used in connection therewith, which assets are held or used in connection with the ownership of, or operations involving, Hydrocarbons.

CAL DIVE OBLIGATIONS - as defined in SECTION 1.6.

CAPITALIZED LEASE OBLIGATION - any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such Indebtedness shall be the capitalized amount of such obligations determined in accordance with GAAP.

CASH DEPOSITS FOR SALVAGE OPERATIONS - collectively, (a) cash deposits held in an account of Borrower's for salvage operations that are pledged to the MMS, and (b) cash deposits for salvage operations paid into a money market fund of Borrower until such time as a specified level of funding has been set aside for salvaging and abandoning oil and gas Properties, as set forth on the Consolidated Financial Statements.

CLOSING DATE - the date on which all of the conditions precedent in SECTION 9 are satisfied and the initial Loan is made hereunder.

CODE - the Uniform Commercial Code as adopted and in force in the State of Texas, as from time to time in effect.

COLLATERAL - all of the Property and interests in Property described in SECTIONS 4.1, 4.2 AND 4.3 and all other Property and interests in Property that now or hereafter secure the payment and performance of any of the Obligations.

CONSOLIDATED - the consolidation in accordance with GAAP of the accounts or other items as to which such term applies.

CONSOLIDATED FINANCIAL STATEMENTS - the Consolidated financial statements of Cal Dive, ERT and their Subsidiaries, if any, delivered to Lender pursuant to SECTION 8.1(J).

CONTINGENCY RESERVE - the reserve established by Lender in accordance with the terms set forth on EXHIBIT C attached hereto if at any time Excess Availability is less than Two Million Dollars ($2,000,000). The Contingency Reserve shall be in addition to and not in lieu of any other reserve Lender may establish.

CREDIT ENHANCEMENTS - LC Guaranties and Letters of Credit issued by Bank or Lender from time to time for Borrower's account in accordance with SECTION 2.4.

CURRENT ASSETS - at any date means the amount at which all of the current assets of a Person are classified as current assets on a balance sheet at such date in accordance with GAAP.

CURRENT LIABILITIES - at any date means the amount at which all of the current liabilities of a Person are classified as current liabilities on a balance sheet at such date in accordance with GAAP.

DATED ASSETS - as defined in SECTION 2.7.

DATED LIABILITIES - as defined in SECTION 2.7.

DEFAULT - an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

DEFAULT RATE - as defined in SECTION 3.1(B).

DISTRIBUTION - in respect of any corporation means and includes: (a) the payment of any dividends or other distributions on capital stock of the corporation (except distributions in such stock) and (b) the redemption or acquisition of its Securities unless made contemporaneously from the net proceeds of the sale of Securities.

DOMINION ACCOUNT - a special account of Lender established by Borrower pursuant to this Agreement at a bank selected by Borrower, but acceptable to Lender, and over which Lender shall have sole and exclusive access and control for withdrawal purposes.

ELIGIBLE ACCOUNT - an Account arising in the ordinary course of Borrower's business from the sale of goods or rendition of services which Lender, in its credit judgment, deems to be an Eligible Account. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if:

(a) it is an Unbilled Account; or

(b) the services giving rise to such Account require performance bonds, except for those Accounts where the services giving rise to such Account require Cash Deposits for Salvage Operations or have been completed and there is no continuing obligation of Borrower; or

(c) the services giving rise to such Account require retention withheld to the extent of such retention; or

(d) it is an Account arising out of a contract requiring acknowledgment of assignment from the Account Debtor and Lender has notified Borrower that obtaining such acknowledgment of assignment is necessary, unless the Account Debtor has acknowledged such assignment in a form and substance satisfactory to Lender; or

(e) it arises out of a sale made by or services rendered by Borrower to (i) another Borrower, (ii) a Subsidiary of Borrower, (iii) an Affiliate of Borrower, (iv) a Person controlled by an Affiliate of Borrower, or (v) an officer, director, employee or agent of Borrower, a Subsidiary of Borrower or an Affiliate of Borrower; PROVIDED, HOWEVER, for purposes of this CLAUSE (E), the term "Affiliate" shall not include any other Person deemed to be an Affiliate hereunder by reason of such Person's association with First Reserve; or

(f) it is due or unpaid from an Account Debtor (other than Ivory Production Co. (if it is guaranteed by Blue Dolphin Energy Company), J. Ray McDermott or Walter Oil & Gas Corp.) for more than ninety (90) days after the original invoice date; or

(g) it is due or unpaid from J. Ray McDermott or Walter Oil & Gas Corp. for more than one hundred-twenty (120) days after the original invoice date; or

(h) Accounts, or a portion thereof, unpaid from Walter Oil & Gas Corp. for less than one hundred twenty (120) days from the original invoice date that exceed more than Seven Hundred Fifty Thousand Dollars ($750,000) in the aggregate; or

(i) thirty-five percent (35%) or more of the Accounts from the Account Debtor (other than J. Ray McDermott or Walter Oil & Gas Corp.) are not deemed Eligible Accounts hereunder; or

(j) any covenant, representation or warranty contained in this Agreement with respect to such Account has been breached; or

(k) the Account Debtor is also Borrower's creditor or supplier, or has disputed liability with respect to such Account, or has made any claim with respect to any other Account due from such Account Debtor to Borrower, or the Account otherwise is or may become subject to any right of setoff by the Account Debtor, to the extent of any offset, dispute or claim; or

(l) the Account Debtor has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or a decree or order for relief has been entered by a court having jurisdiction in the premises in respect of the Account Debtor in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other petition or other application for relief under the federal bankruptcy laws has been filed against the Account Debtor, or if the Account Debtor has failed, suspended business, ceased to be Solvent, or consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs; or

(m) it arises from the rendition of services or a sale to an Account Debtor outside the United States, unless the sale or services are to a Major Domestic Energy Company and the invoice and payment are in U.S. Dollars, or the sale or services are on letter of credit, guaranty or acceptance terms, in each case acceptable to Lender; or

(n) it arises from a sale to the Account Debtor on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or any other repurchase or return basis; or

(o) the Account Debtor is the United States of America or any department, agency or instrumentality thereof, unless Borrower assigns its right to payment of such Account to Lender, in form and substance satisfactory to Lender, so as to comply with the Assignment of Claims Act of l940, as amended (3l U.S.C. Sub-Section 203 et seq.); or

(p) the Account Debtor is located in the States of New Jersey, Minnesota or Indiana, unless Borrower has filed a Notice of Business Activities Report with the appropriate officials in each applicable state for the then current year; or

(q) the Account is subject to a Lien other than a Permitted Lien; or

(r) the goods giving rise to such Account have not been delivered to and accepted by the Account Debtor or the services giving rise to such Account have not been performed by Borrower and accepted by the Account Debtor or the Account otherwise does not represent a final sale, except for Accounts which arise from (i) Long Day Rate Contracts or (ii) Turnkey Contracts where the Account Debtor has approved the basic work completed and an invoice for such work has been issued; or

(s) the Account arises from a progress billing or an invoice for deposit, except for Accounts which arise from (i) Long Day Rate Contracts or (ii) Turnkey Contracts where the Account Debtor has approved the basic work completed and an invoice for such work has been issued; or

(t) the Account arises from a sale which is an installment sale or lease or is otherwise a sale on an extended payment basis; or

(u) the Account is evidenced by chattel paper or an instrument of any kind, or has been reduced to judgment; or

(v) Borrower has made any agreement with the Account Debtor for any deduction therefrom, except for discounts or allowances made in the ordinary course of business and which discounts or allowances are disclosed to Lender; or

(w) Borrower has made an agreement with the Account Debtor to extend the time of payment thereof, other than Accounts due from Ivory Production Co. and guaranteed by Blue Dolphin Energy Company that are being paid in accordance with the extended payment terms in effect on the Closing Date; or

(x) the Account arises from a retail sale of goods to a Person who is purchasing same primarily for personal, family or household purposes; or

(y) Lender in good faith believes that collection of such Account is insecure or that payment thereof is doubtful or will be delayed by reason of the Account Debtor's financial condition.

In determining whether an Account is an Eligible Account, Lender may from time to time in its credit judgment, which will be exercised in good faith, establish credit limits for certain Account Debtors after providing Borrower with written notice thereof. Borrower may request from time to time that Lender remove a credit limit for an Account Debtor and Lender may or may not do so in its credit judgment, which will be exercised in good faith.

ENVIRONMENTAL COMPLAINT - as defined in SECTION 8.1(U).

ENVIRONMENTAL LAWS - all federal, state and local laws, rules, regulations, ordinances, programs, permits, guidances, orders and consent decrees relating to health, safety and environmental matters, including, but not limited to, the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation and Liability Act of 1980; the Clean Air Act; the Toxic Substances Control Act, as amended; the Clean Water Act; the River and Harbor Act; Water Pollution Control Act; the Marine Protection Research and Sanctuaries Act; the Deep-Water Port Act; the Safe Drinking Water Act; the Superfund Amendments and Reauthorization Act of 1986; the Federal Insecticide, Fungicide and Rodenticide Act; the Mineral Lands and Leasing Act; the Surface Mining Control and Reclamation Act; state and federal superlien and environmental cleanup programs and laws; and U.S. Department of Transportation regulations.

EQUIPMENT - all machinery, apparatus, equipment, fittings, furniture, fixtures, motor vehicles, marine vessels and other tangible personal Property (other than Inventory and Offshore Platforms) of every kind and description used in Borrower's operations or owned by Borrower or in which Borrower has an interest, whether now owned or hereafter acquired and wherever located, and all parts, accessories and special tools and all increases and accessions thereto and substitutions and replacements therefor.

EQUIPMENT BORROWING BASE - at any date of determination thereof, an amount equal to the lesser of:

(a) the Equipment Commitment then in effect; or

(b) an amount equal to:

(i) the difference of (A) one hundred percent (100%) (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the aggregate Orderly Liquidation Value (as determined by Lender on the Closing Date) of Equipment owned by a Borrower on the Closing Date and on the date of determination in which Lender has a perfected first priority lien, MINUS (B) the aggregate Amortization Amount of such Equipment;

PLUS

(ii) the difference of (A) one hundred percent (100%) (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the cost to Borrower to purchase Equipment as calculated in accordance with GAAP (exclusive of capitalized interest) after the Closing Date, which Equipment is owned by Borrower on the date of determination and in which Lender has a perfected first priority Lien, MINUS (B) the aggregate Amortization Amount of such Equipment.

The Equipment Borrowing Base shall not include the Offshore Platforms, whether or not Lender has a perfected Lien therein.

EQUIPMENT COMMITMENT - as at any date of determination thereof, an amount equal to (a) Twenty-One Million Dollars ($21,000,000), MINUS (b) the aggregate amount of all monthly reductions, each in an amount of Two Hundred Eighteen Thousand Seven Hundred Fifty Dollars ($218,750), to occur on the first day of each calendar month during the term hereof, commencing on June 1, 1995 and continuing for each month thereafter.

EQUIPMENT LOAN - the Loans to be made by Lender to Borrower pursuant to SECTION 2.2(A).

EQUIPMENT NOTE - the Revolving Promissory Note to be executed by Borrower in favor of Lender to evidence the Equipment Loans, which shall be in the form of EXHIBIT B attached hereto.

ERISA - the Employee Retirement Income Security Act of 1974 and all rules and regulations promulgated thereunder.

ERISA AFFILIATE - Borrower and each Person under common control with Borrower or otherwise treated as a single employer with Borrower under ERISA or IRC Section 414.

EURODOLLAR BASE RATE - with respect to a Eurodollar Loan for the relevant Eurodollar Interest Period, a rate per annum equal to the quotient of the following: (a) the rate at which deposits in U.S. dollars in immediately available funds are offered by Lender or Bank to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Eurodollar Interest Period, in the approximate amount of the Eurodollar Loan and having a maturity approximately equal to the Eurodollar Interest Period, DIVIDED BY (b) the difference of one (1.00) MINUS the Eurodollar Reserve Requirement.

EURODOLLAR INTEREST PERIOD - with respect to a Eurodollar Loan, a period of one (1), two (2), three (3) or six (6) months commencing on a Business Day selected by Borrowers pursuant to this Agreement. Such Eurodollar Interest Period shall end on (but exclude) the day which corresponds numerically to such date one (1), two (2), three (3) or six (6) months thereafter; PROVIDED, HOWEVER, that if there is no such numerically corresponding day in such first, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such first, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day; PROVIDED, HOWEVER, that if said next succeeding Business Day falls in a new month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

EURODOLLAR LOAN - a Loan which bears interest at a Eurodollar Base Rate.

EURODOLLAR RESERVE REQUIREMENT - at any date of determination, that percentage (expressed as a decimal fraction) which is in effect on such day, as provided by the Board of Governors of the Federal Reserve System (or any successor governmental body) applied for determining the maximum reserve requirements (including without limitation, basic, supplemental, marginal and emergency reserves) under Regulation D with respect to "eurocurrency liabilities" as currently defined in Regulation D, or under any similar or successor regulation with respect to eurocurrency liabilities or eurocurrency funding. Each determination by Lender of the Eurodollar Reserve Requirement shall be provided to Borrower and, in the absence of manifest error, be conclusive and binding. Any Eurodollar Reserve Requirement shall be determined in accordance with Lender's customary practice and applied on a consistent basis.

EXCESS - as defined in SECTION 3.1(D).

EXCESS AVAILABILITY - As at any date of determination thereof, an amount equal to the difference of (a) the Borrowing Base PLUS the Equipment Borrowing Base, MINUS (b) the aggregate principle balance of Revolving Credit Loans and Equipment Loans then outstanding.

EXISTING ENVIRONMENTAL VIOLATIONS - as defined in SECTION 7.1(S).

EVENT OF DEFAULT - as defined in SECTION 10.1.

FIRST RESERVE - collectively, First Reserve Corporation, a Delaware corporation, and the investment funds it manages that are or become shareholders of Cal Dive.

FIXED CHARGED RATIO - for any twelve (12) month period means the ratio of (a) an amount equal to the sum of (i) Adjusted Net Earnings From Operations, PLUS (ii) depreciation, amortization and other non-cash charges deducted in arriving at Adjusted Net Earnings From Operations, PLUS (iii) Interest Expense, to (b) an amount equal to the sum of (i) Interest Expense, PLUS (ii) the aggregate amount of payments made on Capitalized Lease Obligations.

GAAP - with respect to any date of determination, generally accepted accounting principles as used by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants consistently applied and maintained throughout the periods indicated.

GENERAL INTANGIBLES - all general intangibles of Borrower, whether now owned or hereafter created or acquired by Borrower, including, without limitation, all choses in action, causes of action, corporate or other business records, deposit accounts, inventions, designs, patents, patent applications, trademarks, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, rights to royalties, blueprints, drawings, confidential information, catalogs, sales literature, video tapes, consulting agreements, employment agreements, customer lists, tax refund claims, computer programs, insurance policies, deposits with insurers, all claims under guaranties, security interests or other security held by or granted to a Borrower to secure payment of any of the Accounts by an Account Debtor, all rights to indemnification and all other intangible property of every kind and nature (other than Accounts and Cash Deposits for Salvage Operations).

GUARANTY AGREEMENT - the Guaranty Agreement which is to be executed by ERT in favor of Lender on or about the Closing Date, pursuant to which ERT shall guaranty the Cal Dive Obligations, in form and substance satisfactory to Lender.

HAZARDOUS DISCHARGE - as defined in SECTION 8.1(U).

HAZARDOUS SUBSTANCE - without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated byphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials

as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act, applicable state or local law, or any other applicable federal and state Environmental Laws now in force or hereafter enacted.

HYDROCARBONS - all oil, gas, hydrocarbons (including, distillate, condensate, residue gas and liquified petroleum gas) and all other substances that may be found in, associated with, or produced from a well, together with all components thereof, and substances that may be executed therefrom.

INCOME FROM OPERATIONS - with respect to any fiscal period, means the Consolidated income (or loss) from operations before provision for income taxes, Interest Expense and other nonoperating income and nonoperating expense items for such fiscal period of Borrower, all as reflected on the Consolidated Financial Statements.

INDEBTEDNESS - as applied to a Person means, without duplication (a) all items which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date as of which Indebtedness is to be determined, including, without limitation, Capitalized Lease Obligations, (b) all obligations of other Persons which such Person has guaranteed and (c) in the case of Borrower (without duplication), the Obligations.

INDEMNIFIED PERSONS - as defined in SECTION 11.2.

INTEREST EXPENSE - for any fiscal period, the amount equal to interest charges paid or accrued during such fiscal period (including imputed interest on Capitalized Lease Obligations, but excluding amortization of debt discount and expense) on the Indebtedness, LESS interest income received during such fiscal period.

INVENTORY - all of Borrower's inventory, whether now owned or hereafter acquired and wherever located, including, but not limited to, all goods intended for sale or lease by Borrower, or for display or demonstration; all work in process; all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in Borrower's business; and all documents evidencing and General Intangibles relating to any of the foregoing.

IRC - the United States Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

LC GUARANTY - a guaranty executed by Lender at Borrower's request in favor of a Person who has issued a Letter of Credit for the account of Borrower.

LAWFUL SUBSTANCES - as defined in SECTION 7.1(AA)(III).

LENDER - as defined in the preamble to this Agreement and includes all successors and assigns of Shawmut Capital Corporation.

LETTER OF CREDIT - a standby letter of credit at any time issued by Lender, Bank or another Person for the account of Borrower.

LIEN - any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including, but not limited to, the security interest, security title or lien arising from a security agreement, mortgage, deed of trust, preferred ship mortgage, deed to secure debt, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purpose of this Agreement, Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person.

LOAN ACCOUNT - the loan account established on the books of Lender pursuant to SECTION_2.6.

LOAN DOCUMENTS - this Agreement, the Other Agreements and the Security Documents.

LOANS - all loans and advances made by Lender pursuant to this Agreement, including, without limitation, all Revolving Credit Loans, all Equipment Loans and each payment made pursuant to a Credit Enhancement.

LONG DAY RATE CONTRACTS - contracts for services performed on a time and materials basis for which: (a) services continue for more than one billing cycle of Borrower, (b) the Account Debtor is willing to accept for payment an invoice appropriate for that billing cycle, and (c) payment of such invoice is due and owing, not being contingent on further provision of such services.

LOSSES - as defined in SECTION 11.2.

MAJOR DOMESTIC ENERGY COMPANY - a multinational energy company (or subsidiary thereof) with substantial corporate representation in the United States that Lender, in its sole discretion, deems to be an acceptable credit risk.

MANAGEMENT GROUP - collectively, Gerald G. Reuhl, Owen E. Kratz and S. James Nelson.

MAXIMUM LEGAL RATE - as defined in SECTION 3.1(C).

MMS - the Department of Interior Mineral Management Services and any

successor thereto.

MONEY BORROWED - as applied to Indebtedness, means (a) Indebtedness for borrowed money; (b) Indebtedness, whether or not in any such case the same was for borrowed money, (i) which is represented by notes payable or drafts accepted that evidence extensions of credit, (ii) which constitutes obligations evidenced by bonds, debentures, notes or similar instruments, or (iii) upon which interest charges are customarily paid (other than accounts payable) or that was issued or assumed as full or partial payment for Property; (c) Indebtedness that constitutes a Capitalized Lease Obligation; and (d) Indebtedness under any guaranty of obligations that would constitute Indebtedness for Money Borrowed under CLAUSES (A) through (C).

NEW MORTGAGES - as defined in SECTION 4.3.

MULTIEMPLOYER PLAN - a multiemployer plan as defined in Section 3(37) of ERISA to which any ERISA Affiliate contributes, has contributed to in the last six years or is required to contribute to.

NEGATIVE PLEDGE AGREEMENT - an agreement executed by a Borrower and Lender pursuant to which such Borrower agrees that for so long as any Obligations remain outstanding, that it will not, without the prior written consent of Lender, create or permit any Lien (other than Permitted Liens) on its interest in the Offshore Platforms and the other oil and gas Properties described therein, in form and substance satisfactory to Lender and its counsel.

NEW SHIP MORTGAGES - as defined in SECTION 4.2.

1989 ACT - comprehensive legislation dealing with maritime commercial instruments and liens enacted by Congress on November 23, 1988.

OBLIGATIONS - all Loans and all other advances, debts, liabilities, obligations, covenants and duties owing, arising, due or payable from Borrower to Lender of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether arising under this Agreement or any of the other Loan Documents or otherwise, whether direct or indirect (including those acquired by assignment), absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and any other sums chargeable to Borrower under any of the Loan Documents.

OFFSHORE PLATFORMS - any structure located in the Gulf of Mexico, together with all equipment, facilities or structures affixed thereto utilized in connection with, or related to, drilling or work with respect to wells, or the production, processing, treating, gathering, storing, measuring or transportation of Hydrocarbons.

ORDERLY LIQUIDATION VALUE - for Equipment, the value which is attainable through an orderly liquidation of such Equipment within a time frame of six (6) to twelve (12) months, the balance being sold at public auction.

ORIGINAL DOCUMENTS - as defined in the preamble of this Agreement.

ORIGINAL TERM - as defined in SECTION 3.3.

OSHA - the Occupational Safety and Health Act and all rules and regulations from time to time promulgated thereunder.

OTHER AGREEMENTS - any and all agreements, instruments and documents (other than this Agreement and the Security Documents), heretofore, now or hereafter executed by Borrower and delivered to Lender in respect to the transactions contemplated by this Agreement.

PBGC - the Pension Benefit Guaranty Corporation.

PENSION PLAN - an employee pension benefit plan as defined in Section 3(2) of ERISA, which is maintained or contributed to by an ERISA Affiliate or for which contributions are required from an ERISA Affiliate, and which is subject to Title IV of ERISA.

PERMITTED LIENS - any Lien of a kind specified in CLAUSES (I) through (X) of SECTION 8.2(H).

PERMITTED PURCHASE MONEY INDEBTEDNESS - Purchase Money Indebtedness of Borrower incurred after the date hereof which is secured by a Purchase Money Lien and which, when aggregated with the Consolidated principal amount of all other such Purchase Money Indebtedness and Capitalized Lease Obligations of Borrower at the time outstanding, does not exceed (a) Two Hundred Fifty Thousand Dollars ($250,000) for the purchase of fixed assets other than marine vessels and (b) One Million Dollars ($1,000,000) for the purchase of marine vessels. For the purposes of this definition, the principal amount of any Purchase Money Indebtedness consisting of capitalized leases shall be computed as a Capitalized Lease Obligation.

PERSON - an individual, partnership, corporation, joint stock company, land trust, business trust or unincorporated organization, or a government or agency or political subdivision thereof.

PLAN - an employee benefit plan as defined in Section 3(3) of ERISA that is maintained or contributed to or for which contributions are required by an ERISA Affiliate.

PROHIBITED TRANSACTION - a transaction described in Section 406 of ERISA or Section 4975 of the IRC which would subject any Plan or ERISA Affiliate to any taxes, fines, penalties or other liabilities, directly or through any indemnification agreements.

PROJECTIONS - Borrower's Consolidated and consolidating forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a consistent basis with Borrower's historical Consolidated Financial Statements, together with appropriate supporting details and a statement of underlying assumptions.

PROPERTY - any interest of Borrower in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

PURCHASE MONEY INDEBTEDNESS - means and includes (a) Indebtedness (other than the Obligations) for the payment of all or any part of the purchase price of any fixed assets, (b) any Indebtedness (other than the Obligations) incurred at the time of or within ten days prior to or after the acquisition of any fixed assets for the purpose of financing all or any part of the purchase price thereof, and (c) any renewals, extensions or refinancings thereof, but not any increases in the principal amounts thereof outstanding at the time.

PURCHASE MONEY LIEN - a Lien upon fixed assets which secure Purchase Money Indebtedness, but only if such Lien shall at all times be confined solely to the fixed assets the purchase price of which was financed through the incurrence of the Purchase Money Indebtedness secured by such Lien.

QUALIFIED POOLING OF INTERESTS - a financial accounting method for the combination of one or more business entities with Borrower which qualifies for the pooling-of-interests method of accounting for business combinations under GAAP and is so accounted for by Borrower.

REAL PROPERTY - as defined in SECTION 8.1(U).

RELEASE - as defined in SECTION 7.1(AA).

RENTALS - as at any date of determination thereof, the amount of all payments which the lessee is required to make by the terms of any lease, but excluding those payments for which lessee is directly or indirectly compensated as a result of services provided.

RENEWAL TERM - as defined in SECTION 3.3.

REPORTABLE EVENT - any of the events set forth in Section 4043(b) of ERISA and the regulations thereunder, excluding any event not subject to the provision for 30 days notice to the PBGC under such regulations.

RESTRICTED INVESTMENT - any investment in cash or by delivery of Property to any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, advance or capital contribution, or otherwise, or in any Property except the following: (a) investments in one or more Subsidiaries of Borrower to the extent existing on the Closing Date; (b) Property to be used in the ordinary course of business; (c) Current Assets arising from the sale of goods and services in the ordinary course of business of Borrower and its Subsidiaries; (d) investments in direct obligations of the United States of America, or any agency thereof or obligations guaranteed by the United States of America, PROVIDED, THAT, such obligations mature within five (5) years from the date of acquisition thereof; and (e) investments pursuant to agreements by and between Borrower and Southwest Bank of Texas, N.A. satisfactory to Lender.

REVOLVING CREDIT COMMITMENT - as at any date of determination thereof, an amount equal to (a) Thirty Million Dollars ($30,000,000) MINUS (b) the aggregate principal amount of Equipment Loans outstanding at such date, MINUS (c) the face amount of all Credit Enhancements outstanding at such date.

REVOLVING CREDIT LOAN - a Loan made by Lender as provided in SECTION 2.1.

SCHEDULE OF ACCOUNTS - as defined in SECTION 5.2.

SECURITY - shall have the same meaning as in Section 2(1) of the Securities Act of l933, as amended.

SECURITY DOCUMENTS - the Ship Mortgage, each New Ship Mortgage, each New Mortgage, each Negative Pledge Agreement and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

SHAREHOLDERS AGREEMENT - that certain Amended and Restated Shareholders Agreement, dated as of January 12, 1995, among Cal Dive, First Reserve, on behalf of certain investment funds it manages, the Management Group and the other parties thereto, which is attached hereto as EXHIBIT I.

SHIP MORTGAGE - the First Preferred Fleet Mortgage executed by Cal Dive on August 3, 1993 pursuant to which Cal Dive granted and conveyed for the benefit of Lender, as successor in interest by assignment to Barclays, as security for the Obligations, Liens upon all the marine vessels owned by Cal Dive, as amended, modified or supplemented from time to time.

SOLVENT - as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of such Person's Indebtedness (including contingent debts), (b) is able to pay all of its Indebtedness as such Indebtedness matures and (c) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

STATUTORY LIENS - as defined in SECTION 8.2(H).

SUBSIDIARY - any corporation of which a Person owns, directly or indirectly through one or more intermediaries, more than fifty percent (50%) of the Voting Stock at the time of determination; PROVIDED, HOWEVER, with respect

to Cal Dive, the term "Subsidiary" as used in this Agreement shall not include ERT.

TERMINATION AMOUNT - at any date of determination thereof, an amount equal to the sum of (a) the Revolving Credit Commitment, PLUS (b) the Equipment Commitment, then in effect.

TIME CHARTER - A Time Charter Agreement (or similar agreement) pursuant to which Cal Dive shall lease a derrick barge.

TURN KEY CONTRACTS - contracts entered into in the ordinary course of business to perform a specific scope of work for a set price, subject at times to additional charges resulting from changes to the agreed upon scope of work.

UNBILLED ACCOUNT - an Account arising in the ordinary course of Borrower's business for the rendition of services that represent completed services of Borrower not yet invoiced to the Account Debtor (except for Long Day Rate Contracts), but which shall be invoiced within 90 days from the date such services were completed, and which Account is otherwise an Eligible Account.

VOTING STOCK - Securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

1.2. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with that applied in preparation of the Consolidated Financial Statements, and all financial data pursuant to this Agreement shall be prepared in accordance with such principles. In the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants or any similar accounting body of comparable standing, and shall be recommended by Borrower's certified public accountants, to the extent that such changes would modify such accounting terms or the interpretation or computation thereof as contemplated by this Agreement at the time of execution hereof, then in such event such changes shall be followed in defining such accounting terms only after Lender and Borrower amend this Agreement to reflect the original intent of such terms in light of such changes, and such terms shall continue to be applied and interpreted without such change until such agreement.

1.3. OTHER TERMS. All other terms contained in this Agreement shall have, when the context so indicates, the meanings provided for by the Code to the extent the same are used or defined therein.

1.4. CERTAIN MATTERS OF CONSTRUCTION. The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references to any instruments or agreements, including, without limitation, references to any of the Loan Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

1.5 THE TERM "BORROWER" OR BORROWERS". All references to "Borrower" or "Borrowers" herein shall refer to and include each Borrower separately and all representations contained herein shall be deemed to be separately made by each of them, and each of the covenants, agreements and obligations set forth herein shall be deemed to be the joint and several covenants, agreements and obligations of them. Any notice, request, consent, report or other information or agreement delivered to Lender by any Borrower shall be deemed to be ratified by, consented to and also delivered by the other Borrower. Each Borrower recognizes and agrees that each covenant and agreement of "Borrower" or "Borrowers" under this Agreement and the Other Agreements shall create a joint and several obligation of the Borrowers, which may be enforced against Borrowers, jointly, or against each Borrower separately. Without limiting the terms of this Agreement and the Other Agreements, security interests granted under this Agreement and Other Agreements in properties, interests, assets and collateral shall extend to the properties, interests, assets and collateral of each Borrower. Similarly, the term "Obligations" shall include, without limitation, all obligations, liabilities and indebtedness of such corporations, or any one of them, to Lender, whether such obligations, liabilities and indebtedness shall be joint, several, joint and several or individual.

1.6 CAL DIVE OBLIGATIONS. Notwithstanding any other provision of the Equipment Note or this Agreement to the contrary, it is hereby agreed that ERT is not assuming payment of the unpaid principal balance of the Obligations which was incurred by Cal Dive prior to the Closing Date pursuant to the Original Loan Documents (the "CAL DIVE OBLIGATIONS"). However, the parties hereto agree and acknowledge that the preceding sentence shall not (A) limit any contingent liability of ERT for payment of any of the Cal Dive Obligations which arises pursuant to the Guaranty Agreement, or (B) limit the Liens in favor of Lender granted by ERT against the assets of ERT as a result of ERT becoming an additional named "Borrower", which Liens shall secure payment of all Obligations arising in connection with this Agreement, whether currently existing or hereafter arising. For purposes of determining on or after the date hereof which Obligations outstanding constitute Cal Dive Obligations, all payments received by Lender on account of the Obligations shall be deemed to be applied first in payment of the Cal Dive Obligations until such time as the Cal Dive Obligations shall have been reduced to zero, and thereafter to the other Obligations as hereinafter set forth.

SECTION 2. CREDIT FACILITY

Subject to the terms and conditions of, and in reliance upon the

representations and warranties made in, this Agreement and the other Loan Documents, Lender agrees to make a total credit facility of up to Thirty Million Dollars ($30,000,000.00) available upon Borrower's request therefor, as follows:

2.1. REVOLVING CREDIT LOANS.

(A) Subject to all of the terms and conditions of this Agreement, Lender agrees, for so long as no Event of Default exists, to make Revolving Credit Loans to Borrower from time to time, as requested by Borrower in accordance with the terms of SECTION 2.3, up to a maximum principal amount at any time outstanding equal to the Borrowing Base at such time. It is expressly understood and agreed that Lender shall use the Borrowing Base as a maximum ceiling on Revolving Credit Loans outstanding to Borrower at any time. If the unpaid balance of the Revolving Credit Loans should exceed the Borrowing Base or any other limitation set forth in this Agreement, such Revolving Credit Loans shall nevertheless constitute Obligations that are secured by the Collateral and entitled to all the benefits thereof; PROVIDED, HOWEVER, if such an overadvance occurs, Borrower shall immediately repay, without premium or penalty, Revolving Credit Loans in an amount equal to such excess, along with accrued unpaid interest on the amount so repaid to the date of such repayment. In no event shall Borrower be authorized to request a Revolving Credit Loan at any time that there exists an Event of Default.

(B) Notwithstanding the foregoing provisions of SECTION 2.1(A), Lender shall have the right to establish reserves (in addition to the Contingency Reserve) in such amounts, and with respect to such matters, as Lender shall deem necessary or appropriate, against the amount of Revolving Credit Loans which Borrower may otherwise request under SECTION 2.1(A), including, without limitation, with respect to (i) price adjustments, damages, unearned discounts, returned products or other matters for which credit memoranda are issued in the ordinary course of Borrower's business; (ii) other sums chargeable against Borrower's Loan Account as Revolving Credit Loans under any section of this Agreement; (iii) sales tax liabilities; (iv) price adjustments, damages, returned products or other matters related to contractual obligations of Borrower; (v) offset exposure relating to contractual obligations of Borrower; and (vi) such other matters, events, conditions or contingencies as to which Lender, in its credit judgment, determines reserves should be established from time to time hereunder.

(C) The Revolving Credit Loans shall be used solely for (i) the payment of costs, expenses and fees relating to the Loans to be made under this Agreement, (ii) the payment of principal and interest under the Equipment Loans, (iii) the purchase of the capital stock of Borrower, and (iv) Borrower's general operating capital needs, to the extent not inconsistent with the provisions of this Agreement.

2.2. EQUIPMENT LOANS.

(A) Subject to all of the terms and conditions of this Agreement, Lender agrees, for so long as no Event of Default exists, to make Equipment Loans to Borrower, from time to time, in accordance with the terms of SECTION 2.3, up to a maximum principal amount which, the aggregate of, shall not exceed the Equipment Borrowing Base at such time. It is expressly understood and agreed that Lender shall use the Equipment Borrowing Base as a maximum ceiling on Equipment Loans outstanding to Borrower at any time. If the unpaid balance of the Equipment Loans should exceed the Equipment Borrowing Base or any other limitation set forth in this Agreement, such Equipment Loans shall nevertheless constitute Obligations that are secured by the Collateral and entitled to the benefits thereof; PROVIDED, HOWEVER, if such an overadvance occurs, (i) a request for a Revolving Credit Loan shall be deemed to be made by Borrower in an amount equal to such excess PLUS accrued unpaid interest on the amount of such excess, to repay such overadvance, provided there is sufficient availability under the Borrowing Base for such Revolving Credit Loan or (ii) if there is insufficient availability under the Borrowing Base for such Revolving Credit Loan, then Borrower shall immediately repay, without premium or penalty, Equipment Loans in an amount equal to such excess, along with accrued unpaid interest on the amount so repaid to the date of such repayment. The Equipment Commitment will mature simultaneously with the termination of the Revolving Credit Commitment. In no event shall a Borrower be authorized to request an Equipment Loan at any time there exists an Event of Default.

(B) If Borrower sells any of the Equipment, or any Offshore Platform, or if any of the Collateral is taken by condemnation, Borrower shall pay to Lender, unless otherwise agreed by Lender, as and when received by Borrower and as a mandatory payment of the Loans (or, at Lender's option, such of the other Obligations as Lender may elect), a sum equal to the proceeds received by Borrower from such sale or condemnation.

(C) The Equipment Loans shall be used solely by Borrower for purposes for which the proceeds of the Revolving Credit Loans are authorized to be used, and to finance Borrower's purchase of Equipment and oil and gas Properties.

2.3. MANNER OF BORROWING REVOLVING CREDIT LOANS AND EQUIPMENT LOANS. Borrowings under the Revolving Credit Commitment and Equipment Commitment shall be as follows:

(A) A request for a Eurodollar Loan shall be made, or shall be deemed to be made, if Borrower gives Lender notice of its intention to borrow in the form of EXHIBIT A (a "BORROWING NOTICE"), in which notice Borrower shall specify (i) the aggregate amount of such Eurodollar Loan, (ii) the requested date of such Eurodollar Loan, (iii) the Applicable Annual Rate selected in accordance with SECTION 3.1, and (iv) the Eurodollar Interest Period applicable thereto. If Borrower selects a Eurodollar Loan, Borrower shall give Lender the Borrowing Notice at least two (2) Business Days prior to the requested date of the Eurodollar Loan.

(B) A request for a Base Rate Loan shall be made, or shall be deemed to be made, if (i) Borrower sends by facsimile transmission to (214) 828-6531, or

such other number as Lender may designate, a request for a Base Rate Loan prior to 12:00 p.m. Central Standard Time on the Business Day on which Borrower is requesting such Base Rate Loan (if a request is received after such time on a Business Day, Lender, in its sole discretion, may make the requested Base Rate Loan on the day of such notice or on the next following Business Day); (ii) Borrower fails to pay any interest accruing under this Agreement or the Equipment Note on the date such interest becomes due and payable, or (iii) Borrower fails to pay any other Obligations under this Agreement on the date such Obligations become due and payable. The amount of Base Rate Loans advanced according to clause (i) shall be for the amount requested. The amount of Base Rate Loans advanced according to clauses (ii) and (iii) shall be deemed to be an amount equal to the amount of interest that was not actually paid by Borrower or the amount of funds actually disbursed, respectively.

(C) Borrower hereby irrevocably authorizes Lender to disburse the proceeds of each Loan requested, or deemed to be requested, pursuant to this SECTION 2.3 as follows: (i) the proceeds of each Loan requested under SECTIONS 2.3(A) or 2.3(B)(I) shall be disbursed by Lender in lawful money of the United States of America in immediately available funds, in the case of the initial borrowing, in accordance with the terms of the written disbursement letter from Borrower, and in the case of each subsequent borrowing, by wire transfer to such bank account as may be agreed upon by Borrower and Lender from time to time; and (ii) the proceeds of each Revolving Credit Loan requested under SECTION 2.3(B)(II) or (III) shall be disbursed by Lender by way of direct payment of the relevant Obligation.

2.4. LETTERS OF CREDIT; LC GUARANTIES. If requested to do so by Borrower and subject to the terms of this Agreement and any documents executed in connection with any Letter of Credit or LC Guaranty, Lender may attempt to cause Bank to issue, in its good faith discretion, Letters of Credit for the account of Borrower or execute LC Guaranties; PROVIDED, THAT, no Event of Default then exists. The aggregate face amount of all Letters of Credit issued by Lender or Bank and LC Guaranties outstanding at any time shall not exceed Five Million Dollars ($5,000,000.00). No Letter of Credit issued by Lender or Bank and no LC Guaranty shall have a term exceeding one year and shall, upon expiration, be renewable for an additional period. Notwithstanding the foregoing, no Letter of Credit issued by Lender or Bank and no LC Guaranty may have an expiration date that is after the last day of the Original Term, or, if this Agreement remains in effect after the Original Term, after the last day of any Renewal Term then in effect. Any amounts paid by Lender under any LC Guaranty or in connection with any Letter of Credit shall be deemed to be advances of Revolving Credit Loans and Obligations under this Agreement.

2.5. ALL LOANS TO CONSTITUTE ONE OBLIGATION. All Loans shall constitute one general joint and several obligation of Borrowers, and shall be secured by Lender's security interest in and Lien upon all of the Collateral, and by all other security interests and Liens heretofore, now or at any time or times hereafter granted by Borrower to Lender.

2.6. LOAN ACCOUNT. Lender shall enter all Loans as debits to the Loan Account and shall also record in the Loan Account all payments made by Borrowers on each Loan and all proceeds of Collateral which are finally paid to Lender, and may record therein, in accordance with customary accounting practices, all charges and expenses properly chargeable to Borrower hereunder.

2.7 JOINT AND SEVERAL LIABILITY; RIGHTS OF CONTRIBUTION.

(A) Each Borrower states and acknowledges that: (i) pursuant to this Agreement, Borrowers desire to utilize their borrowing potential on a consolidated basis to the same extent possible if they were merged into a single corporate entity; (ii) it has determined that it will benefit specifically and materially from the advances of credit contemplated by this Agreement; (iii) it is both a condition precedent to the obligations of Lender hereunder and a desire of the Borrowers that each Borrower execute and deliver to Lender this Agreement; and (iv) Borrowers have requested and bargained for the structure and terms of and security for the advances contemplated by this Agreement.

(B) Each Borrower hereby irrevocably and unconditionally: (i) agrees that it is jointly and severally liable to Lender for the full and prompt payment of the Obligations and the performance by each Borrower of its obligations hereunder in accordance with the terms hereof; (ii) agrees to fully and promptly perform all of its obligations hereunder with respect to each advance of credit hereunder as if such advance had been made directly to it; and (iii) agrees as a primary obligation to indemnify Lender on demand for and against any loss incurred by Lender as a result of any of the obligations of any Borrower being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to Lender or any Person, the amount of such loss being the amount which Lender would otherwise have been entitled to recover from Borrower.

(C) It is the intent of each Borrower that the indebtedness, obligations and liability hereunder of no one of them be subject to challenge on any basis. Accordingly, as of the date hereof, the liability of each Borrower under this SECTION 2.7, together with all of its other liabilities to all Persons as of the date hereof and as of any other date on which a transfer is deemed to occur by virtue of this Agreement, calculated in amount sufficient to pay its probable net liabilities on its existing Indebtedness as the same become absolute and matured ("DATED LIABILITIES ") is, and is to be, less than the amount of the aggregate of a fair valuation of its property as of such corresponding date ("DATED ASSETS"). To this end, each Borrower under this SECTION 2.7, (i) grants to and recognizes in each other Borrower, ratably, rights of subrogation and contribution in the amount, if any, by which the Dated Assets of such Borrower, but for the aggregate of subrogation and contribution in its favor recognized herein, would exceed the Dated Liabilities of such Borrower or, as the case may be, (ii) acknowledges receipt of and recognizes its right to subrogation and contribution ratably from the other Borrower in the amount, if any, by which the Dated Liabilities of such Borrower, but for the aggregate of subrogation and contribution in its favor recognized herein, would exceed the Dated Assets of

such Borrower under this SECTION 2.7. In recognizing the value of the Dated Assets and the Dated Liabilities, it is understood that Borrowers will recognize, to at least the same extent of their aggregate recognition of liabilities hereunder, their rights to subrogation and contribution hereunder. It is a material objective of this SECTION 2.7 that each Borrower recognizes rights to subrogation and contribution rather than be deemed to be insolvent (or in contemplation thereof) by reason of an arbitrary interpretation of its joint and several obligations hereunder.

SECTION 3. INTEREST, FEES, TERM, REDUCTION AND REPAYMENT

3.1. INTEREST, FEES AND CHARGES.

(A) INTEREST. Outstanding principal on the Loans shall bear interest at the option of Borrower (subject to the terms and conditions herein) at either the Base Rate or Eurodollar Base Rate, calculated daily, at the following rates per annum (individually called, as applicable, an "APPLICABLE ANNUAL RATE"): (i) each Eurodollar Loan shall bear interest at a rate per annum equal to two and one quarter percent (2.25%) above the Eurodollar Base Rate for the Eurodollar Interest Period applicable thereto if the principal aggregate amount of Loans outstanding is less than Ten Million Dollars ($10,000,000) on the date of the Borrowing Notice for such Eurodollar Loan, (ii) each Eurodollar Loan shall bear interest at a rate per annum equal to two percent (2.00%) above the Eurodollar Base Rate for the Eurodollar Interest Period applicable thereto if the aggregate principal amount of Loans outstanding is Ten Million Dollars ($10,000,000) or more on the date of the Borrowing Notice for such Eurodollar Loan, and (iii) the Base Rate Loans shall bear interest at a fluctuating rate per annum equal to one-half of one percent (0.50%) above the Base Rate. The interest rate applicable to Base Rate Loans shall be increased or decreased, as the case may be, by an amount equal to any increase or decrease in the Base Rate, with such adjustments to be effective as of the opening of business on the day that any such change in the Base Rate becomes effective. The Base Rate in effect on the date hereof shall be the Base Rate effective as of the opening of business on the date hereof, but if this Agreement is executed on a day that is not a Business Day, the Base Rate in effect on the date hereof shall be the Base Rate effective as of the opening of business on the last Business Day immediately preceding the date hereof. Interest on the Loans shall be calculated daily, based on the actual days elapsed over a three hundred-sixty (360) day year. Further, for the purpose of computing interest, all items of payment received by Lender shall be applied by Lender (subject to final payment of all drafts and other items received in form other than immediately available funds) against the Obligations on the day of receipt. The determination of when a payment is received by Lender will be made in accordance with SECTION 3.6.

(B) DEFAULT RATE OF INTEREST. Upon and after the occurrence of an Event of Default, and during the continuation thereof, the principal amount of the Loans and other Obligations shall bear interest, calculated daily (computed on the actual days elapsed over a three hundred-sixty (360) day year), at two percent (2.00%) above the Applicable Annual Rate or other applicable rate of interest (a "DEFAULT RATE").

(C) MAXIMUM RATE OF INTEREST. Notwithstanding anything to the contrary in this Agreement or otherwise, (i) if at any time the amount of interest computed on the basis of an Applicable Annual Rate or a Default Rate would exceed the amount of such interest computed upon the basis of the maximum rate of interest permitted by applicable state or federal law in effect from time to time hereafter (the "MAXIMUM LEGAL RATE"), the interest payable under this Agreement shall be computed upon the basis of the Maximum Legal Rate, but any subsequent reduction in such Applicable Annual Rate or Default Rate, as applicable, shall not reduce such interest thereafter payable hereunder below the amount computed on the basis of the Maximum Legal Rate until the aggregate amount of such interest accrued and payable under this Agreement equals the total amount of interest which would have accrued if such interest had been at all times computed solely on the basis of an Applicable Annual Rate or Default Rate, as applicable; and (ii) unless preempted by federal law, an Applicable Annual Rate or Default Rate, as applicable, from time to time in effect hereunder may not exceed the "indicated ceiling rate" from time to time in effect under Tex. Rev. Civ. Stat. Ann. art 5069-1.04(c) (Vernon 1987). If the applicable state or federal law is amended in the future to allow a greater rate of interest to be charged under this Agreement than is presently allowed by applicable state or federal law, then the limitation of interest hereunder shall be increased to the maximum rate of interest allowed by applicable state or federal law as amended, which increase shall be effective hereunder on the effective date of such amendment, and all interest charges owing to Lender by reason thereof shall be payable upon demand.

(D) EXCESS INTEREST. No agreements, conditions, provisions or stipulations contained in this Agreement or any other instrument, document or agreement between Borrower and Lender or default of Borrower, or the exercise by Lender of the right to accelerate the payment of the maturity of principal and interest, or to exercise any option whatsoever contained in this Agreement or any other Loan Document, or the arising of any contingency whatsoever, shall entitle Lender to contract for, charge, or receive, in any event, interest exceeding the Maximum Legal Rate. In no event shall Borrower be obligated to pay interest exceeding such Maximum Legal Rate and all agreements, conditions or stipulations, if any, which may in any event or contingency whatsoever operate to bind, obligate or compel Borrower to pay a rate of interest exceeding the Maximum Legal Rate, shall be without binding force or effect, at law or in equity, to the extent only of the excess of interest over such Maximum Legal Rate. In the event any interest is contracted for, charged or received in excess of the Maximum Legal Rate ("EXCESS"), Borrower acknowledges and stipulates that any such contract, charge, or receipt shall be the result of an accident and bona fide error, and that any Excess received by Lender shall be applied, first, to reduce the principal then unpaid hereunder; second, to reduce the other Obligations; and third, returned to Borrower, it being the intention of the parties hereto not to enter at any time into a usurious or otherwise illegal relationship. Borrower recognizes that, with fluctuations in the Base Rate and the Maximum Legal Rate, such a result could inadvertently occur. By the

execution of this Agreement, Borrower covenants that (i) the credit or return of any Excess shall constitute the acceptance by Borrower of such Excess, and (ii) Borrower shall not seek or pursue any other remedy, legal or equitable, against Lender, based in whole or in part upon contracting for, charging or receiving of any interest in excess of the maximum authorized by applicable law. For the purpose of determining whether or not any Excess has been contracted for, charged or received by Lender, all interest at any time contracted for, charged or received by Lender in connection with this Agreement shall be amortized, prorated, allocated and spread in equal parts during the entire term of this Agreement.

(E) INCORPORATION BY THIS REFERENCE. The provisions of SECTION 3.1(D) shall be deemed to be incorporated into every document or communication relating to the Obligations which sets forth or prescribes any account, right or claim or alleged account, right or claim of Lender with respect to Borrower (or any other obligor in respect of Obligations), whether or not any provision of this SECTION 3.1 is referred to therein. All such documents and communications and all figures set forth therein shall, for the sole purpose of computing the extent of the Obligations and obligations of the Borrowers (or other obligor) asserted by Lender thereunder, be automatically re-computed by any Borrower or obligor, and by any court considering the same, to give effect to the adjustments or credits required by SECTION 3.1(D).

(F) UNUSED COMMITMENT FEE. From the date hereof, Borrower agrees to pay to Lender an annual unused commitment fee of Ten Thousand Dollars ($10,000.00). Such unused commitment fee shall be payable (i) on the Closing Date, and (ii) on each anniversary date of the Closing Date during the term of this Agreement.

(G) CAPITAL ADEQUACY CHARGE. In the event that Lender shall have determined in good faith that the adoption of any law, rule or regulation regarding capital adequacy, or any change therein or in the interpretation or application thereof or compliance by Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or governmental authority, does or shall have the effect of reducing the rate of return on Lender's capital as a consequence of its obligations hereunder to a level below that which Lender could have achieved but for such adoption, change or compliance (taking into consideration Lender's policies with respect to capital adequacy) by an amount deemed by Lender, in its sole discretion, to be material, then from time to time, after submission by Lender to Borrower of a certificate certifying the amount by which such rate of return is actually reduced with respect to this transaction, together with the calculation and a written demand therefor, Borrower shall promptly pay to Lender such additional amount or amounts as will compensate Lender for such reduction; PROVIDED, THAT, Lender's other debtors are required to reimburse Lender for the same type of reduction. The certificate of Lender claiming entitlement to payment as set forth above shall be conclusive in the absence of manifest error. Such certificate shall set forth the nature of the occurrence giving rise to such payment, the additional amount or amounts to be paid to Lender, and the method by which such amounts were determined. In determining such amount, Lender may use any reasonable averaging and attribution method, so long as it accurately reflects the reduction. Lender agrees to provide Borrower such additional information with respect thereto upon request.

(H) LETTER OF CREDIT; LC GUARANTY FEES. As additional consideration for Lender's issuing its, or causing Bank to issue its Letters of Credit for Borrower's account or for issuing its LC Guaranties at Borrower's request pursuant to SECTION 2.4, Borrower agrees to pay to Lender, in addition to Lender's costs and expenses incurred in issuing such Letters of Credit and LC Guaranties, fees equal to two percent (2.00%) per annum of the face amount of each Letter of Credit and LC Guaranty, which fee shall be deemed fully earned upon issuance of each such Letter of Credit or LC Guaranty, and shall be due and payable in equal monthly installments beginning on the first Business Day of the month following the date of issuance of such Letter of Credit or LC Guaranty and continuing on the first Business Day of each month thereafter during the term thereof. No fee payable by Borrower to Lender under this SECTION 3.2(H) shall be subject to rebate or proration upon the termination of this Agreement for any reason.

3.2. ADDITIONAL PROVISIONS REGARDING EURODOLLAR LOANS.

(A) Borrower may select a Eurodollar Base Rate with respect to all or any portion of the Loans as provided in this SECTION 3.2; PROVIDED, HOWEVER, that (i) each Eurodollar Loan shall be in a principal amount of not less than One Million Dollars ($1,000,000) (and, if greater than One Million Dollars ($1,000,000), in integral multiples of One Hundred Thousand Dollars ($100,000)), (ii) no more than five (5) Eurodollar Interest Periods may be in existence at any one time, and (iii) Borrower may not select a Eurodollar Base Rate for a Loan if there exists a Default or Event of Default. Borrower shall select Eurodollar Interest Periods with respect to Eurodollar Loans so that no Eurodollar Interest Period expires after the end of the Original Term, or if extended pursuant to SECTION 3.3, any Renewal Term. With respect to a Eurodollar Loan, the Borrowing Notice shall be delivered to Lender not later than two (2) Business Days before the proposed borrowing date referenced therein. An outstanding Base Rate Loan may be converted to a Eurodollar Loan at any time subject to the provisions of this SECTION_3.2.

(B) Each Eurodollar Loan shall bear interest from and including the first day of the Eurodollar Interest Period applicable thereto (but not including the last day of such Eurodollar Interest Period) at the interest rate determined as applicable to such Eurodollar Loan, but interest on such Eurodollar Loan shall be payable as provided in SECTION 3.6. If at the end of an Eurodollar Interest Period for an outstanding Eurodollar Loan, Borrower has failed to deliver to Lender a new Borrowing Notice with respect to such Eurodollar Loan or to pay such Eurodollar Loan, then such Eurodollar Loan shall be converted to a Base Rate Loan on and after the last day of such Eurodollar Interest Period and shall remain a Base Rate Loan until paid or until the effective date of a new Borrowing Notice with respect thereto.

(C) If Lender determines that maintenance of any of its Eurodollar Loans would violate any applicable law, rule, regulation or directive, whether or not having the force of law, Lender shall suspend the availability of Eurodollar Loans and require any Eurodollar Loans outstanding to be repaid; or if Lender determines that (i) deposits of a type or maturity appropriate to match fund Eurodollar Loans are not available, or (ii) the Eurodollar Base Rate does not accurately reflect the cost of making a Eurodollar Loan, then Lender shall promptly provide notice to Borrower of its decision to suspend Borrower's ability to make Eurodollar Loans and/or require Borrower to repay all Eurodollar Loans and shall suspend the availability of Eurodollar Loans after the date of any such determination.

(D) If any payment of a Eurodollar Loan occurs on a date which is not the last day of the applicable Eurodollar Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Loan is not made on the date specified by Borrower because Borrower has not satisfied the conditions precedent to such Eurodollar Loan contained in this Agreement or a Default or Event of Default has occurred and is continuing, Borrower will indemnify Lender for any loss or cost incurred by it resulting therefrom, including without limitation any loss or cost in liquidating or employing deposits required to fund or maintain the Eurodollar Loan.

(E) Lender shall deliver a written statement as to the amount due, if any, under SECTIONS 3.2(C) or (D). Such written statement shall set forth in reasonable detail the calculations upon which Lender determined such amount and shall be final, conclusive and binding on Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Base Rate applicable to such Loan whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by Borrower of the written statement.

3.3. TERM OF AGREEMENT. Subject to Lender's right to cease making Loans to Borrower at any time upon or after the occurrence of an Event of Default, this Agreement shall be in effect for (a) a period of five (5) years from the date hereof, through and including May 22, 2000 (the " ORIGINAL TERM"), and (b) an additional one year period, through and including May 22, 2001 unless terminated by either Lender or Borrower by giving written notice of such termination to the other party no less than ninety (90) days prior to the end of the Original Term (the "RENEWAL TERM"). Upon written request by Borrower, Lender may, in its sole and absolute discretion, renew this Agreement for any number of successive one year periods thereafter (each such successive one year period, a "Renewal Term"), but Lender shall have no obligation to do so. Notwithstanding anything contained herein to the contrary, Lender may terminate this Agreement without notice upon or after the occurrence of an Event of Default.

3.4. EARLY TERMINATION BY BORROWER.

(A) Borrower may prepay the Loans at any time during the term of this Agreement, in whole or in part, without premium, penalty or liquidated damages. However, if Borrower chooses to terminate the Revolving Credit Commitment, the Equipment Commitment and this Agreement (which all must terminate simultaneously) in its entirety, Borrower shall give Lender at least ninety (90) days prior written notice thereof if such termination occurs during the first twelve-month period of the Original Term, and at least six (6) months prior written notice thereof if such termination occurs during any other time, and, on the designated termination date, all of the Obligations shall become due and payable, in immediately available funds, and all Credit Enhancements issued by Lender or Bank shall have expired or otherwise been terminated.

(B) At the effective date of any termination by Borrower under SECTION 3.4(A) of the entire Revolving Credit Commitment, the Equipment Commitment and this Agreement, Borrower shall pay to Lender (in addition to the then outstanding principal, accrued interest and other charges owing under the terms of this Agreement and any of the other Loan Documents, as liquidated damages for the loss of the bargain and not as a penalty, an amount equal to 1.50% of the Termination Amount if such termination occurs during the first twelve-month period of the Original Term (May 23, 1995 through May 22, 1996). If termination occurs at any other time during the Original Term, during any Renewal Term, or within one hundred-eighty (180) days from the date Lender submits a certificate to Borrower certifying a reduction in Lender's rate of return pursuant to SECTION 3.1(G), no liquidated damages shall be payable.

3.5 EFFECT OF TERMINATION. All of the Obligations shall be forthwith due and payable upon any termination of this Agreement in accordance with SECTION 3.4. Except as otherwise expressly provided for in this Agreement or the other Loan Documents, no termination or cancellation (regardless of cause or procedure) of this Agreement or any of the other Loan Documents shall in any way affect or impair the rights, powers or privileges of Lender or the obligations, duties or liabilities of Borrower or Lender in any way relating to (A) any transaction or event occurring prior to such termination or cancellation or (B) any of the undertakings, agreements, covenants, warranties or representations of Borrower contained in this Agreement or any of the other Loan Documents. All such undertakings, agreements, covenants, warranties and representations of Borrower shall survive such termination or cancellation and Lender shall retain its Liens in the Collateral and all of its rights and remedies under this Agreement and the other Loan Documents notwithstanding such termination or cancellation until all of the Obligations known existing, threatened or claimed which can be given a monetary value have been paid in full, in immediately available funds.

3.6. PAYMENTS. Principal and interest on the Equipment Loans shall be payable as provided in the Equipment Note. Except where evidenced by notes or other instruments issued or made by Borrower to Lender specifically containing payment provisions which are in conflict with this SECTION 3.6 (in which event the conflicting provisions of said notes or other instruments shall govern and

control), the Obligations shall be payable as follows:

(A) principal payable on account of Revolving Credit Loans made by Lender to Borrower pursuant to SECTION 2.1 of this Agreement shall be payable by Borrower to Lender immediately upon the earliest of (i) the receipt by Lender or Borrower of any proceeds of any of the Collateral, to the extent of said proceeds, (ii) the occurrence of an Event of Default in consequence of which Lender elects to accelerate the maturity and payment of such Loans, or (iii) termination of this Agreement.

(B) interest accrued on the Revolving Credit Loans shall be due on the earliest of (i) the first day of each month (for the immediately preceding month), computed through the last calendar day of the preceding month, (ii) the occurrence of an Event of Default in consequence of which Lender elects to accelerate the maturity and payment of the Obligations, or (iii) termination of this Agreement.

(C) reasonable and itemized costs, fees and expenses payable pursuant to this Agreement shall be promptly payable by Borrower to Lender or to any other Person designated by Lender in writing.

(D) the balance of the Obligations requiring the payment of money, if any, shall be payable by Borrower to Lender as and when provided in this Agreement, the Other Agreements or the Security Documents, or, if not otherwise provided, then on demand.

Borrower hereby irrevocably authorizes Lender, in Lender's good faith discretion, to advance to Borrower and to charge to the Loan Account as a Revolving Credit Loan, sums sufficient to pay all amounts due and payable under SECTIONS 3.6(B), (C) and (D) above and under the Equipment Note, whether or not any such advance would cause the outstanding Revolving Credit Loans to exceed the Borrowing Base.

3.7. APPLICATION OF PAYMENTS AND COLLECTIONS. Except as otherwise provided in this SECTION 3.7, Borrower irrevocably waives the right to direct the application of any and all payments and collections at any time or times hereafter received by Lender from or on behalf of Borrower, and Borrower does hereby irrevocably agree that Lender shall have the continuing exclusive right to apply and reapply any and all such payments and collections received at any time or times hereafter by Lender or its agent against the Obligations, in such manner as Lender may deem advisable, notwithstanding any entry by Lender upon any of its books and records. If as the result of collections of Accounts as authorized by SECTION 5.2 a credit balance exists in the Loan Account with respect to the Revolving Credit Commitment, such credit balance shall not accrue interest in favor of Borrower, but shall be returned to Borrower within one (1) Business Day for so long as no Default or Event of Default exists. In no event shall such credit balance be applied or be deemed to have been applied as a payment of the Equipment Loans unless so requested by Borrower, but Lender may offset such credit balance against the Obligations upon or after the occurrence of an Event of Default. Payments and collections received by Lender from the Dominion Account or otherwise in Chicago, Illinois (A) before 2:00 p.m. Central Standard Time on a Business Day shall be deemed received on such Business Day, and (B) after 2:00 p.m. Central Standard Time on a Business Day shall be deemed received on the next succeeding Business Day, in each case for purposes of determining the amount of Revolving Credit Loans and Equipment Loans available for borrowing hereunder and for purposes of computing interest on the Loans (subject in each case to final payment of all items and collections received in form other than immediately available funds). For so long as no Event of Default has occurred, all payments and collections deposited into the Dominion Account shall be transferred to a bank account specified by Borrower, and upon the occurrence of an Event of Default, Lender may, in its sole discretion, direct all such payments and collections to be transferred to a bank account specified by Lender. Borrower hereby agrees that it shall not (on a Consolidated basis) maintain more than One Million Dollars ($1,000,000) in its bank operating account.

3.8. STATEMENTS OF ACCOUNT. Lender will account to Borrower monthly with a statement of Loans, charges and payments made pursuant to this Agreement, and such account rendered by Lender, absent manifest error, shall be deemed final, binding and conclusive upon Borrower unless Lender is notified by Borrower in writing to the contrary within seventy-five (75) days after the date each account is mailed to Borrower. Such notice shall only be deemed an objection to those items specifically objected to therein.

SECTION 4. COLLATERAL: GENERAL TERMS

4.1. SECURITY INTEREST IN COLLATERAL. To secure the prompt payment and performance to Lender of the Obligations, Borrower hereby grants to Lender a continuing security interest in and Lien upon all the following Property and interests in Property of Borrower, whether now owned or existing or hereafter created, acquired or arising and wheresoever located:

(A) Accounts;

(B) Inventory;

(C) Equipment (other than Equipment leased by Borrower);

(D) General Intangibles;

(E) all monies and other Property of any kind, now or at any time or times hereafter, in the possession or under the control of Lender or a bailee of Lender;

(F) all accessions to, substitutions for and all replacements, products and cash and non-cash proceeds of CLAUSES (A), (B), (C), (D) and (E) above, including, without limitation, proceeds of and unearned premiums with respect to insurance policies insuring any of the Collateral; ---------- --- --- --- ---

and

(G) all books and records (including, without limitation, customer lists, credit files, computer programs, print-outs, and other computer materials and records) of Borrower pertaining to any of CLAUSES (A), (B), (C), (D), (E) or (F) above.

The Collateral shall not include the monies held at Southwest Bank of Texas, N.A. for the benefit of the Management Group and certain other employees of Cal Dive pursuant to that certain Collateral Security Agreement, dated as of January 12, 1995 among Cal Dive, Southwest Bank of Texas, N.A., the Management Group and the other parties named therein.

The security interests in the Collateral granted to Lender by Cal Dive are given in renewal, extension and modification of the security interests previously granted to Lender by Cal Dive in the Original Loan Documents; such prior security interests are not extinguished hereby; and the making, perfection and priority of such prior security interests shall continue in full force and effect.

4.2. LIEN ON MARINE VESSELS. The due and punctual payment and performance of the Obligations shall be secured by the Lien created by the Ship Mortgage upon all marine vessels owned by Cal Dive described therein. Except as otherwise permitted herein, if Borrower shall acquire at any time or times hereafter any interest in other marine vessels, Borrower hereby agrees to promptly execute and deliver to Lender, as additional security and Collateral for the Obligations, Ship Mortgages or other collateral assignments satisfactory in form and substance to Lender and its counsel (herein collectively referred to as "NEW SHIP MORTGAGES") covering such marine vessels. The Ship Mortgage and each New Ship Mortgage shall be duly recorded in each port where such recording is required to constitute a valid Lien on the marine vessels. Borrower shall deliver to Lender such other documents as Lender and its counsel may reasonably request relating to the Property subject to the Ship Mortgage and any New Ship Mortgages.

4.3. LIEN ON OIL AND GAS PROPERTIES. Upon the request of Lender, the due and punctual payment and performance of the Obligations shall also be secured by a Lien upon any interest of Borrower in the Offshore Platforms and all other oil and gas Properties of Borrower. Borrower agrees that upon the request of Lender such Borrower shall promptly execute and deliver to Lender, as additional security and Collateral for the Obligations, deeds of trust, security deeds, mortgages or other collateral assignments satisfactory in form and substance to Lender and its counsel (herein collectively referred to as "NEW MORTGAGES") covering such interests in the Offshore Platforms and other oil and gas Properties. Each New Mortgage shall be duly recorded in each office where such recording is required to constitute a valid Lien on Borrower's interest in the Offshore Platforms and other oil and gas Properties covered thereby. Borrower further agrees that until such time as Lender requests that a New Mortgage be executed, such Borrower shall promptly execute and deliver to Lender a Negative Pledge Agreement covering such Borrower's interest in the Offshore Platforms and other oil and gas Properties. Each Negative Pledge Agreement shall be duly recorded in each office where a New Mortgage covering such interest in the Offshore Platforms and other oil and gas Properties would be required to be filed. Upon request, Borrower shall deliver to Lender agreements, documents, opinions, certificates and such other information as Lender and its legal counsel may reasonably request, relating to Borrower's interest in the Offshore Platforms and other oil and gas Properties subject to any Negative Pledge Agreement or any New Mortgage.

4.4. REPRESENTATIONS, WARRANTIES AND COVENANTS. To induce Lender to enter into this Agreement, Borrower represents, warrants, and covenants to Lender:

(A) Subject to the statutory right of the MMS to approve the acquisition of an Offshore Platform and related oil and gas Properties and the provisions of the Buy-Sell Agreements, the Collateral is now and, so long as any of the Obligations are outstanding, will continue to be owned solely by Borrower, and no other Person has or will have any right, title, interest, claim, or Lien therein, thereon or thereto other than a Permitted Lien.

(B) Except for Permitted Liens or as specifically consented to in writing by Lender, the Liens granted to Lender shall be first and prior on the Collateral and as to the Accounts and proceeds, including insurance proceeds, resulting from the sale, disposition, or loss thereof. No further action need be taken to perfect the Liens granted to Lender, other than the filing of continuation statements under the Code or other applicable law, continued possession by Lender of that portion of the Collateral constituting instruments or documents, the recording of the Ship Mortgage and each New Ship Mortgage under the 1989 Act, and the recording of each New Mortgage with the applicable filing offices.

(C) All goods evidenced by the Collateral constituting chattel paper, documents or instruments, the possession of which has been given to Lender, are owned by Borrower and the same are free and clear of any prior Lien, except for Statutory Liens contested by Borrower as required by SECTION 8.2(H). Borrower further warrants and guarantees the value, quantities, adequate condition, grades and qualities of the goods and services described therein. Borrower shall pay and discharge when due all taxes, levies, and other charges upon said Collateral and upon the goods evidenced by any documents constituting Collateral, except and to the extent only that such taxes, levies and other charges are being actively contested in good faith and by appropriate lawful proceedings, and Borrower has established adequate reserves therefor, which are properly reflected on the Consolidated Financial Statements, and the nonpayment of such taxes, levies and charges does not result in a lien upon any Collateral other than a Permitted Lien. Borrower shall defend Lender against and save it harmless from all claims of any Person with respect to the Collateral. This indemnity shall include reasonable attorneys' fees and legal expenses.

4.5. LIEN PERFECTION. Borrower agrees to execute the UCC-1 financing statements provided for by the Code or otherwise together with any and all other instruments, assignments or documents and shall take such other action as may be required to perfect or to continue the perfection of Lender's security interest in the Collateral. Unless prohibited by applicable law, Borrower hereby authorizes Lender to execute and file any such financing statement on Borrower's behalf. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

4.6. REAL PROPERTY LIEN DOCUMENTATION. Borrower agrees to execute for Lender's benefit the leasehold mortgages, deeds of trust or other documents evidencing a collateral assignment of Borrower's interest in certain real Property owned or leased by Borrower and any additional real Property owned or leased by Borrower as Lender may request. Such documents shall be recorded, at the expense of Borrower, with such filing offices as may be required to evidence Lender's Lien upon the real Property owned or leased or hereafter acquired by Borrower.

4.7. LOCATION OF COLLATERAL. All Collateral, other than Inventory in transit, motor vehicles, marine vessels and diving equipment, will at all times be kept by Borrower at one or more of the business locations set forth in EXHIBIT D attached hereto and shall not, without the prior written approval of Lender, be moved therefrom except, prior to an Event of Default, for (A) sales of Inventory and the providing of services in the ordinary course of business; (B) the storage of Inventory at locations within the continental United States other than those shown on EXHIBIT D attached hereto if (i) Borrower gives Lender written notice of the new storage location at least sixty (60) days prior to storing Inventory at such location, (ii) except for Statutory Liens contested by Borrower as required by SECTION 8.2(H), Lender's security interest in such Inventory is and continues to be a duly perfected, first priority Lien thereon, (iii) neither Borrower's nor Lender's right of entry upon the premises where such Inventory is stored, or its right to remove the Inventory therefrom, is in any way restricted, (iv) the owner of such premises agrees with Lender not to assert any landlord's, bailee's or other Lien in respect of the Inventory for unpaid rent or storage charges, and (v) all negotiable documents and receipts in respect of any Collateral maintained at such premises are promptly delivered to Lender; (C) temporary transfers (for period not to exceed three months in any event) of Equipment from a location set forth on EXHIBIT D attached hereto to another location if done for the limited purpose of repairing, refurbishing or overhauling such Equipment in the ordinary course of Borrower's business; and (D) removals in connection with dispositions of Equipment that are authorized by SECTION 6.4.

4.8. INSURANCE OF COLLATERAL. Borrower agrees to maintain and pay for insurance upon all Collateral (other than Offshore Platforms) wherever located, in storage or in transit, including goods evidenced by documents, covering casualty, hazard, public liability and such other risks and in such amounts and with insurance companies acceptable to Lender. Borrower shall deliver to Lender certificates regarding such insurance and the originals of such policies when available, with satisfactory endorsements naming Lender as loss payee or co-insured and as mortgagee pursuant to a standard mortgagee clause. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than thirty (30) days prior written notice to Lender in the event of cancellation of the policy for any reason whatsoever and a clause that the interest of Lender shall not be impaired or invalidated by any act or neglect of Borrower or owner of the Property nor by the occupation of the premises for purposes more hazardous than are permitted by said policy. If Borrower fails to provide and pay for such insurance, Lender may, at Borrower's expense, procure the same, but shall not be required to do so. Borrower agrees to deliver to Lender, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies. Borrower will maintain, with financially sound and reputable insurers, insurance with respect to its Properties and business against such casualties and contingencies of such type (including public liability, product liability, larceny, embezzlement, or other criminal misappropriation insurance) and in such amounts as is customary in the business or as otherwise required by Lender.

4.9. PROTECTION OF COLLATERAL. All insurance expenses and all expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping the Collateral, any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral or in respect of the sale thereof shall be borne and paid by Borrower. If Borrower fails to promptly pay any portion thereof when due or is not actively contesting such taxes in good faith and by appropriate proceedings and has not established adequate reserves, which are properly reflected on the Consolidated Financial Statements, Lender may, at its option, but shall not be required to, pay the same and charge the Loan Account therefor. Borrower agrees to reimburse Lender promptly therefor with interest accruing thereon daily at the Applicable Annual Rate for Base Rate Loans. All sums so paid or incurred by Lender for any of the foregoing and all costs and expenses (including reasonable attorneys' fees, legal expenses, and court costs) which Lender may incur in enforcing or protecting its Lien on or rights and interest in the Collateral or any of its rights or remedies under any Loan Document or in respect of any of the transactions to be had hereunto, together with interest at the Default Rate applicable to Base Rate Loans, shall be considered Obligations hereunder secured by all Collateral. Lender shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Lender's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever, but the same shall be at Borrower's sole risk.

SECTION 5. PROVISIONS RELATING TO ACCOUNTS

5.1. REPRESENTATIONS, WARRANTIES AND COVENANTS. With respect to all Accounts, Borrower represents and warrants to Lender that Lender may rely, in determining which Accounts are Eligible Accounts, on all statements and

representations made by Borrower with respect to any Account or Accounts, and, unless otherwise indicated in writing to Lender, that with respect to each Account:

(A) it is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;

(B) it arises out of a completed, bona fide sale and delivery of goods or rendition of services by Borrower in the ordinary course of its business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto and forming a part of the contract between Borrower and the Account Debtor;

(C) except for the long-term Accounts due from Ivory Production Co. and guaranteed by Blue Dolphin Energy Corporation outstanding as of the Closing Date, it has been generated in compliance with Borrower's normal credit policies as historically in effect (or as modified from time to time on prior written notice to Lender) or on such other reasonable terms disclosed in writing to Lender in advance of the creation of such Account, and such terms are expressly set forth on the face of the invoice covering such sale or rendition of services;

(D) it is for a liquidated amount maturing as stated in the duplicate invoice covering such sale or rendition of services, a copy of which has been furnished or is available to Lender;

(E) Borrower has made no agreement with any Account Debtor thereunder for any deduction therefrom, except discounts or allowances which are granted by Borrower in the ordinary course of its business and which are disclosed to Lender;

(F) to the best of Borrower's knowledge, there are no facts, events or occurrences which have not been disclosed to Lender which in any way impair the validity or enforceability thereof or tend to reduce the amount payable thereunder from the face amount of the invoice and statements delivered to Lender with respect thereto;

(G) to the best of Borrower's knowledge, the Account Debtor thereunder (i) is Solvent and (ii) had the capacity to contract at the time any contract or other document giving rise to the Account was executed; and

(H) Borrower has no knowledge of any fact or circumstance which would impair the validity or collectability of the Account, and to the best of Borrower's knowledge there are no proceedings or actions which are threatened or pending against any Account Debtor thereunder which might result in any material adverse change in such Account Debtor's financial condition or the collectability of such Account.

5.2. ASSIGNMENTS, RECORDS AND SCHEDULES OF ACCOUNTS. If so requested by Lender, Borrower shall execute and deliver to Lender formal written assignments of all of its Accounts on a monthly or more frequent basis, which shall include all Accounts that have been created since the date of the last assignment, together with copies of invoices or invoice registers related thereto. Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon and shall submit to Lender on a monthly basis, unless requested on a more frequent basis by Lender, a sales and collections report for the preceding month, in form satisfactory to Lender. On or before the last day of each month from and after the date hereof, Borrower shall deliver to Lender, in form satisfactory to Lender, a detailed listing of all Unbilled Accounts existing as of the last day of the preceding month, a detailed aged trial balance of all Accounts existing as of the last day of the preceding month, specifying the names, face value, dates of invoices and due dates for each Account Debtor obligated on an Account so listed and a listing of all disputed amounts due and owing (a "SCHEDULE OF ACCOUNTS"), and upon Lender's request therefor, the reason for any disputed amounts, all claims related thereto and the amount in controversy, and addresses, copies of proof of delivery and the original copy of all documents, including, without limitation, repayment histories and present status reports relating to the Accounts so scheduled, and such other matters and information relating to the status of then existing Accounts as Lender shall reasonably request.

5.3. ADMINISTRATION OF ACCOUNTS.

(A) Borrower shall report discounts, allowances or credits granted by Borrower that are not shown on the face of the invoice for the Account involved to Lender at the time of its submission to Lender of the next Schedule of Accounts as provided in SECTION 5.2 or more frequently upon the request of Lender. Upon and after the occurrence of an Event of Default, Lender shall have the right to settle or adjust all disputes and claims directly with the Account Debtor and to compromise the amount or extend the time for payment of the Accounts upon such terms and conditions as Lender may deem advisable, and to charge the deficiencies, costs and expenses thereof, including reasonable attorney's fees, to Borrower.

(B) If an Account includes a charge for any tax payable to any governmental taxing authority, Lender is authorized, in its sole discretion, to pay the amount thereof to the proper taxing authority for the account of Borrower and to charge the Loan Account therefor. Borrower shall notify Lender if any Account includes any tax due to any governmental taxing authority and, in the absence of such notice, Lender shall have the right to retain the full proceeds of the Account and shall not be liable for any taxes to any governmental taxing authority that may be due by Borrower by reason of the sale and delivery creating the Account.

(C) Whether or not an Event of Default has occurred, any of Lender's officers, employees or agents shall have the right, at any time or times hereafter, in the name of Lender, any designee of Lender or Borrower, to verify the validity, amount or any other matter relating to any Accounts by

mail, telephone, telegraph or otherwise. Borrower shall cooperate fully with Lender in an effort to facilitate and promptly conclude any such verification process.

5.4. COLLECTION OF ACCOUNTS.

(A) To expedite collection, Borrower shall endeavor in the first instance to make collection of its Accounts for Lender. All remittances received by Borrower on account of Accounts shall be held as Lender's property by Borrower as trustee of an express trust for Lender's benefit and Borrower shall immediately deposit same in the Dominion Account. Lender shall have the right at any time after the occurrence of an Event of Default to notify Account Debtors that Accounts have been assigned to Lender and to collect Accounts directly in its own name and to charge the collection costs and expenses, including reasonable attorneys' fees, to Borrower. Lender has no duty to protect, insure, collect or realize upon the Accounts or preserve rights in them.

(B) Borrower shall deposit all proceeds of the Collateral or cause the same to be deposited in kind in a Dominion Account pursuant to a lockbox arrangement with such banks as may be selected by Borrower and be acceptable to Lender. Borrower shall issue to any such bank, an irrevocable letter of instruction directing such banks to deposit all payments or other remittances received in the lockbox to the Dominion Account for application on account of the Obligations. All funds deposited in the Dominion Account shall immediately become the property of Lender and Borrower shall obtain the agreement by such banks to waive any offset rights against the funds so deposited. Lender assumes no responsibility for such lockbox arrangement, including, without limitation, any claim of accord and satisfaction or release with respect to deposits accepted by any bank thereunder.

SECTION 6. PROVISIONS RELATING TO EQUIPMENT AND OFFSHORE PLATFORMS

6.1. REPRESENTATIONS, WARRANTIES AND COVENANTS. With respect to the Equipment and the Offshore Platforms, Borrower represents, warrants and covenants to and with Lender that:

(A) substantially all of the Equipment is in adequate operating condition and repair, and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved, reasonable wear and tear excepted; and

(B) except for Equipment affixed to Offshore Platforms in the ordinary course of ERT's business (which Equipment shall not be included in the Equipment Borrowing Base), Borrower will not permit any of the Equipment to become affixed to any real Property leased to Borrower so that an interest arises therein under the real estate laws of the applicable jurisdiction unless the landlord of such real Property has executed a landlord waiver or leasehold mortgage in favor of Lender, and Borrower will not permit any of the Equipment to become an accession to any personal Property other than Equipment subject to first priority Liens in favor of Lender or subject to Permitted Liens.

6.2. EVIDENCE OF OWNERSHIP OF EQUIPMENT. Immediately on request therefor by Lender, Borrower shall deliver to Lender any and all evidence of ownership, if any, of any of the Equipment.

6.3. RECORDS AND SCHEDULES OF EQUIPMENT. Borrower shall maintain accurate records itemizing and describing the kind, type, quality, quantity and value of its Equipment and all dispositions made in accordance with SECTION 6.4, and shall furnish Lender with a current schedule, in form and substance satisfactory to Lender, containing the foregoing information on at least an annual basis and more often if requested by Lender.

6.4. DISPOSITIONS. Borrower will not sell, lease or otherwise dispose of or transfer any of the Equipment, any Offshore Platform or any oil and gas Properties, or any part thereof without the prior written consent of Lender; PROVIDED, HOWEVER, that the foregoing restriction shall not apply to dispositions required by the United States government, or, for so long as no Event of Default exists, to (A) (i) dispositions of Offshore Platforms, oil and gas Properties and related Equipment by ERT in the ordinary course of business, or (ii) dispositions of any other Equipment which, in the aggregate during any consecutive twelve-month period, has a fair market value or book value, whichever is less, of One Hundred Fifty Thousand Dollars ($150,000) or less; PROVIDED, THAT, all proceeds thereof are turned over to Lender, or (B) replacements of Equipment that is substantially worn, damaged or obsolete with Equipment of like kind, function and value; PROVIDED, THAT, (i) the replacement Equipment shall be acquired prior to or concurrently with any disposition of the Equipment that is to be replaced, (ii) the replacement Equipment shall be free and clear of Liens other than Permitted Liens, (iii) Borrower shall give Lender at least five (5) days prior written notice of such disposition and (iv) Borrower shall turn over to Lender all proceeds realized from any such disposition.

SECTION 7. REPRESENTATIONS AND WARRANTIES

7.1. GENERAL REPRESENTATIONS AND WARRANTIES. To induce Lender to enter into this Agreement and to make advances hereunder, Borrower warrants, represents and covenants to Lender as follows:

(A) ORGANIZATION AND QUALIFICATION. Borrower is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. Borrower has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each state or jurisdiction listed on EXHIBIT E attached hereto and made a part hereof and in all other states and jurisdictions where the character of its Properties or the nature of its activities make such qualification necessary.

(B) CORPORATE NAMES. Since July 27, 1990, Cal Dive, and since September 30, 1992, ERT, have not been known as or used any corporate, fictitious or trade names except as disclosed on EXHIBIT F attached hereto and made a part hereof. Except as set forth on EXHIBIT F attached hereto, Borrower has not, during the preceding three years, been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person.

(C) CORPORATE POWER AND AUTHORITY. Borrower has the right and power and is duly authorized and empowered to enter into, execute, deliver and perform this Agreement and each of the other Loan Documents to which it is a party. The execution, delivery and performance of this Agreement and each of the other Loan Documents have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of the shareholders of Borrower; (ii) contravene Borrower's charter, articles of incorporation or by-laws; (iii) violate, or cause Borrower to be in default under, any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award in effect having applicability to Borrower; (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which Borrower is a party or by which it or its Properties may be bound or affected; or (v) result in, or require, the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any of the Properties now owned or hereafter acquired by Borrower.

(D) LEGALLY ENFORCEABLE AGREEMENT. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, a legal, valid and binding obligation of Borrower enforceable against it in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally or by principles of equity pertaining to the availability of equitable remedies.

(E) USE OF PROCEEDS. Borrower's uses of the proceeds of any Loans pursuant to this Agreement are, and will continue to be, legal and proper corporate uses, duly authorized by its Board of Directors, and such uses will not violate any applicable laws, including, without limitation, the Foreign Assets Control Regulations, the Foreign Funds Control Regulations and the Transaction Control Regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), where the failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects, or Properties.

(F) MARGIN STOCK. Borrower is not engaged principally, or as one of its important activities, in the business of purchasing or carrying "margin stock" (within the meaning of Regulation G or U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loans to Borrower will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or be used for any purpose which violates or is inconsistent with the provisions of Regulation G, T, U or X of said Board of Governors.

(G) GOVERNMENTAL CONSENTS. Except where failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects, or Properties, Borrower has, and is in good standing with respect to, all governmental consents, approvals, authorizations, permits, certificates, inspections, and franchises necessary to continue to conduct its business as heretofore or proposed to be conducted by it and to own or lease and operate its Properties as now owned or leased by it.

(H) PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES. Borrower owns or possesses all the patents, trademarks, service marks, trade names, copyrights and licenses necessary for the present and planned future conduct of its business without any known conflict with the rights of others. All such patents, trademarks, service marks, trade names, copyrights, licenses and other similar rights are listed on EXHIBIT G attached hereto and made a part hereof. ---------

(I) CAPITAL STRUCTURE. EXHIBIT H attached hereto and made a part hereof states (i) the correct name of each of the Subsidiaries of Borrower, the jurisdiction of incorporation and the percentage of its Voting Stock owned by Borrower, (ii) the name of each of Borrower's corporate or joint venture Affiliates and the nature of the affiliation, (iii) the number, nature and holder of all outstanding Securities of Borrower and each Subsidiary of Borrower, and (iv) the number of authorized, issued and treasury shares of Borrower and each Subsidiary of Borrower. Borrower has good title to all of the shares of stock it purports to own of each Subsidiary, free and clear in each case of any Lien other than Permitted Liens. All such shares have been duly issued and are fully paid and nonassessable. Except as provided in EXHIBITS H and I attached hereto, there are not outstanding any options to purchase, or any rights or warrants to subscribe for, or any commitments or agreements to issue or sell, or any Securities or obligations convertible into, or any powers of attorney relating to, shares of the capital stock of Borrower. Except as provided in EXHIBITS H and I attached hereto, there are not outstanding any agreements or instruments binding upon any of Borrower's shareholders relating to the ownership of its shares of capital stock.

(J) SOLVENT FINANCIAL CONDITION. Borrower is now and, after giving effect to initial Loans to be made hereunder, at all times will be, Solvent.

(K) RESTRICTIONS. Borrower is not a party or subject to any contract, agreement, or charter or other corporate restriction, which materially and adversely affects its business or the use or ownership of any of its Properties other than as set forth on EXHIBIT J attached hereto. Borrower is not a party or subject to any contract or agreement which restricts its right or ability to incur Indebtedness, other than as set forth on EXHIBIT J attached hereto, none of which prohibit the execution of or compliance with this Agreement by Borrower. Neither Borrower nor any of its Subsidiaries has agreed

or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its Property, whether now owned or hereafter acquired, to be subject to a Lien that is not a Permitted Lien.

(L) LITIGATION. Except as set forth on EXHIBIT K attached hereto and made a part hereof, there are no actions, suits, proceedings or investigations pending, or to the knowledge of Borrower, threatened, against or affecting Borrower or any of its Subsidiaries, or the business, operations, Properties, prospects, profits or condition of Borrower or any of its Subsidiaries, in any court or before any governmental authority or arbitration board or tribunal, and no action, suit, proceeding or investigation shown on EXHIBIT K attached hereto, except as indicated on such EXHIBIT K, involves the possibility of materially and adversely affecting the Properties, business, prospects, profits or condition (financial or otherwise) of Borrower or the ability of Borrower to perform this Agreement. Neither Borrower nor any of its Subsidiaries is in default with respect to any order, writ, injunction, judgment, decree or rule of any court, governmental authority or arbitration board or tribunal.

(M) TITLE TO PROPERTIES. Subject to the statutory right of the MMS to approve the acquisition of an Offshore Platform and related oil and gas Properties and the provisions of the Buy-Sell Agreements, Borrower and its Subsidiaries each has good, indefeasible and marketable title to and fee simple ownership of, or valid and subsisting leasehold interests in, all of its oil and gas Properties and real Property, and good title to all of its other Property, in each case, free and clear of all Liens except Permitted Liens. EXHIBITS D and S attached hereto identifies all of the Offshore Platforms, other oil and gas Properties and real Property leased or owned by Borrower and its Subsidiaries and, if leased, identifies the lessor thereof.

(N) FINANCIAL STATEMENTS; FISCAL YEAR. The Consolidated balance sheet of Borrower and such other Persons described therein (including the accounts of all Subsidiaries for the respective periods during which a Subsidiary relationship existed) as of December 31, 1994, and the related statements of income, changes in stockholder's equity, and changes in cash flow for the periods ended on such dates, have been prepared in accordance with GAAP (except for changes in application in which Borrower's independent certified public accountants concur), and present fairly the financial positions of Borrower and its Subsidiaries at such dates and the results of Borrower's operations for such periods. Since December 31, 1994 there has been no material change in the condition, financial or otherwise, of Borrower, its Subsidiaries and such other Persons as shown on the Consolidated balance sheet as of such date and no change in the aggregate value of Equipment and other Property owned by Borrower or its Subsidiaries or such other Persons, except as otherwise disclosed in the footnotes to such financial statements and changes in the ordinary course of business, which individually or in the aggregate has not been materially adverse. The fiscal year of Borrower and each of its Subsidiaries ends on December 31 of each year.

(O) FULL DISCLOSURE. The financial statements referred to in SECTION 7.1(N), do not, nor does this Agreement or any other written statement of Borrower to Lender (including, without limitation, Borrower's filings, if any, with the Securities and Exchange Commission), contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which Borrower has failed to disclose to Lender in writing which materially affects adversely or, so far as Borrower can now foresee, will materially affect adversely the Properties, business, prospects, profits, or condition (financial or otherwise) of Borrower or any of its Subsidiaries or the ability of Borrower or its Subsidiaries to perform this Agreement.

(P) ERISA. Except as disclosed in EXHIBIT L attached hereto, there are no Pension Plans or Multiemployer Plans and no fact exists that could result in any material liability (other than as disclosed on Borrower's financial statements) to Borrower relating to any former Plan. No Reportable Event has occurred with respect to any Pension Plan that is not a Multiemployer Plan. No Prohibited Transaction has occurred. The PBGC has not instituted proceedings to terminate any Pension Plan. No ERISA Affiliate nor any duly appointed administrator of a Pension Plan has (i) incurred any liability to the PBGC with respect to a Pension Plan other than for premiums not yet due and payable, or (ii) instituted or intends to institute proceedings under Section 4041(c) of ERISA to terminate any Pension Plan, or (iii) instituted proceedings to withdraw from any Pension Plan that is a Multiemployer Plan. No "accumulated funding deficiency" within the meaning of Section 302(a)(2) of ERISA exists with respect to any Pension Plan. No liability has been incurred by any ERISA Affiliate which remains unsatisfied for any taxes or penalties, with respect to any Plan that is not a Multiemployer Plan or, to the best of Borrower's knowledge and belief, with respect to any Multiemployer Plan. No litigation is pending or threatened concerning or involving any Plan. No amendment to any Pension Plan has been adopted such that security is required to be given pursuant to IRC Section 401(a)(29) and no lien exists under IRC Section 412(n) with respect to any Plan. Except as shown on EXHIBIT L attached hereto with respect to the date and using the assumptions described thereon, and to the best of Borrower's knowledge and belief, no unfunded or unreserved liability exists for benefits under any Plan that would have a material adverse effect. No ERISA Affiliate contributes to, has contributed to, or is or has been obligated to contribute to, any Multiemployer Plan. No ERISA Affiliate maintains any Plan which provides benefits to an employee or the employee's dependents after the employee terminates employment other than as required by law and no written or oral representations have been made to any employee or former employee promising or guaranteeing any employer payment or funding for the continuation of medical, dental, or disability coverage beyond that legally required.

(Q) TAXES. The federal tax identification numbers for Cal Dive and ERT are 95-3409686 and 76-0413713, respectively. Borrower and its Subsidiaries each has filed all federal, state and local tax returns and other reports it is required by law to file and has paid, or made provision for the payment of, all taxes, assessments, fees and other governmental charges that are

due and payable. The provision for taxes on the books of Borrower and its Subsidiaries are adequate for all years not closed by applicable statutes, and for its current fiscal year. There are no material unresolved questions or claims concerning any tax liability of Borrower except as described in EXHIBIT M attached hereto. None of the transactions contemplated hereby or under any agreements referred to hereunder will result in any material tax liability for Borrower or result in any other material adverse tax consequence for Borrower. EXHIBIT N attached hereto contains an accurate list of all taxing authorities to which Borrower and its Subsidiaries and their respective Properties are subject. No Properties of Borrower or its Subsidiaries are or could become subject to any Lien in favor of any such taxing authorities for nonpayment of taxes, except as specified on EXHIBIT N attached hereto.

(R) LABOR RELATIONS. Except as described on EXHIBIT O attached hereto, neither Borrower nor any of its Subsidiaries is a party to any collective bargaining agreement, and there are no material grievances, disputes or controversies with any union or any other organization of Borrower's employees, or threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization.

(S) COMPLIANCE WITH LAWS. Except as disclosed on EXHIBIT P attached hereto as to existing violations of Environmental Laws (the "EXISTING ENVIRONMENTAL VIOLATIONS"), Borrower has duly complied with, and its Property, business operations and leaseholds are in compliance in all material respects with, the provisions of all federal, state and local laws, rules, regulations orders, citations and notices applicable to Borrower, its Properties or the conduct of its business, including, without limitation, OSHA, Environmental Laws, the Securities Act of 1933, the Securities Exchange Act of 1934, the Fair Labor Standards Act, laws relating to income, unemployment, payroll or social security taxes and Plans under ERISA, the Flood Disaster Protection Act of 1973, the Consumer Credit Protection Act, the Federal Trade Commission Act, statutes creating and governing the Bureau of Alcohol, Tobacco and Firearms, and any and all state statutes or pronouncements addressing, or related to, subjects the same as or comparable to those covered by such enumerated federal statutes, and there have been no citations, notices or orders of noncompliance issued to Borrower or any of its Subsidiaries under any such law, rule or regulation.

(T) SURETY OBLIGATIONS. Except as described in EXHIBIT Q attached hereto, Borrower is not obligated as surety or indemnitor under any surety or similar bond or other contract issued or entered into any agreement to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

(U) NO DEFAULTS. No event has occurred and no condition exists which would, upon the execution and delivery of this Agreement or Borrower's performance hereunder, constitute a Default or an Event of Default. Neither Borrower nor any of its Subsidiaries is in default, and no event has occurred and no condition exists which constitutes, or which with the passage of time or the giving of notice or both would constitute, a default in the payment of any Indebtedness to any Person for Money Borrowed.

(V) BROKERS. There are no claims for brokerage commissions, finder's fees or investment banking fees in connection with the transactions contemplated by this Agreement.

(W) BUSINESS LOCATIONS; AGENT FOR PROCESS. During the preceding three year period, Borrower has had no office, place of business or agent for service of process located in any state or county other than as shown on EXHIBIT D attached hereto.

(X) TRADE RELATIONS. There exists no actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between Borrower and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of Borrower, or with any material supplier, and there exists no present condition or state of facts or circumstances which would materially affect adversely Borrower or prevent Borrower from conducting such business after the consummation of the transaction contemplated by this Agreement in substantially the same manner in which it has heretofore been conducted.

(Y) LEASES. EXHIBIT R attached hereto is a complete listing of all capitalized leases of Borrower and EXHIBIT S attached hereto is a complete listing of all operating leases of Borrower.

(Z) INVESTMENT COMPANY ACT. Borrower is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(AA) OSHA AND ENVIRONMENTAL COMPLIANCE.

(i) Except for the Existing Environmental Violations, Borrower is in compliance with, and its facilities, business, operations, assets, Property, leaseholds, Offshore Platforms and Equipment are in compliance in all material respects with, the provisions of OSHA, the Resource Conservation and Recovery Act, all Environmental Laws and all permits issued to Borrower under any Environmental Laws; there have been no and are not now any outstanding citations, notices or orders of non-compliance issued to Borrower, nor is Borrower aware of any potential or threatening citations, notices or orders of noncompliance that may be issued to Borrower or relating to its business, assets, Property, leaseholds, Offshore Platforms or Equipment under such laws, rules or regulations.

(ii) Borrower has been issued all required federal, state and local licenses, certificates or permits relating to all applicable Environmental Laws.

(iii) Except for the Existing Environmental Violations,

(a) there are no visible signs of material releases, spills, discharges, leaks or disposal (collectively referred to as "RELEASES") of Hazardous Substances at, upon, under or within any Real Property in violation of any Environmental Law, nor is Borrower aware of the existence of any nonvisible Releases; (b) there are no underground storage tanks or polychlorinated biphenyls on the Real Property; (c) the Real Property has never been used as a treatment, storage or disposal facility of Hazardous Substance (except for the storage of fuels, Hydrocarbons, lubricants, solvents, paints and coatings, compressed gases, explosives, anti-oxidants, rust inhibitors, surfactants, CO2 scavengers, soap and chemical dispersants, batteries and similar or substitute items, substances or chemicals used or useful in the ordinary course of business by Borrower (collectively the "LAWFUL SUBSTANCES")); and (d) no Hazardous Substances are present on the Real Property in violation of any Environmental Laws.

7.2. REAFFIRMATION. Each request for a Loan made by Borrower pursuant to this Agreement or any of the other Loan Documents shall constitute (i) an automatic representation and warranty by Borrower to Lender that there does not then exist any Default or Event of Default unless otherwise disclosed to Lender in writing and (ii) a reaffirmation as of the date of said request that all of the representations and warranties of Borrower contained in this Agreement and the other Loan Documents are true in all material respects except for any changes in the nature of Borrower's business or operations that would render the information contained in any exhibit attached hereto either inaccurate or incomplete, so long as Lender has consented to such changes in writing or such changes are expressly permitted by this Agreement.

7.3. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. Borrower covenants, warrants and represents to Lender that all representations and warranties of Borrower contained in this Agreement or any of the other Loan Documents shall be true at the time of Borrower's execution of this Agreement and the other Loan Documents, and shall survive the execution, delivery and acceptance thereof by Lender and the parties thereto and the closing of the transactions described therein or related thereto until four (4) years and one (1) day after all of the Obligations have been paid in full.

SECTION 8. COVENANTS AND CONTINUING AGREEMENTS

8.1. AFFIRMATIVE COVENANTS. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lender, Borrower covenants that, unless otherwise consented to by Lender in writing, it shall:

(A) TAXES AND LIENS. Pay and discharge, and cause each Subsidiary to pay and discharge, all taxes, assessments and governmental charges upon it, its income and Properties as and when such taxes, assessments and charges are due and payable (and, if requested by Lender, provide Lender with proof that Borrower or such Subsidiary has done so), except and to the extent only that such taxes, assessments and charges are being actively contested in good faith and by appropriate proceedings, Borrower maintains adequate reserves on its books therefor and the nonpayment of such taxes, assessments and charges does not result in a Lien upon any Properties or Borrower other than a Permitted Lien. Borrower shall also pay and discharge any lawful claims which, if unpaid, might become a Lien against any of Borrower's Properties, except for Permitted Liens. Borrower shall also make timely payment or deposit of all FICA payments and withholding taxes required of it by the applicable laws, and will, upon request, furnish Lender with proof satisfactory of it that Borrower has made such payments or deposits.

(B) TAX RETURNS. File, and cause each Subsidiary to file, all federal, state and local tax returns and other reports Borrower or such Subsidiary is required by law to file and maintain adequate reserves for the payment of all taxes, assessments, governmental charges, and levies imposed upon it, its income, or its profits, or upon any Property belonging to it.

(C) PAYMENT OF BANK CHARGES. Pay to Lender, on demand, any and all reasonable and customary fees, costs or expenses which Lender pays to a bank or other similar institution arising out of or in connection with (i) the forwarding to Borrower or any other Person on behalf of Borrower, by Lender proceeds of loans made by Lender to Borrower pursuant to this Agreement and (ii) the depositing for collection, by Lender of any check or item of payment received or delivered to Lender on account of the Obligations.

(D) BUSINESS AND EXISTENCE. Preserve and maintain, and cause each Subsidiary to preserve and maintain, its separate corporate existence and all rights, privileges, and franchises in connection therewith, and maintain, and cause each Subsidiary to maintain, its qualification and good standing in all states in which such qualification is necessary.

(E) MAINTAIN PROPERTIES. Maintain, and cause each Subsidiary to maintain, its Properties in adequate operating condition and make, and cause each Subsidiary to make, all necessary renewals, repairs, replacements, additions and improvements thereto.

(F) COMPLIANCE WITH LAWS AND REMEDIATION OF EXISTING ENVIRONMENTAL VIOLATIONS. (i) Except for the Existing Environmental Violations and the storage of the Lawful Substances, comply, and cause each Subsidiary to comply, with all laws, ordinances, governmental rules and regulations to which it is subject, including, without limitation, all Environmental Laws, and obtain and keep in force any and all licenses, permits, franchises, or other governmental authorizations necessary to the ownership or lease of its Properties or to the conduct and operation of its business, which violation or failure to obtain might materially and adversely affect the business, prospects, profits, Properties, or condition (financial or otherwise) of Borrower.

(G) ERISA COMPLIANCE. Each ERISA Affiliate will (i) make prompt payment of all contributions it is obligated to make under all Plans or are required to meet the minimum funding standard set forth in ERISA, (ii) within

thirty (30) days after the filing thereof, furnish to Lender each annual report/return (Form 5500 Series), as well as all schedules and attachments required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA, and the regulations promulgated thereunder, in connection with each of its Plans that is not a Multiemployer Plan for each Plan year, (iii) notify Lender prior to any request for a waiver of the funding requirements of IRC Section 412 or the commencement of any distress termination pursuant to ERISA Section 4041(c), (iv) notify Lender immediately of any Reportable Event, Prohibited Transaction, and of any fact arising in connection with any of its Plans that is not a Multiemployer Plan, which might constitute grounds for termination thereof by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Plan, together with a statement, if requested by Lender, as to the reason therefor and the action, if any, proposed to be taken with respect thereto, (v) notify Lender immediately of any event which is likely to give rise to an assertion of withdrawal liability in connection with a Multiemployer Plan, and (vi) furnish to Lender, promptly upon Lender's request therefor, such additional information concerning any Plan as may be reasonably requested.

(H) BUSINESS RECORDS. Keep, and cause each Subsidiary to keep, adequate records and books of account with respect to its business activities in which proper entries are made in accordance with GAAP reflecting all its financial transactions.

(I) VISITS AND INSPECTIONS. Upon two (2) Business Days notice to Borrower, permit representatives of Lender, from time to time, as often as may be reasonably requested, but only during normal business hours, to visit and inspect the Properties of Borrower, inspect and make extracts from its books and records, and discuss with its officers, its employees and its independent accountants, Borrower's business, assets, liabilities, financial condition, business prospects and results of operations; PROVIDED, HOWEVER, if a Default or Event of Default exists, Lender shall not be required to give notice to Borrower prior to inspection or visitation by Lender of Borrower's Properties.

(J) FINANCIAL STATEMENTS. Cause to be prepared and furnished to Lender the following (all to be kept and prepared in accordance with GAAP applied on a consistent basis, unless Borrower's certified public accountants concur in any change therein and such change is disclosed to Lender and is consistent with GAAP):

(i) as soon as possible, but not later than ninety (90) days after the close of each fiscal year of Borrower, unqualified audited financial statements of Borrower and its Subsidiaries as of the end of such year, on a Consolidated basis, certified by a firm of independent certified public accountants of recognized national standing or otherwise acceptable to Lender (except for a qualification for a change in accounting principles with which the independent public accountant concurs);

(ii) as soon as possible, but not later than thirty (30) days after the end of each month (except for the month of January) hereafter, unaudited interim financial statements of Borrower and its Subsidiaries as of the end of such month and of the portion of Borrower's fiscal year then elapsed, on a consolidating basis certified by the principal financial officer of Borrower as prepared in accordance with GAAP and fairly presenting the consolidated financial position and results of operations of Borrower and its Subsidiaries for such month and period subject only to changes from audit and year-end adjustments and except that such statements need not contain notes;

(iii) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which Borrower has made available to its shareholders and copies of any regular, periodic and special reports or registration statements which Borrower files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or any national securities exchange; and

(iv) such other data and information (financial and otherwise) as Lender, from time to time, may reasonably request, bearing upon or related to the Collateral, Borrower's financial condition or results of operations, including, without limitation, federal income tax returns of Borrower, accounts payable ledgers, vendor listings and bank statements.

Upon receipt, Borrower shall forward to Lender a copy of the accountants' letter to Borrower's management that is prepared in connection with the financial statements described in CLAUSE (I) above and also shall cause to be prepared and shall furnish to Lender a certificate of the aforesaid certified public accountants certifying to Lender that, based upon their examination of the financial statements of Borrower and its Subsidiaries performed in connection with their examination of said financial statements, they are not aware of any Default or Event of Default, or, if they are aware of such Default or Event of Default, specifying the nature thereof. Concurrently with the delivery of the financial statements described in CLAUSE (I) above and the financial statements for the months ending on March 30, June 30, September 30 and December 31 of each calendar year delivered pursuant to CLAUSE (II) above, Borrower shall cause to be prepared and furnished to Lender a Compliance Certificate in the form of EXHIBIT T attached hereto.

(K) NOTICES TO LENDER. Notify Lender in writing: (i) promptly after Borrower's learning thereof, of the commencement of any litigation affecting Borrower or any of its Properties, whether or not the claim is considered by Borrower to be covered by insurance, and of the institution of any administrative proceeding, and of the receipt of any order or citation from any federal, state or local agency which may materially and adversely affect Borrower's operations, financial condition, Properties or business or Lender's Lien upon any of the Collateral; (ii) at least sixty (60) days prior thereto, of Borrower's opening of any new office or place of business or Borrower's closing of any existing office or place of business; (iii) promptly after Borrower's learning thereof, of any labor dispute to which Borrower may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the

expiration of any labor contract to which it is a party or by which it is bound; (iv) promptly after Borrower's learning thereof, of any material default by Borrower under any note, indenture, loan agreement, mortgage, lease, deed, guaranty or other similar agreement relating to any Indebtedness of Borrower exceeding Five Thousand Dollars ($5,000); (v) promptly after the occurrence thereof, of any Default or Event of Default; (vi) promptly after the occurrence thereof, of any default by any obligor under any note or other evidence of Indebtedness payable to Borrower; and (vii) promptly after the rendition thereof, of any judgment rendered against Borrower or any of its Subsidiaries.

(L) LANDLORD AND STORAGE AGREEMENTS. Provide Lender with copies of all agreements between Borrower and any landlord or warehouseman which owns any premises at which any Collateral may, from time to time, be kept.

(M) SUBORDINATIONS. Except for Permitted Purchase Money Indebtedness, provide Lender with a debt subordination agreement, in form and substance satisfactory to Lender, executed by Borrower and any Person who is an officer, director or Affiliate of Borrower to whom Borrower is or hereafter becomes indebted for Money Borrowed, subordinating in right of payment and claim all of such Indebtedness and any future advances thereon to the full and final payment and performance of the Obligations. For purposes of this SECTION 8.1(M), the term "Affiliate" shall include First Reserve.

(N) FURTHER ASSURANCES. At Lender's request, promptly execute or cause to be executed and deliver to Lender any and all documents, instruments and agreements deemed necessary by Lender to give effect to or carry out the terms or intent of this Agreement or any of the other Loan Documents. Without limiting the generality of the foregoing, if any of the Accounts, the face value of which exceeds One Thousand Dollars ($1,000), arises out of a contract with the United States of America, or any department, agency, subdivision or instrumentality thereof, Borrower shall promptly notify Lender thereof in writing and shall execute any instruments and take any other action required or requested by Lender to comply with the provisions of the Federal Assignment of Claims Act.

(O) TAX CERTIFICATE. Within ninety (90) days after the end of each fiscal year of Borrower, or more frequently if requested by Lender, cause the chief financial officer of Borrower to prepare and deliver to Lender a tax certificate in the form of EXHIBIT U attached hereto, with appropriate insertions.

(P) MARINE VESSEL APPRAISALS. Lender shall prepare an appraisal of the marine vessels owned by Borrower no less than semi-annually from the Closing Date at Borrower's expense.

(Q) MARINE VESSEL CERTIFICATIONS. As soon as available, and in any event no later than thirty (30) days after receipt by Borrower, deliver to Lender copies of Coast Guard Certificates of Inspection and ABS Load Line Certifications (or similar certificates issued for foreign registered marine vessels) for each marine vessel owned by Borrower.

(R) MARINE VESSEL MAINTENANCE. Keep adequate records with respect to maintenance of marine vessels which detail drydocking, machinery overhauls and maintenance history for each marine vessel owned by Borrower.

(S) PROJECTIONS. As soon as available, and in any event no later than thirty (30) days after the end of each fiscal year of Borrower, deliver to Lender Projections of Borrower for the forthcoming fiscal year, on a month by month basis.

(T) SYSTEMS. Maintain any system reasonably requested by Lender for creating backup data on computer hardware, software or firmware, such as Accounts and customer lists, and deliver and pledge to Lender such tapes or discs with respect thereto as may be required by Lender.

(U) ENVIRONMENTAL MATTERS.

(i) Ensure that the Real Property remains in compliance with all Environmental Laws where the failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects or Properties, and it will not place or permit to be placed any Hazardous Substance on any Real Property except as not prohibited by applicable law or appropriate governmental authorities. Notwithstanding the foregoing, Lender and Borrower recognize the Existing Environmental Violations and the storing of the Lawful Substances and Borrower hereby agrees to ensure that all Existing Environmental Violations are remediated in a diligent and timely manner.

(ii) Establish and maintain an adequate system to assure and monitor continued compliance with all applicable Environmental Laws appropriate to the nature of Borrower's business.

(iii) (a) employ in connection with its use of the Real Property appropriate technology necessary to maintain compliance with any applicable Environmental Laws, and (b) dispose of any and all Hazardous Substance generated at the Real Property only at facilities and with carriers that maintain valid permits under the Resource Conservation and Recovery Act and any other applicable Environmental Laws. Borrower shall obtain certificates of disposal, such as hazardous waste manifest receipts, from all treatment, transport, storage or disposal facilities or operators in connection with the transport or disposal of any Hazardous Substance generated at the Real Property.

(iv) In the event the Borrower obtains, gives or receives notice of any Release or threat of Release of a reportable quantity of any Hazardous Substances at the Real Property (any such event being hereinafter referred to as a "HAZARDOUS DISCHARGE") or receives any notice of violation,

request for information or notification that it is potentially responsible for investigation or cleanup of environmental conditions, demand letter or complaint, order, citation, or other written notice with regard to any Hazardous Discharge or violation of Environmental Laws (any of the foregoing is referred to herein as an "ENVIRONMENTAL COMPLAINT") from any Person or entity, including any state or local agency responsible in whole or in part for environmental matters in the state in which the Real Property is located or the United States Environmental Protection Agency (any such person or entity hereinafter the "AUTHORITY"), then the Borrower shall, within five (5) Business Days, give written notice of same to the Lender setting forth facts and circumstances giving rise to the Hazardous Discharge or Environmental Complaint. Such notice is not intended to create nor shall it create any obligation upon Lender with respect thereto.

(v) Promptly forward to Lender copies of any request for information, notification of potential liability, demand letter relating to potential responsibility with respect to the investigation or cleanup of Hazardous Substances at any other site owned, operated or used by Borrower to dispose of Hazardous Substances and shall continue to forward copies of correspondence between Borrower and the Authority regarding such claims to the Lender until the claim is settled. The Borrower shall promptly forward to the Lender copies of all documents and reports concerning a Hazardous Discharge that the Borrower is required to file under any Environmental Laws. Such information is to be provided solely to allow the Lender to protect Lender's security interest in the Collateral and is not intended to create nor shall it create any obligation upon Lender with respect thereto.

(vi) Respond promptly to any Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any Person and to avoid subjecting the Collateral or Real Property to any Lien. Borrower shall be deemed to be taking all necessary action only if, and for so long as, the execution or enforcement of an Environmental Complaint is, and continues to be, effectively stayed and the Borrower maintains adequate reserves therefore, which are properly reflected on Borrower's Consolidated Financial Statements, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings, and such Liens do not, in the aggregate, materially detract from the value of the Property of Borrower or materially impair the use thereof in the operation of Borrower's business. If Borrower shall fail to so respond to any Hazardous Discharge or Environmental Complaint or Borrower shall fail to comply with any of the requirements of any Environmental Laws where the failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects or Properties, Lender may, but without the obligation to do so, for the sole purpose of protecting Lender's interest in Collateral: (a) give such notices or (b) enter onto the Real Property (or authorize third parties to enter onto the Real Property) and take such actions as Lender (or such third parties as directed by the Lender) deem reasonably necessary or advisable, to clean up, remove, mitigate or otherwise deal with any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Lender (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended at the Applicable Annual Rate for Base Rate Loans shall be paid upon demand by the Borrower, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Lender and Borrower.

(vii) Promptly upon the written request of the Lender, in connection with any Hazardous Discharge or Environmental Complaint as described in CLAUSE (VI) immediately preceding, provide to Lender, at the Borrower's expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable to Lender to assess with a reasonable degree of certainty the existence of a Hazardous Discharge and the potential costs in connection with abatement, cleanup and removal of any Hazardous Substances found on, under, at or within the Real Property. Any report or investigation of such Hazardous Discharge proposed and acceptable to an appropriate Authority that is charged to oversee the clean-up of such Hazardous Discharge shall be acceptable to the Lender.

(viii) Defend and indemnify Lender and hold Lender, and its respective employees, agents, directors and officers harmless from and against all loss, liability, damage and expense, claims, costs, fines and penalties, including attorney's fees, suffered or incurred by Lender under or on account of any Environmental Laws, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any Hazardous Substances affecting its business and operations or the Real Property, whether or not the same originates or emerges from the Real Property or any contiguous real estate, including any loss of value of the Real Property as a result of the foregoing. Borrower's obligations under this SECTION 8.1(U) shall arise upon the discovery of the presence of any Hazardous Substances at the Real Property or Borrower's use of Hazardous Substances in its business and operations, whether or not any federal, state, or local environmental agency has taken or threatened any action in connection with the presence of any Hazardous Substances. Borrower's obligation and the indemnifications hereunder shall survive the termination of this Agreement.

(ix) For purposes of SECTION 7.1(AA), 8.1(U) and 8.2(AA), all references to "REAL PROPERTY" shall be deemed to be all of Borrower's right, title and interest in and to all leased and owned premises, including, without limitation, the Offshore Platforms.

(V) KEY MAN LIFE INSURANCE. Maintain and pay for life insurance on each of Gerald G. Reuhl and Owen E. Kratz in a minimum amount of Six Million Dollars ($6,000,000) per insured with insurance companies acceptable to Lender, which life insurance policies shall be assigned to Lender within sixty (60) days from the Closing Date pursuant to an assignment agreement in form and substance satisfactory to Lender and the insurance company issuing such life insurance

policy.

(W) EXCESS AVAILABILITY. Maintain Excess Availability of (i) no less than Two Million Dollars ($2,000,000) immediately prior to and after giving effect to the acquisition of any oil and gas Properties by ERT, and (ii) no less than Four Million Dollars ($4,000,000) immediately prior to and after giving effect to the acquisition (excluding a lease arrangement) and deployment of both a barge and a dive support vessel by Cal Dive.

8.2. NEGATIVE COVENANTS. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lender, Borrower covenants that, unless Lender has first consented thereto in writing, it will not:

(A) MERGERS; CONSOLIDATIONS; ACQUISITIONS. Merge or consolidate, or permit any Subsidiary to merge or consolidate, with any Person, except a consolidation or merger between both Borrowers, or a Borrower and one or more wholly owned Subsidiaries; nor acquire all or any substantial part of the Properties of any Person.

(B) LOANS. Make, or permit any Subsidiary to make, any loans or other advances of money (other than for salary, travel advances, advances against commissions and other similar advances in the ordinary course of business) to any Person, including, without limitation, any of Borrower's Subsidiaries, Affiliates, officers or employees and First Reserve.

(C) TOTAL INDEBTEDNESS. Create, incur, assume, or suffer to exist any Indebtedness, except: (i) Obligations owing to Lender; (ii) unsecured accounts payable to trade creditors which are not aged more than ninety (90) days from billing date and current operating expenses (other than for Money Borrowed) which are not more than sixty (60) days past due, in each case incurred in the ordinary course of business and paid within such time period, unless the same are actively being contested in good faith and by appropriate and lawful proceedings and Borrower shall have set aside such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Borrower and its independent public accountants; (iii) Obligations to pay Rentals permitted by SECTION 8.2(U); (iv) Permitted Purchase Money Indebtedness; (v) contingent liabilities arising out of endorsements of checks and other negotiable instruments for deposit or collection in the ordinary course of business; and (vi) Indebtedness not included in CLAUSES (I) through (V) above which does not exceed at any time, in the aggregate, the sum of Fifty Thousand Dollars ($50,000).

(D) AFFILIATE TRANSACTIONS. Enter into, or be a party to, or permit any Subsidiary to enter into or be a party to, any transaction with any Affiliate or First Reserve, except (i) transactions in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon fair and reasonable terms which are fully disclosed to Lender and are no less favorable to Borrower than would obtain in a comparable arm's length transaction with a Person not an Affiliate or stockholder of Borrower or such Subsidiary, (ii) transactions contemplated by the Shareholders Agreement, in effect on the Closing Date, and (iii) equity contributions to Borrower by First Reserve on terms and conditions acceptable to Lender.

(E) PARTNERSHIPS OR JOINT VENTURES. Become or agree to become a general or limited partner in any general or limited partnership or a joint venturer in any joint venture.

(F) ADVERSE TRANSACTIONS. Except for Turn Key Contracts, enter into any transaction, or permit any Subsidiary to enter into any transaction, which materially and adversely affects or may materially and adversely affect the Collateral or Borrower's ability to repay the Obligations or permit or agree to any material extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto, other than discounts and allowances in the ordinary course of business, all of which shall be reflected in the Schedules of Accounts submitted to Lender pursuant to SECTION 5.2.

(G) GUARANTIES. Except as described on EXHIBIT V attached hereto guarantee, assume, endorse or otherwise, in any way, become directly or contingently liable with respect to the Indebtedness of any Person (other than a guarantee by Cal Dive on behalf of ERT), except by endorsement of instruments or items of payment for deposit or collection.

(H) LIMITATION ON LIENS. Create or suffer to exist any Lien upon any of its Property, income or profits, whether now owned or hereafter acquired, except: (i) Liens at any time granted in favor of Lender; (ii) Liens for taxes (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due or being contested as permitted by SECTION 8.1(A), but only if in Lender's sole discretion and judgment such Lien does not affect adversely Lender's rights or the priority of Lender's Lien in the Collateral; (iii) Liens securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords, operators and other like Persons or common law maritime liens or liens under the Federal Maritime Lien Act or similar state statutes (collectively, the "STATUTORY LIENS") for labor, materials, supplies, injuries or rentals incurred in the ordinary course of Borrower's business, but only if the payment thereof is not at the time required and only if such Liens are junior to the Liens in favor of Lender, or if, and for so long as, the execution or other enforcement of such Liens is, and continues to be, effectively stayed, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings, and such Liens do not, in the aggregate, materially detract from the value of the Property of Borrower or materially impair the use thereof in the operation of Borrower's business; (iv) Liens resulting from deposits made in the ordinary course of business in connection with workmen's compensation, unemployment insurance, social security and other like laws; (v) attachment, judgment and other similar non-tax Liens arising in connection with court proceedings, but only if and for

so long as the execution or other enforcement of such Liens is and continues to be effectively stayed and bonded on appeal in a manner satisfactory to Lender for the full amount thereof, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings and such Liens do not, in the aggregate, materially detract from the value of the Property of Borrower or materially impair the use thereof in the operation of Borrower's business; (vi) Purchase Money Liens securing Permitted Purchase Money Indebtedness which is not incurred in violation of SECTION 8.2(C); (vii) reservations, exceptions, easements, rights of way, and other similar encumbrances affecting real Property other than as described in EXHIBIT W attached hereto; PROVIDED, THAT, in Lender's judgment, which will be exercised in good faith, they do not in the aggregate materially detract from the value of said Properties or materially interfere with their use in the ordinary conduct of Borrower's business and, if said real Property constitutes Collateral, Lender has consented thereto; (viii) Liens securing Indebtedness of a Subsidiary to Borrower or another Subsidiary; (ix) such other Liens as described on EXHIBIT W attached hereto; and (x) such other Liens as Lender may hereafter approve in writing.

(I) DISTRIBUTIONS. Without the prior written consent of Lender, declare or make, or permit any Subsidiary to declare or make, any Distributions except for the repurchase of its Securities from employees.

(J) SUBSIDIARIES. Hereafter create any Subsidiary or divest itself of any material assets by transferring them to any Subsidiary to whose existence Lender has consented.

(K) BUSINESS LOCATIONS. Transfer its principal place of business or chief executive office, or maintain warehouses or records with respect to Accounts, Equipment or Inventory, to or at any locations other than those at which the same are presently kept or maintained, as set forth on EXHIBIT D attached hereto, except upon at least 60 days prior written notice to Lender and after the delivery to Lender of financing statements, if required by Lender, in form satisfactory to Lender to perfect or continue the perfection of Lender's Lien and security interest hereunder.

(L) CHANGE OF BUSINESS. Enter into any new business or make any material change in any of Borrower's business objectives, purposes and operations.

(M) DISPOSITION OF ASSETS. Sell, lease or otherwise dispose of any of its Properties, including any disposition of Property as part of a sale and leaseback transaction, to or in favor of any Person, except (i) sales of Inventory in the ordinary course of Borrower's business for so long as no Event of Default exists hereunder, (ii) a transfer of Property to Borrower by a Subsidiary, or (iii) dispositions expressly authorized by SECTION 6.4.

(N) NAME OF BORROWER. Use any corporate name (other than its own) or any fictitious name, tradestyle or "d/b/a" except for the names disclosed on EXHIBIT F attached hereto.

(O) BILL-AND-HOLD SALES, ETC. Make a sale to any customer on a bill-and-hold, guaranteed sale, sale and return, sale on approval or consignment basis, or any sale on a repurchase or return basis.

(P) USE OF LENDER'S NAME. Without the prior written consent of Lender, use the name or trademark of Lender or the name or trademark of any affiliates of Lender in connection with any of Borrower's business or activities, except in connection with internal business matters, as required in dealings with governmental agencies and financial institutions and to trade creditors of Borrower solely for credit reference purposes.

(Q) MARGIN SECURITIES. Own, purchase or acquire (or enter into any contract to purchase or acquire) any "margin security" as defined by any regulation of the Federal Reserve Board as now in effect or as the same may hereafter be in effect unless, prior to any such purchase or acquisition or entering into any such contract, Lender shall have received an opinion of counsel satisfactory to Lender to the effect that such purchase or acquisition will not cause this Agreement to violate Regulations G, T, U or X or any other regulation of the Federal Reserve Board then in effect.

(R) RESTRICTED INVESTMENT. Make or have, or permit any Subsidiary to make or have, any Restricted Investment.

(S) FISCAL YEAR. Change, or permit any Subsidiary to change, its fiscal year, or permit any Subsidiary to have a fiscal year different from that of Borrower.

(T) STOCK OF SUBSIDIARY, ETC. Sell or otherwise dispose of any Security of any Subsidiary, except in connection with a transaction permitted under SECTION 8.2(A), or permit any Subsidiary to issue any additional shares of its capital stock except director's qualifying shares.

(U) LEASES. Become a lessee under (i) any operating lease (other than a lease under which Borrower is lessor) of Property if the aggregate Rentals payable during any current or future period of twelve consecutive months under the lease in question and all other leases under which Borrower is then lessee (other than the Time Charter) would exceed $350,000, or (ii) the Time Charter unless the terms and conditions thereof are approved by Borrower's Board of Directors and acceptable to Lender.

(V) TAX CONSOLIDATION. File or consent to the filing of any consolidated income tax return with any Person other than a Subsidiary.

(W) PREPAYMENTS. Make, or permit any Subsidiary to make,

any prepayment of any part or all of any Money Borrowed, except that (i) Borrower and its Subsidiaries may prepay outstanding Money Borrowed in connection with a Purchase Money Lien from the proceeds of the sale of property subject to such Lien, and (ii) Borrower may prepay Lender as provided in this Agreement or any of the Other Agreements.

(X) COMPLIANCE WITH ENVIRONMENTAL LAWS. (i) Use any of the Real Property or any portion thereof for the handling, processing, storage or disposal of Hazardous Substances (other than the Lawful Substances), (ii) cause or permit to be located on any of the Real Property any underground tank or other underground storage receptacle for Hazardous Substances, (iii) generate any Hazardous Substances on any of the Real Property, (iv) conduct any activity at any Real Property or any other location or use any Real Property in any manner so as to cause a Release or threatened Release of Hazardous Substances on, upon or into the Real Property, or (v) otherwise conduct any activity at any Real Property or any other location or use any Real Property or any other location in any manner that would violate any Environmental Law or bring such Real Property in violation of any Environmental Law.

(Y) AMEND ANY PENSION PLAN. Amend any Pension Plan so as to require security to be provided pursuant to IRC Section 401(a)(29).

8.3. SPECIFIC FINANCIAL COVENANTS. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lender, Borrower covenants that, unless otherwise consented to by Lender in writing, it shall:

(A) MAINTAIN INCOME FROM OPERATIONS. As calculated on the last day of each quarter for the twelve (12) consecutive months then ended, maintain, on a Consolidated basis, Income from Operations of not less than Five Million Dollars ($5,000,000).

(B) MAXIMUM LEVERAGE RATIO. Maintain, on a Consolidated basis, a ratio of (i) total Indebtedness to (ii) Adjusted Tangible Net Worth of not more than the ratio shown below as calculated on the last day of each quarter during the periods corresponding thereto:

PERIOD	RATIO
Closing Date through September 30, 1995	1.30 to 1.0
October 1, 1995 through September 30, 1996	1.25 to 1.0
October 1, 1996 and thereafter	1.15 to 1.0

(C) FIXED CHARGE COVERAGE RATIO. As calculated on the last day of each quarter for the twelve (12) consecutive months then ended, maintain, on a Consolidated basis, a Fixed Charge Coverage Ratio of not less than the ratio shown below during the periods corresponding thereto:

PERIOD	RATIO
Closing Date through December 31, 1995	10.0 to 1.0
Thereafter	7.0 to 1.0

(D) CURRENT RATIO. As calculated on the last day of each quarter, maintain, on a Consolidated basis, a ratio of (i) Current Assets to (ii) Current Liabilities (excluding the Revolving Credit Loans), of not less than 1.5 to 1.0.

SECTION 9. CONDITIONS PRECEDENT

Notwithstanding any other provision of this Agreement or any of the other Loan Documents, and without affecting in any manner the rights of Lender under the other Sections of this Agreement, it is understood and agreed that Lender will not make any Loan under SECTION 2 unless and until each of the following conditions has been and continues to be satisfied, all in form and substance satisfactory to Lender and its legal counsel:

9.1. DOCUMENTATION. Lender shall have received the following documents, each to be in form and substance satisfactory to Lender and its counsel:

(A) certificates evidencing Borrower's casualty insurance policies, together with endorsements naming Lender as loss payee and as mortgagee pursuant to a standard mortgagee clause, and certificates evidencing Borrower's liability insurance policies, together with endorsements naming Lender as a co-insured;

(B) copies of all filing receipts or acknowledgments issued by any governmental authority to evidence any filing or recordation necessary to perfect the Liens of Lender in the Collateral and evidence to Lender that such Liens constitute valid and perfected security interests and Liens, having the Lien priority specified in SECTION 4.3(B);

(C) on or prior to the Closing Date, landlord or warehouseman agreements with respect to all premises leased by Borrower, other than the premises located at 1028 Jackson, Morgan City, Louisiana and prior to sixty (60) days after the Closing Date, a landlord agreement for the premises located at 1028 Jackson, Morgan City, Louisiana;

(D) a copy of the Articles of Incorporation of Borrower, and all amendments thereto, certified within fifteen (15) days before the Closing Date by the Secretary of State or other appropriate official of its jurisdiction of incorporation;

(E) a copy of the bylaws of Borrower, and all amendments thereto, certified as of the Closing Date by the Secretary of Borrower;

(F) good standing certificates for Borrower, issued within fifteen (15) days before the Closing Date by the Secretary of State or other appropriate official of Borrower's jurisdiction of incorporation and each jurisdiction where the conduct of Borrower's business activities or the ownership of its Properties necessitates qualification;

(G) a Closing Certificate signed by two (2) duly authorized senior officers of Borrower dated as of the Closing Date, stating that (i) the representations and warranties set forth in SECTION 7 are true and correct on and as of such date, (ii) Borrower is on such date in compliance with all the terms and provisions set forth in this Agreement, and (iii) on such date no Default or Event of Default has occurred or is continuing;

(H) the Security Documents and the Guaranty duly executed, accepted and acknowledged by or on behalf of each of the signatories thereto;

(I) the Other Agreements duly executed and delivered by Borrower;

(J) the favorable, written opinion of Robins, Kaplan, Miller & Ciresi, counsel to Borrower, regarding Borrower, the Loan Documents and the transactions contemplated by the Loan Documents, in form and substance satisfactory to Lender and its legal counsel;

(K) duly executed agreement establishing the Dominion Account with a financial institution acceptable to Lender for the collection or servicing of the Accounts;

(L) documents delivered by Cal Dive to Lender which set forth the status of its remediation efforts with respect to the Amelia, Louisiana facility;

(M) Such documents, instruments and agreements as Lender shall require, in its sole discretion, in connection with the remediation of the Existing Environmental Violations;

(N) a Borrowing Base Certificate in the form of EXHIBIT X attached hereto, reflecting that Borrower has Eligible Accounts and Equipment, in which Lender has a perfected first priority Lien, in amounts sufficient in value and amount to support the initial Revolving Credit Loan and Equipment Loan in the amount requested by Borrower;

(O) a certificate regarding Equipment signed by a duly authorized senior officer of Borrower dated the date hereof, reflecting the type, value and location of Borrower's Equipment; and

(P) such other documents, instruments and agreements as Lender shall reasonably request in connection with the foregoing matters, including, without limitation, any items identified in the closing checklist delivered by Lender to Borrower immediately prior to the Closing Date.

9.2. OTHER CONDITIONS. The following conditions have been and shall continue to be satisfied:

(A) no Default or Event of Default shall exist;

(B) each of the conditions precedent set forth in the other Loan Documents shall have been satisfied;

(C) since December 31, 1994, except for changes which are reflected on the financial statements and notes through March 31, 1995 prepared by management and submitted to Lender, there shall not have occurred any material adverse change in the business, financial condition or results of operations of Borrower or its Subsidiaries, or the existence or value of any Collateral, or any event, condition or state of facts which would reasonably be expected materially and adversely to affect the business, financial condition or results of operations of Borrower or its Subsidiaries;

(D) no action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or which is related to or arises out of this Agreement or the consummation of the transactions contemplated hereby or which, in Lender's discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents;

(E) Borrower shall have paid all expenses of Lender pursuant to any invoices presented to Borrower relating to the negotiation, preparation and execution of the Loan Documents, including, without limitation, reasonable attorneys' fees;

(F) all representations and warranties made by Borrower to Lender in the Loan Documents shall be true and correct;

(G) Borrower shall have paid to Lender all fees required by SECTION 3 to be paid on the Closing Date; ---------

(H) Lender's servicing requirements for the Loans shall have been approved by Lender's division credit officer; and

(I) all covenants in this Agreement shall have been approved by Lender's division credit officer.

SECTION 10. EVENTS OF DEFAULT; RIGHTS AND REMEDIES ON DEFAULT

10.1. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an "EVENT OF DEFAULT":

(A) PAYMENT OF EQUIPMENT NOTE. Borrower shall fail to pay any installment of principal, interest or premium, if any, owing on the Equipment Note on the due date of such installment.

(B) PAYMENT OF OTHER OBLIGATIONS. Borrower shall fail to pay any of the Obligations that are not evidenced by the Equipment Note on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise) and such failure to pay is not remedied within ten (10) days.

(C) MISREPRESENTATIONS. Any warranty, representation, or other statement made or furnished to Lender by or on behalf of Borrower or in any instrument, certificate or financial statement furnished in compliance with or in reference to this Agreement or any of the other Loan Documents proves to have been false or misleading in any material respect when made or furnished.

(D) BREACH OF COVENANTS. Borrower shall fail or neglect to perform, keep or observe (i) any covenant contained in SECTIONS 4.2, 4.3, 4.5, 4.6, 5.4(B), 6.4, 8.1(A), 8.1(F), 8.1(I), 8.1(J), 8.1(O), 8.2 or 8.3 of this Agreement or (ii) any other covenant contained in this Agreement (other than a covenant of default of which the performance or observance is dealt with specifically elsewhere in this SECTION 10.1) and the breach of such other covenant is not cured to Lender's satisfaction within thirty (30) days after the sooner to occur of Borrower's receipt of notice of such breach from Lender or the date on which such failure or neglect becomes known to any officer of Borrower.

(E) DEFAULT UNDER OTHER AGREEMENTS. Any event of default shall occur under, or Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the Other Agreements and such default shall continue beyond any applicable period of grace.

(F) DEFAULT UNDER SECURITY DOCUMENTS. Any event of default shall occur under, or Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the Security Documents and such default shall continue beyond any applicable period of grace.

(G) OTHER DEFAULTS. There shall occur an event of default on the part of Borrower (including specifically, but without limitation, due to nonpayment) under any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its Property is bound, creating or relating to any Indebtedness greater than One Hundred Thousand Dollars ($100,000) (other than the Obligations) if the payment or maturity of such Indebtedness is accelerated in consequence of such event of default or demand for payment of such Indebtedness is made.

(H) UNINSURED LOSSES; UNAUTHORIZED DISPOSITIONS. Any material loss, theft, damage or destruction not fully covered by insurance (as required by this Agreement and subject to deductibles), or sale, lease or encumbrance of any of the Collateral or the making of any levy, seizure, or attachment thereof or thereon except in all cases as may be specifically permitted by other provisions of this Agreement.

(I) ADVERSE CHANGES. There shall occur any material adverse change in the financial condition or business prospects of Borrower or a material impairment of the prospect of repayment of all or any portion of the Obligations.

(J) INSOLVENCY, ETC. Borrower shall cease to be Solvent or shall suffer the appointment of a receiver, trustee, custodian or similar fiduciary, or shall make an assignment for the benefit of creditors, or any petition for an order for relief shall be filed by or against Borrower under the Bankruptcy Code (if against Borrower, the continuation of such proceeding for more than thirty (30) days), or Borrower shall make any offer of settlement, extension or composition to their respective unsecured creditors generally.

(K) BUSINESS DISRUPTION; CONDEMNATION. There shall occur a cessation of a substantial part of the business of Borrower for a period which significantly affects Borrower's capacity to continue its business, on a profitable basis; or Borrower shall suffer the loss or revocation of any license or permit now held or hereafter acquired by Borrower which is necessary to the continued or lawful operation of its business; or Borrower shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs; or any material lease or agreement pursuant to which Borrower leases, uses or occupies any Property shall be cancelled or terminated prior to the expiration of its stated term; or all or any material part of the Collateral shall be taken through condemnation or the value of such Property shall be impaired through condemnation.

(L) CHANGE OF MANAGEMENT OR OWNERSHIP. (i) Two (2) or more members of the Management Group shall cease to be employed by Borrower in a management capacity or (ii) the Management Group shall cease to control more than thirty-three percent (33%) of the issued and outstanding capital stock of Cal Dive, or Cal Dive shall cease to own and control, beneficially and of record eighty percent (80%) of the issued and outstanding capital stock of ERT.

(M) ERISA. (i) Both events described in CLAUSES (A) and (B) following shall occur: (a) either (w) proceedings have been instituted to terminate, or a notice of termination has been filed with respect to, any Pension Plan (other than a Multiemployer Plan) by any ERISA Affiliate, the PBGC or any representative of either, or any such Pension Plan shall be terminated under Section 4041 or Section 4042 of ERISA, (x) a Reportable Event has occurred with respect to any Pension Plan (other than a Multiemployer Plan) and continues

for a period of sixty (60) days, (y) a Prohibited Transaction has occurred, or (z) any other event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, a Pension Plan has occurred, and (b) the sum of any liability to PBGC under Section 4062 of ERISA, PLUS the currently payable obligations of any ERISA Affiliate to fund liabilities under all Pension Plans (when aggregated with the liabilities related to the events described in CLAUSE (A) above), shall have a material adverse effect;

(ii) Any of the events described in CLAUSES (A), (B), or (C) following shall occur with respect to any Multiemployer Plan: (a) any ERISA Affiliate incurs a withdrawal liability under Section 4201 of ERISA, or (b) any Multiemployer Plan is "in reorganization" as that term is defined in Section 4241 of ERISA, or (c) any such Multiemployer Plan is terminated under Section 4041A of ERISA; and the aggregate liability likely to be incurred by any ERISA Affiliate as a result of all or any of the events occurring that are specified in CLAUSES (A), (B) and (C) above when aggregated with any liabilities arising pursuant to any event described in the preceding CLAUSE (I), shall have a material adverse effect.

(iii) Borrower adopts or amends any Plan so as to create or result in a liability or funding obligation that has a material adverse effect, or when aggregated with all other liabilities described in this SECTION 10.1(N), has a material adverse effect.

(N) LITIGATION. Borrower, First Reserve, or any Affiliate, shall challenge or contest in any action, suit or proceeding the validity or enforceability of this Agreement or any of the other Loan Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Lender.

(O) REPUDIATION OF OR DEFAULT UNDER GUARANTY AGREEMENT. ERT shall revoke or attempt to revoke the Guaranty Agreement signed by ERT, or shall repudiate its liability thereunder or shall fail to observe or comply with the terms thereof.

(P) CRIMINAL FORFEITURE. Borrower shall be criminally indicted or convicted under any law that could lead to a forfeiture of any material Property of Borrower.

(Q) JUDGMENTS. Any money judgment, writ of attachment or similar process is entered or filed against Borrower or any of its Property and results in the creation or imposition of any Lien that is not a Permitted Lien.

(R) ENVIRONMENTAL MATTERS. Borrower shall (i) (a) become obligated to pay in excess of Two Hundred Fifty Thousand Dollars ($250,000) for uninsured damages, costs or remedial actions arising from the Existing Environmental Violations, and (b) fail to pay or secure adequate financing from Persons other than Lender to pay for all such excess damages, costs or remedial actions, or (ii) fail to comply in any material respect with any order, decree, ruling, or plan issued by the Environmental Protection Agency or any other federal, state or local governmental authority regarding any investigation, remediation or clean-up of the Existing Environmental Violations or any other Environmental Violation arising subsequent to the Closing Date.

10.2. ACCELERATION OF THE OBLIGATIONS. Without in any way limiting the right of Lender to demand payment of any portion of the Obligations payable on demand in accordance with SECTION 3.6 hereof, upon or at any time after the occurrence of an Event of Default as above provided, all or any portion of the Obligations due or to become due from Borrower to Lender (whether under this Agreement, or any of the other Loan Documents or otherwise) shall, at Lender's option (or, in the case of an Event of Default under SECTION 10.1(J) hereof, immediately upon the occurrence thereof), become at once due and payable without presentment, demand, protest, notice of dishonor, notice of default, notice of intent to accelerate, notice of acceleration, or any other notice whatsoever, and Borrower shall forthwith pay to Lender, in addition to any and all sums and charges due, the entire principal of and interest accrued on the Obligations.

10.3. REMEDIES. Upon and after the occurrence of an Event of Default, Lender shall have and may exercise from time to time the following rights and remedies:

(A) All of the rights and remedies of a secured party under the Code, the 1989 Act or under other applicable law, and all other legal and equitable rights to which Lender may be entitled, all of which rights and remedies shall be cumulative, and none of which shall be exclusive, and shall be in addition to any other rights or remedies contained in this Agreement or any of the other Loan Documents.

(B) The right to take immediate possession of the Collateral, and (i) to require Borrower to assemble the Collateral, at Borrower's expense, and make it available to Lender at a place designated by Lender which is reasonably convenient to both parties, and (ii) to enter any of the premises of Borrower or wherever any of the Collateral shall be located, and to keep and store the same on said premises until sold (and if said premises be the Property of Borrower, Borrower agrees not to charge Lender for storage thereof).

(C) The right to sell or otherwise dispose of all or any Inventory or Equipment in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, all as Lender, in its discretion, may deem advisable. Borrower agrees that ten days written notice to Borrower of any public or private sale or other disposition of such Collateral shall be reasonable notice thereof, and such sale shall be at such locations as Lender may designate in said notice. Lender shall have the right to conduct such sales on Borrower's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. Lender shall have the right to sell, lease or otherwise dispose of such

Collateral, or any part thereof, for cash, credit or any combination thereof, and Lender may purchase all or any part of such Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations.

(D) Lender is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any Property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral and Borrower's rights under all licenses and all franchise agreements shall inure to Lender's benefit.

(E) The proceeds realized from the sale of any Collateral may be applied, after allowing two Business Days for collection, first to the costs, expenses and reasonable attorneys' fees incurred by Lender in collecting the Obligations, in enforcing the rights of Lender under the Loan Documents and in collecting, retaking, completing, protecting, removing, storing, advertising for sale, selling and delivery any of the Collateral; secondly, to interest due upon any of the Obligations; and thirdly, to the principal of the Obligations.

(F) With respect to the face amount of all LC Guaranties and Letters of Credit issued by Lender or Bank Lender may, at its option, require Borrower to deposit with Lender funds equal to such face amount, and if Borrower fails to promptly make such deposit, Lender may advance such amount as a Revolving Credit Loan (whether or not such advance would cause the outstanding balance of Revolving Credit Loans to exceed the Borrowing Base). Any such deposit or advance shall be held by Lender as a reserve to fund future payments on such LC Guaranties and future drawings against such Letters of Credit. At such time as all LC Guaranties have been paid or terminated and all Letters of Credit issued by Lender or Bank have been drawn upon or expired, any amounts remaining in such reserve shall be applied against any outstanding Obligations, or to the extent all Obligations have been indefeasibly paid in full, returned to Borrower.

10.4. REMEDIES CUMULATIVE; NO WAIVER. All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Borrower contained in this Agreement and the other Loan Documents, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule or in any Guaranty Agreement given to Lender or contained in any other agreement between Lender and Borrower, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Borrower herein contained or of any of the other rights or remedies of Lender as provided by any applicable law or in equity. The failure or delay of Lender to exercise or enforce any rights, Liens, powers, or remedies hereunder or under any of the aforesaid agreements or other documents or security or Collateral or other rights or remedies shall not operate as a waiver of such Liens, rights, powers and remedies, but all such Liens, rights, powers, and remedies shall continue in full force and effect until all Loans and all other Obligations owing or to become owing from Borrower to Lender shall have been fully satisfied, and all Liens, rights, powers, and remedies herein provided for are cumulative and none are exclusive.

SECTION 11. MISCELLANEOUS

11.1. POWER OF ATTORNEY. Borrower hereby irrevocably designates, makes, constitutes and appoints Lender (and all Persons designated by Lender) as Borrower's true and lawful attorney (and agent-in-fact) and Lender, or Lender's agent, may, in either Borrower's or Lender's name, but at the cost and expense of Borrower:

(A) At such time or times hereafter as Lender or said agent may determine and after notice to Borrower, endorse Borrower's name on any checks, notes, acceptances, drafts, money orders or any other evidence of payment or proceeds of the Collateral which come into the possession of Lender or under Lender's control; and

(B) At such time or times upon or after the occurrence of an Event of Default as Lender or its agent may determine: (i) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of Borrower's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral or any legal proceedings brought to collect any of the Accounts or other Collateral; (iii) sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Lender deems advisable; (iv) take control, in any manner, of any item of payment or proceeds relating to any Collateral; (v) prepare, file and sign Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of lien, assignment or satisfaction of lien or similar document in connection with any of the Collateral; (vi) receive, open and dispose of all mail addressed to Borrower and to notify postal authorities to change the address for delivery thereof to such address as Lender may designate; (vii) endorse the name of Borrower upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of Lender on account of the Obligations; (viii) endorse the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts, Inventory and any other Collateral; (ix) use Borrower's stationery and sign the name of Borrower to verifications of the Accounts and notices thereof to Account Debtors; (x) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts, Inventory, Equipment and any other Collateral and to which Borrower has access; (xi) make and adjust claims under policies of insurance; and (xii) do all other acts and things necessary, in Lender's determination, to fulfill Borrower's obligations under this Agreement.

11.2. INDEMNITY. Borrower hereby indemnifies, holds harmless, and shall defend Lender and its directors, officers, agents, counsel and employees

("INDEMNIFIED PERSONS") from and against any and all losses, liabilities, damages, costs, expenses, suits, actions and proceedings ("LOSSES") ever suffered or incurred by any Indemnified Person arising out of or relating to this Agreement or any other transaction contemplated hereby, including, without limitation, any Losses caused by the negligence of such Indemnified Person, but not including any Losses caused by the gross negligence or willful misconduct of such Indemnified Person, and Borrower shall reimburse Lender and each other Indemnified Person for any expenses (including in connection with the investigation of, preparation for or defense of any actual or threatened claim, action or proceeding arising therefrom, including any such costs of responding to discovery requests or subpoenas, regardless of whether Lender or such other Indemnified Person is a party thereto). Without limiting the generality of the foregoing, this indemnity shall extend to any claims asserted against Lender or any other Indemnified Person by any Person under any Environmental Laws or similar laws by reason of Borrower's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials or other toxic substances. Borrower may select counsel with respect to any Losses; PROVIDED, HOWEVER, each Indemnified Person shall have the right to monitor the progress of any claims, suits and administrative proceedings defended by Borrower hereunder with counsel of such Indemnified Person's choice, or conduct its defense through counsel of such Indemnified Person's choice, in the event that (i) such Indemnified Person determines in good faith that the conduct of its defense by Borrower could be materially prejudicial to such Indemnified Person's interests or that other reasonable grounds exist which demonstrate a lack of effectiveness or high level of quality in the conduct of such defense by Borrower, and (ii) prior to retaining such counsel for such purpose, such Indemnified Person shall consult with Borrower and shall attempt in good faith to agree upon counsel to conduct the defense on behalf of Borrower and such Indemnified Person, and in each case the fees and disbursements of such counsel shall be paid by Borrower; PROVIDED, HOWEVER, that if such mutual agreement is not reached within a reasonable time on selecting counsel, then such Indemnified Person may retain its own counsel at Borrower's expense. Notwithstanding any contrary provision of this Agreement, the obligation of Borrower under this SECTION 11.2 shall survive the payment in full of the Obligations and the termination of this Agreement.

11.3. MODIFICATION OF AGREEMENT. This Agreement and the other Loan Documents may not be modified, altered or amended, except by an agreement in writing signed by Borrower and Lender.

11.4. REIMBURSEMENT OF EXPENSES. Without limiting Borrower's obligations for payment of expenses as provided elsewhere in this Agreement or in any other Loan Document, if, at any time or times prior or subsequent to the date hereof, regardless of whether or not an Event of Default then exists or any of the transactions contemplated hereunder are concluded, Lender incurs any out-of-pocket expenses (including, without limitation, the fees and expenses of Lender's attorneys if Lender retains legal counsel) in connection with: (A) the negotiation and preparation of the Loan Documents, any amendment or modification of any Loan Documents; or (B) the administration of the Loan Documents and the transactions contemplated thereby; (C) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Lender, Borrower or any other Person) in any way relating to the Collateral, any Loan Documents, Lender's and Borrower's relationship, or Borrower's affairs; (D) any attempt to enforce any rights of Lender against Borrower or any other Person which may be obligated to Lender by virtue of any Loan Documents, including, without limitation, the Account Debtors; (E) the exercise or enforcement of any rights, remedies or privileges of Lender under the Loan Documents or applicable law; (F) the analysis of information received in connection with any Loan Documents; (G) the audit or appraisal of any Collateral or Borrower's books and records; (H) the granting of any consents or waivers requested in connection with the Loan Documents; (I) the collection of any Obligations; or (J) any attempt to inspect, verify, protect, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon the Collateral; then, in any such event, all expenses, costs, charges and other fees incurred by Lender or its attorneys or relating to any of the events or actions described in this SECTION 11.4 shall be payable, on demand, by Borrower to Lender, and shall be additional Obligations hereunder secured by the Collateral. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: recording costs; appraisal costs; accountants' fees, costs and expenses; court costs and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; attorney and paralegal fees, costs and expenses; long distance telephone charges; air express charges; telegram and facsimile charges; wire transfer fees; secretarial overtime charges; and expenses for travel, lodging and food. Additionally, if any taxes (excluding taxes imposed upon or measured by the net income of Lender) shall be payable on account of the execution or delivery of any of the Loan Documents, or the creation of any of the Obligations hereunder, by reason of any existing or hereafter enacted federal or state statute, Borrower will pay all such taxes, including, but not limited to, any interest and penalties thereon, and will indemnify and hold Lender harmless from and against liability in connection therewith.

11.5. INDULGENCES NOT WAIVERS. Lender's failure, at any time or times hereafter, to require strict performance by Borrower of any provision of this Agreement shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Lender of an Event of Default by Borrower under this Agreement or any of the other Loan Documents shall not suspend, waive or affect any other Event of Default by Borrower under this Agreement or any of the other Loan Documents, whether the same is prior or subsequent thereto and whether of the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of Borrower contained in this Agreement or any of the other Loan Documents and no Event of Default by Borrower under this Agreement or any of the other Loan Documents shall be deemed to have been suspended or waived by Lender, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Lender and directed to Borrower.

11.6. SEVERABILITY. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under

applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.7. SUCCESSORS AND ASSIGNS. This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the successors and assigns of Borrower and Lender; PROVIDED, HOWEVER, that Borrower may not sell, assign or transfer any interest in this Agreement or any other Loan Document, or any portion thereof, including, without limitation, Borrower's rights, title, interests, remedies, powers and duties hereunder or thereunder. Any purported assignment by Borrower in violation of this SECTION 11.7 shall be void, without Lender's prior written consent. Borrower hereby consents to Lender's sale, assignment, transfer or of the disposition, at any time or times hereafter, of this Agreement, any other Loan Document, or any other Obligations, or of any portion hereof or thereof, including, without limitation, Lender's rights, title, interests, remedies, powers, and duties hereunder or thereunder, PROVIDED, HOWEVER, (a) no such sale, assignment, transfer or disposition may be made to any supplier, customer or competitor of Borrower unless such Person is an institutional investor or investment firm, and (b) Lender shall not sell any participation in this Agreement, any other Loan Documents or any of the Obligations without Borrower's prior written consent. In the case of an assignment, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would have if it were the original "Lender" hereunder and Lender shall be relieved of all obligations hereunder upon any such assignment. In the case of a participation, Lender shall remain solely responsible to Borrower for the performance of its obligations hereunder and Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations under this Agreement. Without limiting the foregoing, Borrower hereby consents to Lender's sale and assignment of this Agreement, the other Loan Documents and the Obligations, including, without limitation, Lender's rights, title, interests, remedies, powers and duties hereunder, to Fleet Financial Group, or a Subsidiary thereof, and agrees and acknowledges that such assignee shall have all rights, benefits and obligations as its would have if it were the original "Lender" hereunder.

11.8. CUMULATIVE EFFECT; CONFLICT OF TERMS. The provisions of the Other Agreements and the Security Documents are hereby made cumulative with the provisions of this Agreement. Except as otherwise provided in SECTION 3.6 and except as otherwise provided in any of the other Loan Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.9. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

11.10. NOTICE. Except as otherwise provided herein, all notices, requests and demands to or upon a party hereto shall be in writing and shall be sent by certified or registered mail return receipt requested, by personal delivery against receipt, or by telegraph or telex and, unless otherwise expressly provided herein, shall be deemed to have been validly served, given or delivered when delivered against receipt or one Business Day after deposit in the U.S. mail postage prepaid, or, in the case of telegraphic notice, when delivered to the telegraph company, or, in the case of telex notice, when sent, answerback received, addressed as follows:

(A) If to Lender: Shawmut Capital Corporation
2711 North Haskell Avenue
Suite 2100
Dallas, Texas 75204
Attn.: Loan Administration Manager

With a copy to: Hughes & Luce, L.L.P.
1717 Main Street, Suite 2800
Dallas, Texas 75201
Attn.: Larry A. Makel, Esq.

(B) If to Borrower: Cal Dive International, Inc.
13430 Northwest Freeway,
Suite 350
Houston, Texas 77040-6013
Attn.: S. James Nelson, Jr.

With a copy to: Robins, Kaplan, Miller & Ciresi
800 LaSalle Avenue
Minneapolis, Minnesota 55402-2015
Attn.: Andrew C. Becher, Esq.

or to such other address as each party may designate for itself by like notice given in accordance with this SECTION 11.10; PROVIDED, HOWEVER, that any notice, request or demand to or upon Lender pursuant to SECTIONS 2.3 or 3.4 shall not be effective until received by Lender. Any written notice that is not sent in conformity with the provisions hereof shall nevertheless be effective on the date that such notice is actually received by the noticed party.

11.11. LENDER'S CONSENT. Whenever Lender's consent is required to be obtained under this Agreement, any of the Other Agreements or any of the Security Documents as a condition to any action, inaction, condition or event, Lender shall be authorized to give or withhold such consent in its good faith discretion (unless otherwise specifically provided herein) and to condition its consent upon the giving of additional collateral security for the Obligations, the payment of money or any other matter.

11.12. TIME OF ESSENCE. Time is of the essence of this Agreement, the Other Agreements and the Security Documents.

11.13. ENTIRE AGREEMENT. This Agreement and the other Loan Documents, together with all other instruments, agreements and certificates executed by the parties in connection therewith or with reference thereto, embody the entire understanding and agreement between the parties hereto and thereto with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings and inducements, whether express or implied, oral or written.

11.14. INTERPRETATION. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, drafted or dictated such provision.

11.15. NO FIDUCIARY RELATIONSHIP OR JOINT VENTURE. No provision herein or in any of the other Loan Documents and no course of dealing between the parties hereto shall be deemed to create any fiduciary relationship between Lender and Borrower or to create any partnership or joint venture between Lender and Borrower.

11.16. PUBLICITY. Borrower hereby consents to the issuance of or dissemination by Lender to the public of information describing the credit accommodations entered into pursuant to this Agreement including, without limitation, the names and addresses of Borrower, a general description of Borrower's business and the use of Borrower's name and logo in connection therewith.

11.17. DESTRUCTION OF BORROWER'S DOCUMENTS. Any documents, schedules, invoices or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender one (1) month after they are delivered to or received by Lender, unless Borrower requests, in writing, the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return; provided, that in no event shall Lender be liable to Borrower for any failure to retain Borrower's records for any period of time or to return such records to Borrower.

11.18. NONAPPLICABILITY OF ARTICLE 5069-15.01 ET SEQ. Borrower and Lender hereby agree that, except for Section 15.10(b) thereof, the provisions of Tex. Rev. Civ. Stat. Ann. art. 5069-15.01 et seq. (Vernon 1987) (regulating certain revolving credit loans and revolving tri-party accounts) shall not apply to this Agreement or any of the other Loan Documents.

11.19. NO PRESERVATION OR MARSHALING. Borrower agrees that Lender has no obligation to preserve rights to the Collateral against prior parties or to marshal any Collateral for the benefit of any Person.

11.20. GOVERNING LAW; CONSENT TO FORUM. THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE IN DALLAS, TEXAS. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS; PROVIDED, HOWEVER, THAT IF ANY OF THE COLLATERAL SHALL BE LOCATED IN ANY JURISDICTION OTHER THAN TEXAS, THE LAWS OF SUCH JURISDICTION SHALL GOVERN THE METHOD, MANNER AND PROCEDURE FOR FORECLOSURE OF LENDER'S LIEN UPON SUCH COLLATERAL AND THE ENFORCEMENT OF LENDER'S OTHER REMEDIES IN RESPECT OF SUCH COLLATERAL TO THE EXTENT THAT THE LAWS OF SUCH JURISDICTION ARE DIFFERENT FROM OR INCONSISTENT WITH THE LAWS OF TEXAS. AS PART OF THE CONSIDERATION FOR NEW VALUE RECEIVED, AND REGARDLESS OF ANY PRESENT OR FUTURE DOMICILE OR PRINCIPAL PLACE OF BUSINESS OF BORROWER OR LENDER, BORROWER HEREBY CONSENTS AND AGREES THAT THE DISTRICT COURT OF DALLAS COUNTY, TEXAS, OR, AT LENDER'S OPTION, THE UNITED STATES DISTRICT COURT FOR THE U.S. DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN BORROWER AND LENDER PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT. BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND BORROWER HEREBY WAIVES ANY OBJECTION WHICH BORROWER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING FOR SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWER AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF BORROWER'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID. NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO AFFECT THE RIGHT OF LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW, OR TO PRECLUDE THE ENFORCEMENT BY LENDER OF ANY JUDGMENT OR ORDER OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SAME IN ANY OTHER APPROPRIATE FORM OR JURISDICTION.

11.21. WAIVERS BY BORROWER. BORROWER WAIVES (A) THE RIGHT TO TRIAL BY JURY (WHICH LENDER HEREBY ALSO WAIVES) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO ANY OF THE LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL; (B) PRESENTMENT, DEMAND AND PROTEST AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NON-PAYMENT, INTENT TO ACCELERATE, ACCELERATION, MATURITY, RELEASE, COMPROMISE, SETTLEMENT, EXTENSION OR RENEWAL OF ANY OR ALL COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY LENDER ON WHICH BORROWER MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER LENDER MAY DO IN THIS REGARD; (C) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL OR ANY BOND OR SECURITY WHICH MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING LENDER TO EXERCISE ANY OF LENDER'S REMEDIES; (D) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS; AND (E) NOTICE OF ACCEPTANCE HEREOF. BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO LENDER'S ENTERING INTO THIS AGREEMENT AND THAT LENDER IS RELYING UPON THE FOREGOING WAIVERS IN ITS FUTURE DEALINGS WITH BORROWER. BORROWER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS

KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT. BORROWER HEREBY AGREES THAT IT SHALL HAVE NO RIGHT TO REQUIRE LENDER TO TERMINATE LENDER'S SECURITY INTEREST IN THE COLLATERAL OR IN ANY OF THE PROPERTY OF BORROWER UNTIL THE OCCURRENCE OF EACH OF THE FOLLOWING: (I) PAYMENT IN FULL IN IMMEDIATELY AVAILABLE FUNDS OF ALL OBLIGATIONS KNOWN EXISTING, THREATENED OR CLAIMED WHICH CAN BE GIVEN A MONETARY VALUE; (II) TERMINATION OF THIS AGREEMENT IN ACCORDANCE WITH SECTION 3.3 OR 3.4; AND (III) EXECUTION BY BORROWER AND BY ANY PERSON WHOSE LOANS TO BORROWER ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS OF AN AGREEMENT INDEMNIFYING LENDER FROM ANY LOSS OR DAMAGE LENDER MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY LENDER FROM BORROWER OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS, AND BORROWER HEREBY WAIVES ANY RIGHT TO REQUIRE A TERMINATION OF LENDER'S SECURITY INTEREST PRIOR TO THE OCCURRENCE OF EACH OF THE ABOVE-DESCRIBED EVENTS.

11.22. DTPA WAIVER. BORROWER HEREBY WAIVES ALL PROVISIONS OF THE DECEPTIVE TRADE PRACTICES - CONSUMER PROTECTION ACT (TEX. BUS. & COM. CODE ANN. SS.17.01 ET SEQ. (VERNON SUPP. 1987)), OTHER THAN SECTION 17.555 THEREOF PERTAINING TO CONTRIBUTION AND INDEMNITY, AND EXPRESSLY WARRANTS AND REPRESENTS THAT BORROWER (A) HAS ASSETS OF $5,000,000 OR MORE, (B) HAS KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT ENABLE BORROWER TO EVALUATE THE MERITS AND RISKS OF THIS TRANSACTION, (C) IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION RELATIVE TO LENDER, AND (D) HAS BEEN REPRESENTED BY LEGAL COUNSEL IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

11.23. ORAL AGREEMENTS INEFFECTIVE. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES, AND THE SAME MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

11.24. RELEASE. CAL DIVE ACKNOWLEDGES AND AGREES THAT (A) IT HAS NO CLAIMS, COUNTERCLAIMS, OFFSETS, CREDITS OR DEFENSES TO THE ORIGINAL LOAN DOCUMENTS AND THE PERFORMANCE OF ITS OBLIGATIONS THEREUNDER, OR (B) IF IT HAS ANY SUCH CLAIMS, COUNTERCLAIMS, OFFSETS, CREDITS OR DEFENSES TO THE ORIGINAL LOAN DOCUMENTS AND/OR ANY TRANSACTION RELATED TO THE ORIGINAL LOAN DOCUMENTS, SAME ARE HEREBY WAIVED, RELINQUISHED AND RELEASED IN CONSIDERATION OF LENDER'S EXECUTION AND DELIVERY OF THIS AGREEMENT.

11.25. AMENDMENT AND RESTATEMENT. This Agreement and the Equipment Note are given in amendment, restatement, renewal and extension (and not in extinguishment or satisfaction) of the Original Loan Documents. With respect to matters relating to the period prior to the date hereof, all the provisions of the Original Loan Documents are hereby ratified and confirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, this Agreement has been duly executed in Dallas, Texas, on the day and year specified at the beginning hereof.

BORROWER:

CAL DIVE INTERNATIONAL, INC.

By:
S. James Nelson, Jr.,
Executive Vice President and
Chief Financial Officer

ENERGY RESOURCE TECHNOLOGY, INC.

By:
Gerald G. Reuhl, Vice President

LENDER:

SHAWMUT CAPITAL CORPORATION

By:
Terri K. Lins, Vice President

EXHIBIT A

BORROWING NOTICE

(See Attached)

EXHIBIT B

FORM OF EQUIPMENT NOTE

(See Attached)

EXHIBIT C

CONTINGENCY RESERVE TERMS

Calculation of the Contingency Reserve

PURPOSE: A Contingency Reserve will be established on the A/R ("01") line at any time Excess Availability is less than $2,000,000 to serve as a guard against potential priming liens on the Collateral. The approval of the loan transaction with Cal Dive and ERT was subject to the establishment of "triggers" signaling the evaluation and adjustment of the Contingency Reserve.

ACCOUNTS RECEIVABLE: - The calculation of the exposure is quite involved, therefore triggers have been approved whereby potentially diluting items are to

be reviewed against benchmarks monthly:

a) should Excess Availability exceed or equal $2,000,000 during any given month, no Contingency Reserve will be required; and

b) should Excess Availability be less than $2,000,000 during any given month, then the Contingency Reserve shall be determined as follows:

[Rental & third party + vessel rental + surveying] x ACCTS. PAYABLE TURNOVER DAYS

30

TERM LOAN EXPOSURE - There exists the risk of potential priming liens on the Collateral as the result of the Jones Act. As of the Closing Date, no additional reserves are considered necessary. For so long as Excess Availability exceeds $2,000,000, no further reserves in connection with the Jones Act will be established. If however, Excess Availability drops below $2,000,000, the Contingency Reserve shall be adjusted in accordance with the following formula:

a) = unpaid offshore salary/wages + vessel crew salary/wages
b) = materials + fuel + diving gases + catering + gear rental
c) = b x ACCTS. PAYABLE TURNOVER DAYS

30

The specific calculation will be as follows:

In Year one: a + c + equip. loan - 110% of OLV = incremental reserve
Thereafter: a + c + equip. loan - 100% of OLV = incremental reserve

EXHIBIT D

BUSINESS LOCATIONS

EXHIBIT A - Page 1

EXHIBIT E

JURISDICTIONS

EXHIBIT B - Page 1

EXHIBIT F

CORPORATE NAMES

EXHIBIT C - Page 1

EXHIBIT G

PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES

EXHIBIT D - Page 1

EXHIBIT H

CAPITAL STRUCTURE

(1) The number of authorized shares of common stock of Cal Dive is 2,000,000. The number of issued shares of common stock of Cal Dive is 1,894,801. Cal Dive has 784,875 shares held in the treasury. Options to purchase a total of approximately 20,900 shares are outstanding and a Stock Option Plan for non-executive employees has been approved involving up to three (3%) percent of Cal Dive's outstanding shares.

(2) There are no authorized shares of preferred stock.

(3) All of the issued shares of Cal Dive are fully paid and nonassessable and are owned by the following persons:

See attached as to Cal Dive as to ERT, it has 1,000 shares authorized all of which is issued to Cal Dive

(4) Borrower has no Subsidiaries, except the following:

NAME	State of INCORPORATION	Percent of Voting STOCK BORROWER OWNS
Energy Resource Technology, Inc.	Delaware	100%

EXHIBIT E - Page 1

EXHIBIT I

SHAREHOLDER AGREEMENTS

(See Attached)

EXHIBIT F - Page 1

EXHIBIT J

CONTRACTS RESTRICTING DEBTS

EXHIBIT G - Page 1

EXHIBIT K

LITIGATION

EXHIBIT H - Page 1

EXHIBIT L

PENSION PLANS

EXHIBIT I - Page 1

EXHIBIT M

TAX LIABILITY

EXHIBIT J - Page 1

EXHIBIT N

TAXING AUTHORITIES

EXHIBIT K - Page 1

EXHIBIT O

LABOR RELATIONS

EXHIBIT L - Page 1

EXHIBIT P

EXISTING ENVIRONMENTAL VIOLATIONS

Borrower has duly complied with, and its Property, business operations and leaseholds are in compliance in all material respects with, the provisions of all Environmental Laws applicable to Borrower, its Properties or the conduct of its business, except for the following:

CAL DIVE INTERNATIONAL, INC.

Since August, 1993, Cal Dive has been required pursuant to Section 8.1(U) to ensure that all Real Property remains in compliance with all Environmental Laws and to promptly notify Lender upon the receipt of any written notice with regard to any Hazardous Discharge or violation of Environmental Laws. Reference is made to the monthly Compliance Certificate for the reporting of any such violations, all of which have been satisfactorily resolved as of April 30, 1995.

ENERGY RESOURCE TECHNOLOGY

Since commencing offshore operations there have been minor oil spills (less than 10 gallons) required to be reported to either the MMS and/or EPA (see enclosed). Both of these matters have been satisfactorily resolved as of April 30, 1995.

OPA 90

Borrower is not in compliance with the financial responsibility requirement of the Offshore Pollution Act of 1990 ("OPA") and the interim regulations currently in effect related thereto, which requires Borrower to establish and maintain evidence of financial responsibility of $150,000,000 to meet the amount of liability to which Borrower could be subjected under Section 2704(a) of OPA because insurance for such amount is not available at a reasonable cost. Since the situation affects a substantial majority of offshore operators and property owners, the MMS has conducted public hearings to consider how this Section of the law should be implemented. It is our understanding that a bill before the U.S. House of Representatives would return the financial responsibility threshold to a $35,000,000 requirement which existed prior to the enactment of OPA.. Borrower agrees to use its best efforts to inform Lender of any changes to the financial responsibility reqirement of OPA and its compliance therewith.

EXHIBIT M - Page 1

EXHIBIT Q

SURETY OBLIGATIONS

EXHIBIT N - Page 1

EXHIBIT R

CAPITALIZED LEASES

EXHIBIT O - Page 1

EXHIBIT S

OPERATING LEASES

EXHIBIT P - Page 1

EXHIBIT T

COMPLIANCE CERTIFICATE

(See Attached)

EXHIBIT Q - Page 1

EXHIBIT U

FORM OF TAX CERTIFICATE

(See Attached)

EXHIBIT V

GUARANTEES

EXHIBIT W

PERMITTED LIENS

1. any Liens reserved in leases for rent and for compliance with the terms of the leases, with the U.S. government and others, for Hydrocarbons and related properties and leased equipment, to the extent that any such Lien does not materially impair the use of such Property covered by such Lien for the purposes for which such Property is held by Borrower or materially impair the value of such Property subject thereto.

2. Liens contained in joint operating, transportation, production handling and other similar agreements necessary or desirable in the operation and production of the Hydrocarbons from the Properties entered into by Borrower or a predecessor in the ordinary course of business securing amounts (other than for Money Borrowed) not yet due and payable or which are being contested in good faith by appropriate proceedings diligently conducted by Borrower and for which adequate reserves have been made pursuant to GAAP.

EXHIBIT X

BORROWING BASE CERTIFICATE

(See Attached)

EXHIBIT Y

AMORTIZATION AMOUNT CALCULATION

(See Attached)

FIFTH AMENDMENT
TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "AMENDMENT") is made and entered into this __ day of April, 1997, by and among CAL DIVE INTERNATIONAL, INC., a Minnesota corporation ("CAL DIVE"), ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation ("ERT") (Cal Dive and ERT are collectively referred to as the "BORROWERS"), and FLEET CAPITAL CORPORATION, a Rhode Island corporation ("LENDER"), successor-in-interest by merger to Fleet Capital Corporation, a Connecticut corporation, formerly known as Shawmut Capital Corporation ("SHAWMUT").

RECITALS

A. Borrowers and Shawmut entered into that certain Amended and Restated Loan and Security Agreement (as amended, modified and supplemented from time to time, the "LOAN AGREEMENT"), dated as of May 23, 1995, as amended by the following:

(i) that certain First Amendment to Amended and Restated Loan and Security Agreement, dated as of September 29, 1995;

(ii) that certain Second Amendment to Loan Documents, dated as of March 8, 1996;

(iii) that certain Third Amendment to Loan Agreement, dated October 2, 1996, but effective as of August 12, 1996; and

(iv) that certain Third Amendment to Amended and Restated Loan and Security Agreement, dated January 7, 1997, but effective as of November 22, 1996, which amendment was in fact the fourth amendment to the Amended and Restated Loan Agreement.

B. Borrowers have requested Lender to amend the Loan Agreement to, among other things:

(i) increase the maximum amount of the revolving credit facility from $30,000,000 to $40,000,000,

(ii) increase the maximum amount of the sub-limit under the equipment term loan facility to $30,000,000,

(iii) extend the term of the revolving credit and equipment term loan facilities from May 22, 2000 to December 31, 2000,

(iv) modify the interest rate provisions by reducing the rate applicable to Base Rate Loans from the Base Rate plus 0.5% to the Base Rate and by reducing the rate applicable to Eurodollar Loans according to the specific provisions set forth in this Amendment, and

(v) modify the financial covenants by revising the covenant pertaining to the Fixed Charge Coverage Ratio, deleting the covenants pertaining to the Current Ratio and minimum Income, and replacing the covenant pertaining to the Leverage Ratio with a covenant pertaining to maximum Indebtedness.

C. Borrowers have requested that Lender consent to, and waive any Default (as defined in the Loan Agreement) or Event of Default (as defined in the Loan Agreement) which may occur as a result of, the following transactions:

(i) The sale by Cal Dive, First Reserve (as defined in the Loan Agreement) and the Management Group (as defined in the Loan Agreement) to Coflexip, a French corporation or an affiliated company ("COFLEXIP"), and Coflexip is to purchase from Cal Dive, First Reserve and the Management Group, thirty-two percent (32%), in the aggregate, of the common stock of Cal Dive (the "STOCK SALE"); and

(ii) The entry by Cal Dive into a joint venture (the "JOINT VENTURE") with Coflexip, pursuant to which Cal Dive shall (a) own at least fifty-one percent (51%) of the joint venture interest in the Joint Venture, and (b) not contribute any Property to the Joint Venture, except as approved in writing in advance by Lender.

Borrowers and Lender acknowledge that the Business Cooperation Agreement dated April 11, 1997 between Cal Dive and Coflexip requires that the venturers of the Joint Venture contribute capital and/or property to the Joint Venture free and clear of all liens other than, in the case of Cal Dive, liens in favor of Lender in connection with the Loan Agreement. Notwithstanding the requirement of the Business Cooperation Agreement, Cal Dive agrees that it will not contribute Property to the Joint Venture except as approved in writing in advance by Lender.

D. Lender has agreed to release various properties of ERT that are subject to existing negative pledge agreements, subject to, among other things, the condition that upon the occurrence of a Default or Event of Default under the Loan Agreement and the request of Lender, ERT shall promptly execute new negative pledge agreements.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as

follows:

ARTICLE I
DEFINITIONS

1.01 Capitalized terms used in this Amendment are defined in the Loan Agreement, as amended hereby, unless otherwise stated.

ARTICLE II
AMENDMENTS

2.01 DELETION OF CERTAIN DEFINITIONS. The definitions of "Current Liabilities" and "Adjusted Tangible Net Worth" set forth in SECTION 1.1 of the Loan Agreement are hereby deleted in their entirety.

2.02 ADDITION OF CERTAIN DEFINITIONS. SECTION 1.1 of the Loan Agreement is hereby amended by adding thereto in alphabetical order the following definitions:

"AVERAGE MONTHLY LOAN BALANCE - an amount equal to the quotient of (i) the sum of the unpaid balance of all Loans owing by Borrower to Lender at the end of each day for each calendar day during the month in question, DIVIDED BY (ii) the number of days in such month."

"COFLEXIP ACCOUNT - An Account as to which the Account Debtor is Coflexip, a French corporation, or an affiliated company; PROVIDED, HOWEVER, that no such Account of Borrower shall be a Coflexip Account if such Account is described in any of the lettered clauses of the definition of an 'Eligible Account' contained in this Agreement (other than CLAUSES (B), (E), (K), and (M) of such definition)."

"EBITDA - at any date of determination thereof, means Income From Operations for the previous twelve (12) month period, PLUS depreciation, amortization and other non-cash changes deducted in calculating Income From Operations, and MINUS the Expected Maintenance Expenditures."

"EBITDA MULTIPLE - as calculated on the last day of each quarter, an amount equal to the quotient of (i) the Total Commitment, DIVIDED BY (ii) EBITDA."

"EXISTING APPLICABLE ANNUAL RATE - shall mean the 'Applicable Annual Rate' as such term is defined by that certain Amended and Restated Loan and Security Agreement, dated as of May 23, 1995, by and between Borrower and Lender, as amended by (i) that certain First Amendment to Amended and Restated Loan and Security Agreement, dated as of September 29, 1995, by and between Borrower and Lender, (ii) that certain Second Amendment to Loan Documents, dated as of March 8, 1996, by and between Borrower and Lender, (iii) that certain Third Amendment to Loan Agreement, dated October 2, 1996, but effective as of August 12, 1996, by and between Borrower and Lender, and (iv) that certain Third Amendment to Amended and Restated Loan and

Security Agreement, dated January 7, 1997, but effective as of November 22, 1996, by and between Borrower and Lender."

"EXPECTED MAINTENANCE EXPENDITURES - shall mean (i) Two Million and No/100 Dollars ($2,000,000) or (ii) such other higher amount as reasonably determined by Lender based on (a) the Annual Maintenance Capital Expenditure Report (excluding any extraordinary capital expenditures [i.e., those over One Hundred Thousand and No/100 Dollars ($100,000) for which the Shareholder Agreement requires preparation of an appropriation for capital expenditures] submitted for board approval which are described in the Annual Maintenance Capital Expenditure Report), and (b) changes that may occur to Borrower's marine vessels (e.g., changes in numbers, changes in configuration, etc.), applicable maritime rules and regulations, or any other factor affecting the maritime industry or Borrower's business."

"FIFTH AMENDMENT - the Fifth Amendment to Amended and Restated Loan and Security Agreement, dated April __, 1997, by and between Borrower and Lender."

"INITIAL PUBLIC OFFERING - shall mean an underwritten public offering of Borrower's capital stock pursuant to a registration statement filed under the Securities Act of 1933, as amended."

"MAINTENANCE CAPITAL EXPENDITURES - means expenditures made and liabilities incurred for the maintenance (including, without limitation, dry docking and machinery overhauls), but not the acquisition, of any marine vessel owned or leased by Borrower, together with the related Equipment and including Offshore Platforms."

"TOTAL COMMITMENT - shall mean Forty Million and No/100 Dollars ($40,000,000)."

2.03 AMENDMENT TO BORROWING BASE. The definition of "Borrowing Base" set forth in SECTION 1.1 of the Loan Agreement is hereby amended and restated to read as follows:

"BORROWING BASE - as at any date of determination thereof, an amount equal to the lesser of:

(a) the Revolving Credit Commitment then in effect; or

(b) an amount equal to:

(i) (A) eighty-five percent (85%) (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the net amount of Eligible Accounts outstanding at such date, PLUS (B) the lesser of Three Million Dollars ($3,000,000) or 85% (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing

Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the net amount of Coflexip Accounts outstanding at such date;

PLUS

(ii) the lesser of (A) Four Million Dollars ($4,000,000) or (B) eighty-five percent (85%) (or after an Event of Default, such lesser percentage as Lender may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the amount of Unbilled Accounts outstanding at such date;

MINUS

(iii) an amount equal to the sum of (A) the face amount of all Credit Enhancements outstanding at such date, (B) any amounts which Lender may pay pursuant to any of the Loan Documents for the account of Borrower, and (C) the Contingency Reserve, if any.

For purposes hereof, the net amount of Eligible Accounts at any time shall be the face amount of such Eligible Accounts less (1) any and all returns, rebates, discounts, (which may, at Lender's option, be calculated on shortest terms), credits, allowances or sales, excise or other taxes of any nature at any time granted, issued, owing, or claimed by Account Debtors, outstanding or payable in connection with such Accounts at such time, and (2) any interest, late fees, and services charges that may have accrued on such Accounts by reason of the Account Debtors not having paid the Accounts as they became due."

2.04 AMENDMENT TO CONTINGENCY RESERVE. The definition of "Contingency Reserve" set forth in SECTION 1.1 of the Loan Agreement is hereby amended and restated to read as follows:

"CONTINGENCY RESERVE - the reserve established by Lender in accordance with the terms set forth on EXHIBIT C attached hereto. The Contingency Reserve shall be in addition to and not in lieu of any other reserve Lender may establish."

2.05 AMENDMENT TO ELIGIBLE ACCOUNTS. SUBSECTIONS (F), through (H) of the definition of "Eligible Accounts" set forth in SECTION 1.1 of the Loan Agreement are hereby amended and restated to read as follows:

"(f) it is due or unpaid from an Account Debtor (other than Ivory Production Co. (if such Account is guaranteed by Blue Dolphin Energy Borrower), J. Ray McDermott, Walter Oil & Gas Corp. or Zilkha Energy Company) for more than ninety (90) days after the original invoice date; or

(g) it is due or unpaid from J. Ray McDermott, Walter Oil & Gas Corp. or Zilkha Energy Company for more than one hundred-twenty (120) days after the original invoice date; or

(h) [Intentionally Omitted]."

2.06 AMENDMENT TO EQUIPMENT COMMITMENT. The definition of "Equipment Commitment" set forth in SECTION 1.1 of the Loan Agreement is hereby amended and restated to read in its entirety as followings:

"EQUIPMENT COMMITMENT - as at any date of determination thereof, an amount equal to (a) Thirty Million Dollars ($30,000,000), MINUS (b) the aggregate amount of all monthly reductions that have been scheduled to occur from the date of the Fifth Amendment through the date of determination of the Equipment Commitment, each in an amount of Three Hundred Twelve Thousand Five Hundred Dollars ($312,500), and each to occur on the first day of each calendar month during the term hereof, commencing on May 1, 1998 and continuing for each month thereafter."

2.07 AMENDMENT TO EURODOLLAR LOAN. The definition of "EURODOLLAR LOAN" set forth in SECTION 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"EURODOLLAR LOAN - a Loan which bears interest at a rate that is determined by reference to the Eurodollar Base Rate."

2.08 AMENDMENT TO REVOLVING CREDIT COMMITMENT. The definition of "Revolving Credit Commitment" set forth in SECTION 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"REVOLVING CREDIT COMMITMENT - as at any date of determination thereof, an amount equal to (a) Forty Million Dollars ($40,000,000), MINUS (b) the aggregate principal amount of Equipment Loans outstanding at such date, MINUS (c) the face amount of all Credit Enhancements outstanding at such date."

2.09 AMENDMENT TO TOTAL CREDIT FACILITY. The preamble of SECTION 2 of the Loan Agreement is hereby amended and restated to read as follows:

"Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other Loan Documents, Lender agrees to make a total credit facility of up to Forty Million Dollars ($40,000,000.00) available upon Borrower's request therefor, as follows:"

2.10 AMENDMENT TO APPLICABLE ANNUAL RATE. SECTION 3.1(A) of the Loan Agreement is hereby amended and restated to read as follows:

"(A) INTEREST. Outstanding principal on the Loans shall bear interest at the option of Borrower (subject to the terms and conditions herein) at a rate based on either the Base Rate or Eurodollar Base Rate, calculated daily, at the following rates per annum (individually called, as applicable, an "APPLICABLE ANNUAL RATE").

(i) EXISTING EURODOLLAR LOANS. Each Eurodollar Loan outstanding on the date of the Fifth Amendment shall continue to bear interest at the Existing Applicable Annual Rate.

(ii) NEW EURODOLLAR LOANS. Subject to the limitations set forth in clauses (A) and (B) of this SECTION 3.1(A)(II), each Eurodollar Loan requested by Borrower pursuant to a Borrowing Notice delivered to Lender after the date of the Fifth Amendment shall bear interest, during the Eurodollar Interest Period selected by Borrower for such Eurodollar Loan, at the Eurodollar Base Rate plus the percentage indicated below that corresponds to the respective EBITDA Multiple indicated below, as reported to Lender in the Compliance Certificate most recently required to be delivered to Lender in accordance with SECTION 8.1.J of this Agreement:

EBITDA MULTIPLE	PERCENTAGE
less than 2.00	1.25%
equal to or greater than 2.00, and equal to or less than 2.25	1.50%
equal to or greater than 2.26, and equal to or less than 2.75	1.75%
equal to or greater than 2.76, and equal to or less than 3.00	2.25%
greater than 3.00	2.50%

(a) Notwithstanding the foregoing, during the period beginning the date of the Fifth Amendment and ending December 31, 1997, no Eurodollar Loan shall bear interest at a rate per annum in excess of one and three-quarters percent (1.75%) above the Eurodollar Base Rate for the Eurodollar Interest Period applicable thereto.

(b) Notwithstanding the foregoing, if the Average Monthly Loan Balance for any month is less than $15,000,000, then no Eurodollar Loan requested by Borrower pursuant to a Borrowing Notice delivered to Lender during the next immediately following calendar month (and only during such calendar month) shall bear interest during such next

immediately following calendar month at a rate per annum in excess of one and one-half percent (1.50%) above the Eurodollar Base Rate for the Eurodollar Interest Period applicable thereto.

(iii) BASE RATE LOANS. The Base Rate Loans shall bear interest at a fluctuating rate per annum equal to the Base Rate.

The interest rate applicable to Base Rate Loans shall be increased or decreased, as the case may be, by an amount equal to any increase or decrease in the Base Rate, with such adjustments to be effective as of the opening of business on the day that any such change in the Base Rate becomes effective. The Base Rate in effect on the date hereof shall be the Base Rate effective as of the opening of business on the date hereof, but if this Agreement is executed on a day that is not a Business Day, the Base Rate in effect on the date hereof shall be the Base Rate effective as of the opening of business on the last Business Day immediately preceding the date hereof. Interest on the Loans shall be calculated daily, based on the actual days elapsed over a three hundred sixty (360) day year. Further, for the purpose of computing interest, all items of payment received by Lender shall be applied by Lender (subject to final payment of all drafts and other items received in form other than immediately available funds) against the Obligations on the day of receipt. The determination of when a payment is received by Lender will be made in accordance with SECTION 3.6."

2.11 AMENDMENT TO DEFAULT RATE. SECTION 3.1(B) of the Loan Agreement, which governs the Default Rate, is hereby amended by deleting the reference to "two percent (2.00%)" therein and substituting "one percent (1.00%)" in lieu therefor.

2.12 AMENDMENT TO UNUSED COMMITMENT FEE. SECTION 3.1(F) of the Loan Agreement, which sets forth the unused commitment fee, is hereby amended and restated in its entirety to read as follows:

"(F) UNUSED COMMITMENT FEE. Borrower shall pay to Lender a monthly fee equal to three-eighths of one percent (0.375%) per annum of the amount by which the Total Commitment exceeds the Average Monthly Loan Balance. The unused commitment fee shall be payable monthly in arrears on the first day of each calendar month, commencing on May 1, 1997 and continuing for each month thereafter."

2.13 AMENDMENT TO LETTER OF CREDIT FEES. SECTION 3.1(H) of the Loan Agreement, which sets forth the fees for Letters of Credit and LC Guaranties, is hereby amended by deleting the reference to "two percent (2.00%)" therein and substituting "one and one-quarter of one percent (1.25%)" in lieu therefor.

2.14 AMENDMENT TO ORIGINAL AND RENEWAL TERMS. SECTION 3.3 of the Loan Agreement, which specifies the Original and Renewal Terms of the Agreement, is hereby amended by (i) deleting the reference to "May 22, 2000" therein and substituting "December 31,

2000" in lieu therefor, and (ii) deleting the reference to "May 22, 2001" therein and substituting "December 31, 2001" in lieu therefor.

2.15 AMENDMENT TO EARLY TERMINATION FEE. SECTION 3.4 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"3.4. EARLY TERMINATION BY BORROWER. Borrower may prepay the Loans at any time during the term of this Agreement, in whole or in part, without premium, penalty or liquidated damages. However, if Borrower chooses to terminate the Revolving Credit Commitment, the Equipment Commitment and this Agreement (all of which Borrower must terminate simultaneously) in their entirety, Borrower shall give Lender at least three (3) months prior written notice thereof, and, on the designated termination date, all of the Obligations shall become due and payable, in immediately available funds, and all Credit Enhancements issued by Lender or Bank shall have expired or otherwise been terminated; PROVIDED, HOWEVER, that, notwithstanding the foregoing, if Borrower terminates the Revolving Credit Commitment, the Equipment Commitment and this Agreement (all of which Borrower must terminate simultaneously) in their entirety without giving Lender at least three (3) months prior written notice thereof, Borrower shall pay Lender (in addition to the then outstanding principal, accrued interest and other charges owing under the terms of this Agreement and any of the other Loan Documents), as liquidated damages for the loss of the bargain and not as a penalty, an amount equal to one-half of one percent (.50%) of the Average Monthly Loan Balance."

2.16 AMENDMENT TO COVENANT REGARDING LIEN ON OIL AND GAS PROPERTIES. The fourth sentence of SECTION 4.3 of the Loan Agreement, which pertains to liens on oil and gas Properties, is hereby deleted in its entirety and replaced with the following:

"Borrower further agrees that upon the request of Lender and after the occurrence of an Event of Default, Borrower shall promptly execute and deliver to Lender a Negative Pledge Agreement covering Borrower's interest in the Offshore Platforms and other oil and gas Properties."

2.17 AMENDMENT TO COVENANT REGARDING DISPOSITIONS OF EQUIPMENT. SECTION 6.4 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"6.4. DISPOSITIONS. Borrower will not sell, lease or otherwise dispose of or transfer any of the Equipment, any Offshore Platform or any oil and gas Properties, or any part thereof without the prior written consent of Lender; PROVIDED, HOWEVER, that the foregoing restriction shall not apply to dispositions required by the United States government, or, for so long as no Event of Default exists, to the following:

(A) dispositions of Offshore Platforms, oil and gas Properties and related Equipment by ERT in the ordinary course of business; PROVIDED, THAT, all proceeds thereof are delivered to Lender for application to the Obligations in accordance with the terms of this Agreement; or

(B) replacement of Equipment that is substantially worn, damaged or obsolete with Equipment of like kind, function and value; PROVIDED, THAT, (i) the replacement Equipment shall be acquired prior to or concurrently with any disposition of the Equipment that is to be replaced, (ii) the replacement Equipment shall be free and clear of Liens other than Permitted Liens, (iii) Borrower shall give Lender at least five (5) days prior written notice of such disposition, and (iv) Borrower shall deliver to Lender all proceeds realized from any such disposition for application to the Obligations.

None of the provisos or other exceptions to the restriction against dispositions of Equipment or Offshore Platforms set forth in this SECTION 6.4 shall be construed to allow any disposition, whether by ERT or otherwise, of a marine vessel on which Lender has been granted a Lien, without the prior written consent of Lender."

2.18 AMENDMENT TO COVENANT REGARDING ENVIRONMENTAL LAWS. SECTION 8.1(U)(II) of the Loan Agreement, which pertains to maintenance of a system to monitor compliance with Environmental Laws, is hereby amended and restated in its entirety to read as follows:

"(ii) Establish and maintain a system to assure and monitor continued compliance with all applicable Environmental Laws appropriate to the nature of Borrower's business, and prepare a report that reviews the adequacy and effectiveness of such system on an annual basis."

2.19 AMENDMENT TO COVENANT REGARDING EXCESS AVAILABILITY. SECTION 8.1(W) of the Loan Agreement, which pertains to Excess Availability after giving effect to certain acquisitions, is hereby amended and restated in its entirety to read as follows:

"(W) EXCESS AVAILABILITY. After the occurrence of any Default or Event of Default, maintain Excess Availability of (i) no less than Two Million Dollars ($2,000,000) immediately prior to and after giving effect to the acquisition of any oil and gas Properties by ERT, and (ii) no less than Four Million Dollars ($4,000,000) immediately prior to and after giving effect to the acquisition (excluding a lease arrangement) and deployment of both a barge and a dive support vessel by Cal Dive."

2.20 ADDITION OF COVENANT REGARDING ANNUAL MAINTENANCE CAPITAL EXPENDITURE REPORT. SECTION 8.1 of the Loan Agreement is hereby amended by adding thereto a new SUBSECTION 8.1(X) which shall read as follows:

"(X) ANNUAL MAINTENANCE CAPITAL EXPENDITURE REPORT. As soon as available, and in any event no later than January 31 of each year during the Original Term and Renewal Term, if applicable, deliver to Lender an annual report (the "ANNUAL MAINTENANCE CAPITAL EXPENDITURE REPORT") estimating the amount and nature of Maintenance Capital Expenditures needed to be incurred by Borrower during the next

calendar year to maintain Borrower's fleet of marine vessels in good operating condition."

2.21 ADDITION OF COVENANT REGARDING REPORTING OF LOCATIONS OF MARINE VESSELS. SECTION 8.1 of the Loan Agreement is hereby amended by adding thereto a new SUBSECTION 8.1(Y) which shall read as follows:

"(Y) REPORTING OF LOCATIONS OF MARINE VESSELS. Concurrently with the delivery of the monthly unaudited interim financial statements of Borrower and its Subsidiaries, as required by Section 8.1(J)(ii), deliver to Lender a report identifying by name and location, the marine vessels of Borrower and its Subsidiaries that, as of the end of the month covered by the monthly unaudited financial statements then delivered to Lender, are operating in waters outside of the territorial jurisdiction of the United States."

2.22 AMENDMENT TO COVENANT REGARDING OPERATING LEASES AND TIME CHARTER. SECTION 8.2(U) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(U) LEASES. Become a lessee under (i) any operating lease (other than a lease under which Borrower is lessor) of Property if the aggregate Rentals payable during any current or future period of twelve consecutive months under the lease in question and all other leases under which Borrower is then lessee (other than the Time Charter) would exceed $750,000; or (ii) the Time Charter, unless the terms and conditions thereof are approved by Borrower's Board of Directors and acceptable to Lender."

2.23 AMENDMENT TO FINANCIAL COVENANTS. SECTION 8.3 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"8.3. SPECIFIC FINANCIAL COVENANTS. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lender, Borrower covenants that, unless otherwise consented to by Lender in writing, it shall:

(A) MAXIMUM INDEBTEDNESS. Not incur or allow to exist Indebtedness, as calculated at any time and from time to time, on a Consolidated basis, in excess of Sixty Million Dollars ($60,000,000).

(B) FIXED CHARGE RATIO. As calculated on the last day of each quarter for the twelve (12) consecutive months then ended, maintain, on a Consolidated basis, a Fixed Charge Ratio of not less than 4.00 to 1.00."

2.24 AMENDMENT TO COVENANT REGARDING CHANGES IN MANAGEMENT AND OWNERSHIP. SECTION 10.1(L) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(L) CHANGE OF MANAGEMENT OR OWNERSHIP. (i) Two (2) or more members of the Management Group shall cease to be employed by Borrower in a management capacity or (ii) the Management Group shall cease to control more than twenty percent (20%) of the issued and outstanding capital stock of Cal Dive, or (iii) Cal Dive shall cease to own and control, beneficially and of record eighty percent (80%) of the issued and outstanding capital stock of ERT. Notwithstanding the foregoing, at any time after an Initial Public Offering the occurrence of the events described in CLAUSES (I) and (II) above shall no longer constitute an Event of Default under this Agreement."

2.25 AMENDMENT TO FORM OF EQUIPMENT NOTE. EXHIBIT B of the Loan Agreement, the form of Equipment Note, is hereby deleted in its entirety and replaced with EXHIBIT B attached hereto.

2.26 AMENDMENT TO CONTINGENCY RESERVE TERMS. EXHIBIT C of the Loan Agreement, the Contingency Reserve Terms, is hereby deleted in its entirety and replaced with EXHIBIT C attached hereto.

2.27 AMENDMENT TO BUSINESS LOCATIONS. EXHIBIT D of the Loan Agreement, which lists all of the Borrower's business locations, is hereby deleted in its entirety and replaced with EXHIBIT D attached hereto.

2.28 AMENDMENT TO CAPITAL STRUCTURE. EXHIBIT H of the Loan Agreement, the capital structure of the Borrower, is hereby deleted in its entirety and replaced with EXHIBIT H attached hereto.

2.29 AMENDMENT TO SHAREHOLDERS AGREEMENTS. EXHIBIT I of the Loan Agreement, which describes all agreements and instruments binding on any of the Borrower's shareholders relating to their ownership of shares of capital stock, is hereby deleted in its entirety and replaced with EXHIBIT I attached hereto.

2.30 AMENDMENT TO PENSION PLANS. EXHIBIT L of the Loan Agreement, which describes all of the Borrower's pension plans, is hereby deleted in its entirety and replaced with EXHIBIT L attached hereto.

2.31 AMENDMENT TO TAX LIABILITIES. EXHIBIT M of the Loan Agreement, which describes all material claims or questions concerning the Borrower's tax liability, is hereby deleted in its entirety and replaced with EXHIBIT M attached hereto.

2.32 AMENDMENT TO ENVIRONMENTAL LAWS. EXHIBIT P of the Loan Agreement, which describes all existing violations of the Environmental Laws by the Borrower, is hereby deleted in its entirety and replaced with EXHIBIT P attached hereto.

2.33 AMENDMENT TO SECURITY OBLIGATIONS. EXHIBIT Q of the Loan Agreement, which describes the Borrower's surety obligations, is hereby deleted in its entirety and replaced with EXHIBIT Q attached hereto.

2.34 AMENDMENT TO FORM OF COMPLIANCE CERTIFICATE. EXHIBIT T of the Loan Agreement, the form of Compliance Certificate, is hereby deleted in its entirety and replaced with EXHIBIT T attached hereto.

ARTICLE III
CONDITIONS PRECEDENT

3.01 CONDITIONS TO EFFECTIVENESS. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived in writing by Lender:

(a) Lender shall have received this Amendment, duly executed by each Borrower;

(b) Lender shall have received the Equipment Note in the form of EXHIBIT B attached hereto, duly executed by each Borrower;

(c) Lender shall have received the Supplement No. 2 to First Preferred Fleet Mortgage in the form of EXHIBIT V attached hereto, duly executed by Cal Dive;

(d) a company general certificate certified by the Secretary or Assistant Secretary of Cal Dive acknowledging (A) that Cal Dive's Board of Directors has adopted, approved, consented to and ratified resolutions which authorize the execution, delivery and performance by Cal Dive of this Amendment and all other documents, agreements and promissory notes contemplated herein, and (B) the names of the officers of the Cal Dive authorized to sign this Amendment and all other documents, agreements and promissory notes contemplated herein (including the certificates contemplated herein) together with specimen signatures of such officers,

(e) a company general certificate certified by the Secretary or Assistant Secretary of ERT acknowledging (A) that ERT's Board of Directors has adopted, approved, consented to and ratified resolutions which authorize the execution, delivery and performance by the Borrower of this Amendment and all other documents, agreements and promissory notes contemplated herein, and (B) the names of the officers of ERT authorized to sign this Amendment and all other documents, agreements and promissory notes contemplated herein (including the certificates contemplated herein) together with specimen signatures of such officers,

(f) The representations and warranties contained herein and in the Loan Agreement and the other Loan Documents shall be true and correct as of the date hereof, as if made on the date hereof;

(g) No Default or Event of Default shall have occurred and be continuing, unless such Default or Event of Default has been specifically waived in writing by Lender; and

(h) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Lender and its legal counsel.

ARTICLE IV
LIMITED WAIVER

4.01 LIMITED WAIVER. By execution of this Amendment and upon satisfaction of the conditions set forth in SECTION 3.01 of this Amendment, Lender hereby waives any Default or Event of Default arising under the Loan Agreement solely by reason of: (i) the Borrower's violation of SECTION 8.2(E) of the Loan Agreement resulting from the Borrower entering into the Joint Venture in accordance with the terms described in RECITAL C(II) above; and (ii) the Borrower's violation of SECTION 8.2(I) of the Loan Agreement resulting from the Stock Sale in accordance with the terms described in RECITAL C(I) above. Except as specifically provided in this SECTION 4.01, nothing contained in this Amendment shall be construed as a waiver by Lender of any other covenant or provision of the Loan Agreement, this Amendment or of any other Loan Document, and the failure of Lender at any time or times hereafter to require strict performance by Borrower of any provision thereof shall not waive, affect or diminish any right of Lender to thereafter demand strict compliance therewith. Lender hereby reserves all rights granted under the Loan Agreement, this Amendment and any other Loan Document.

ARTICLE V
RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

5.01 RATIFICATIONS. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrowers and Lender agree that the Loan Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

5.02 REPRESENTATIONS AND WARRANTIES. Each Borrower hereby represents and warrants to Lender that (a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith have been authorized by all requisite corporate action on the part of Borrowers and will not violate the Articles or Certificate of Incorporation or Bylaws of either Borrower; (b) presently effective resolutions of such Borrower's Board of Directors authorize the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith; (c) the representations and warranties contained in the Loan Agreement, as amended hereby, and any other Loan Document are true and correct on and as of

the date hereof and on and as of the date of execution hereof as though made on and as of each such date; (d) no Default or Event of Default under the Loan Agreement, as amended hereby, has occurred and is continuing, unless such Default or Event of Default has been specifically waived in writing by Lender; (e) each Borrower is in full compliance with all covenants and agreements contained in the Loan Agreement and the other Loan Documents, as amended hereby; and (f) each Borrower has not amended its Articles or Certificate of Incorporation or its Bylaws since the date of the Loan Agreement, except for such amendments, if any, which are attached hereto as EXHIBIT U.

ARTICLE VI
MISCELLANEOUS PROVISIONS

6.01 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made in the Loan Agreement or any other Loan Document, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents in accordance with SECTION 7.3 of the Loan Agreement, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely upon them.

6.02 REFERENCE TO LOAN DOCUMENTS. Each of the Loan Agreement and the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Loan Documents, as amended hereby, are hereby amended so that any reference in the Loan Agreement and such other Loan Documents to any other Loan Document shall mean a reference to the Loan Documents as amended hereby.

6.03 EXPENSES OF LENDER. As provided in the Loan Agreement, Borrowers agree to pay on demand all costs and expenses incurred by Lender in connection with the preparation, negotiation, and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of Lender's legal counsel, and all costs and expenses incurred by Lender in connection with the enforcement or preservation of any rights under the Loan Agreement, as amended hereby, or any other Loan Document, including, without limitation, the costs and fees of Lender's legal counsel.

6.04 SEVERABILITY. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.05 SUCCESSORS AND ASSIGNS. This Amendment is binding upon and shall inure to the benefit of Lender and Borrowers and their respective successors and assigns, except that Borrowers may not assign or transfer any of their rights or obligations hereunder without the prior written consent of Lender.

6.06 COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

6.07 EFFECT OF WAIVER. No consent or waiver, express or implied, by Lender to or for any breach of or deviation from any covenant or condition by Borrowers shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

6.08 HEADINGS. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.09 APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS (OTHER THAN (I) THAT CERTAIN DEED OF COVENANTS, DATED NOVEMBER 29, 1996, EXECUTED BY CAL DIVE IN FAVOR OF LENDER, (II) THAT CERTAIN MORTGAGE, DATED SEPTEMBER 16, 1996, EXECUTED BY CAL DIVE IN FAVOR OF LENDER AND RECORDED WITH THE REGISTRAR OF BARBADIAN SHIPS LONDON, PURSUANT TO WHICH CAL DIVE GRANTED LENDER A LIEN ON THE "BALMORAL SEA", (III) THAT CERTAIN MORTGAGE, DATED SEPTEMBER 16, 1996, EXECUTED BY CAL DIVE IN FAVOR OF LENDER AND RECORDED WITH THE REGISTRAR OF BAHAMIAN SHIPS LONDON, PURSUANT TO WHICH CAL DIVE GRANTED LENDER A LIEN ON THE "UNCLE JOHN", AND (IV) THAT CERTAIN MORTGAGE, DATED OCTOBER 19, 1995, EXECUTED BY CAL DIVE IN FAVOR OF LENDER AND RECORDED WITH THE REGISTRAR OF BAHAMIAN SHIPS LONDON, PURSUANT TO WHICH CAL DIVE GRANTED LENDER A LIEN ON THE "WITCH QUEEN"), EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

6.10 FINAL AGREEMENT. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY BORROWERS AND LENDER.

6.11 RELEASE. EACH BORROWER HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE "OBLIGATIONS" OR TO SEEK

AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDER. BORROWERS HEREBY VOLUNTARILY AND KNOWINGLY RELEASE AND FOREVER DISCHARGE LENDER, ITS PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY (EXCEPT FOR POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES AND LIABILITIES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LENDER, ITS PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS), ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH SUCH BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDER, ITS PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS), IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY "LOANS", INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT.

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IN WITNESS WHEREOF, this Amendment has been executed as of April __, 1997.

BORROWERS:

CAL DIVE INTERNATIONAL, INC.

By: _____
S. James Nelson, Jr.,
Executive Vice President and Chief
Financial Officer

ENERGY RESOURCE TECHNOLOGY, INC.

By: _____
S. James Nelson, Jr., Treasurer

LENDER:

FLEET CAPITAL CORPORATION, formerly
known as Shawmut Capital Corporation

By: _____
Hance VanBeber, Vice President

EXHIBITS:

B	-	Form of Equipment Note
C	-	Contingency Reserve Terms
D	-	Business Locations
H	-	Capital Structure
I	-	Shareholder Agreements
L	-	Pension Plans
M	-	Tax Liability
P	-	Existing Environmental Liability
Q	-	Surety Obligations
T	-	Form of Compliance Certificate
U	-	Amendments to Articles/Certificate of Incorporation and Bylaws
V	-	Supplement No. 2 to First Preferred Fleet Mortgage

1997 AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This 1997 AMENDED AND RESTATED SHAREHOLDERS AGREEMENT, dated as of April 11, 1997 (this "Agreement"), among Cal Dive International, Inc., a Minnesota corporation (the "Company"), Coflexip, a French corporation ("CSO"), First Reserve Secured Energy Assets Fund, Limited Partnership, a Delaware limited partnership ("SEA"), First Reserve Fund V, Limited Partnership, a Delaware limited partnership ("Fund V"), First Reserve Fund V-2, Limited Partnership, a Delaware limited partnership ("Fund V-2"), First Reserve Fund VI, Limited Partnership, a Delaware limited partnership ("Fund VI"; together with SEA, Fund V and Fund V-2, the "Fund Shareholders"), Gerald G. Reuhl, Owen E. Kratz and S. James Nelson (the foregoing three individuals, the "Executives"), Gordon F. Ahalt ("Ahalt") and each of the Other Company Shareholders (as herein defined).

RECITALS

The Company and CSO are parties to a Purchase Agreement, dated as of April 11, 1997 (the "Purchase Agreement"), which has been approved by the CDI Shareholders and the Fund Shareholders, pursuant to which CSO will purchase 3,699,788 shares of the common stock of the Company without par value ("Common Stock") as described in the Purchase Agreement.

CSO and the Company are parties to a 1997 Registration Rights Agreement, dated as of April 11, 1997 (the "1997 Registration Rights Agreement").

The Fund Shareholders, the Executives, the Other Company Shareholders and the Company are parties to an Amended and Restated Shareholders Agreement, dated as of January 12, 1995 (the "Existing Shareholders Agreement"), which will be terminated and be restated pursuant to this Agreement upon closing under the Purchase Agreement.

CSO, the Fund Shareholders, the Executives, and other Company Shareholders (collectively, the "Shareholders") desire to enter into this 1997 Amended and Restated Shareholders Agreement for the purpose of (i) regulating certain aspects of their relationship as holders of shares of Common Stock and (ii) addressing certain corporate governance issues of the Company, including the composition of the Board of Directors of the Company.

The execution and delivery of this Agreement is a condition precedent to the closing pursuant to the Purchase Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

AGREEMENT

ARTICLE 1.
DEFINITIONS

1.1 DEFINED TERMS. For purposes of this Agreement, the following terms shall have the following meanings:

"AFFILIATE" means, with respect to any Person, (i) any Person that directly or indirectly controls, is controlled by or is under common control with, such Person, or (ii) any director (other than an Independent Director as described in Section 2.1(b)), officer, 5% or greater shareholder or general partner of such Person or any Person specified in clause (i) above, or (iii) any Immediate Family Member of any Person specified in clause (i) or (ii) above.

"AGREEMENT" means this 1997 Amended and Restated Shareholders Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"BENEFICIALLY OWNED" has the meaning set forth in Rule 13d-3 of the U.S. Securities and Exchange Commission.

"BOARD" means the Board of Directors of the Company.

"CAUSE" means (i) the commission of an act by a Director constituting fraud, embezzlement or a felony, (ii) willful malfeasance or willful misconduct by a Director involving a matter which could reasonably be expected to have a material adverse effect on the Company or any of its Subsidiaries in connection with the performance of his duties as such, (iii) a final determination by a court of competent jurisdiction in the United States that such Director, as such or in any other capacity (whether or not relating to the Company), breached a fiduciary duty owed by him to another Person, or (iv) any act involving moral turpitude which causes material harm to the customer relations, operations or business prospects of the Company or any of its Subsidiaries.

"CDI SHAREHOLDERS" means the collective reference to the Executives and the Other Company Shareholders.

"COMMON STOCK" means the common stock without par value of the Company.

"COMPETITOR" means any Person which competes (or has a Competitive Investment in), directly or indirectly, in any material respect with the Company or any of its Subsidiaries, including, without limitation, American Oilfield Divers, Inc., SubSea International, Inc., Oceaneering

International, Inc., Global Industries, Ltd., and Stolt Comex Seaway SA, but

specifically SHALL NOT include CSO and/or its Affiliates; PROVIDED that an institutional lender or investor or an investment fund, including any of the Fund Shareholders or any other fund for which First Reserve Corporation acts as advisor or general partner, which has or in the future acquires or makes Competitive Investments in such business or other investments of the equity of other businesses competing with the Company or any of its Subsidiaries shall not be deemed a Competitor.

"COMPETITIVE INVESTMENTS" means an investment of more than 10% of the common stock or other equity interest of any Competitor.

"CSO SHARES" means the Common Stock held by CSO or any other CSO Shareholder.

"CSO SHAREHOLDERS" means CSO or any of its successors and/or assigns under the terms hereof in their capacity as shareholders only.

"DIRECTOR" means a director on the Board appointed in accordance with the provisions of this Agreement.

"EMPLOYEE STOCK AGREEMENTS" means the employee stock agreements entered into from time to time between the Company and Employee Shareholders relating to the purchase by such Employee Shareholders of Shares.

"EXECUTIVE SHAREHOLDERS" means the Executives in their capacity as shareholders only.

"EXECUTIVE SHARES" means the Common Stock held by any Executive.

"FUND SHAREHOLDER" means any Fund which is the beneficial owner of Shares.

"FUND SHARES" means the Common Stock held by the Fund Shareholders.

"GOVERNMENTAL AUTHORITY" means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"IMMEDIATE FAMILY MEMBER" means, with respect to any Person, a spouse, parent, child or sibling (whether natural or adopted) of such Person and any trust or other mechanism established for estate or tax planning purposes solely for the benefit of any such Person's Immediate Family Members.

"1995 REGISTRATION RIGHTS AGREEMENT" means that certain Registration Rights Agreement dated as of January 12, 1995, by and among the Company, the Fund Shareholders and the Executives, individually and as Trustees, as the same shall be amended pursuant to that certain letter agreement dated April 11, 1997 among the Company, the Funds and CSO.

"1997 REGISTRATION RIGHTS AGREEMENT" means that certain Registration Rights Agreement dated as of April 11, 1997 by and between the Company and CSO.

"OTHER COMPANY SHAREHOLDERS" means employee and director shareholders of the Company who individually own less than 125,000 shares.

"PERSON" means an individual, partnership, corporation, limited liability company business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"PREFERRED STOCK" means preferred stock of the Company issued pursuant to its Articles of Incorporation.

"PROXY" means, in the case of a proxy running from any Executive Shareholder, CSO Shareholder or Fund Shareholder, any person designated by them or any of them.

"PUBLIC OFFERING" means a public offering of the Common Stock of the Company pursuant to an effective registration statement under the Securities Act.

"QUALIFIED PUBLIC OFFERING" means an underwritten Public Offering pursuant to which the Company receives proceeds, net of underwriting discounts and commissions, of at least $35,000,000.

"SALE OF THE COMPANY" means (i) the sale (in a transaction or series of related transactions (directly or indirectly to the same Person or an Affiliate of such Person) involving the transfer, assignment or other disposal of the Company's capital stock for value) of more than 50% of the outstanding voting stock of, or equity interests in, the Company to any Person or "group" of Persons (as such term is defined in the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder) other than any Immediate Family Member of such Shareholder; (ii) a liquidation of the Company or a sale of all or substantially all of the Company's assets on a consolidated basis; or (iii) a merger, consolidation or other business combination involving the Company and another entity, whether or not the Company is the surviving corporation, except where following such merger, consolidation or other business combination, the existing shareholders of the Company immediately prior to such merger, consolidation or other business combination will own 50% or more of the outstanding voting stock

of, or equity interests in, the surviving entity immediately following such merger, consolidation or other business combination.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SHAREHOLDERS" means all holders of Shares.

"SHARES" means (i) any Common Stock held by any Shareholder, now or hereafter acquired, (ii) any other shares of any class or series of capital stock of the Company, or options or warrants exercisable for or convertible securities convertible or exchangeable for any class or series of capital stock of the Company, now or hereafter acquired, and (iii) any equity securities issued or issuable directly or indirectly with respect to the capital stock referred to in clauses (i) and (ii) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization.

"STOCK OPTION PLAN" means any plan adopted by the Board from time to time granting to employees or Directors rights to purchase, in the aggregate, when combined with all other outstanding options or other rights to purchase Common Stock from the Company, up to 10% (as adjusted for any subsequent stock splits, stock dividends, recapitalizations or similar events) of the issued and outstanding Common Stock.

"SUBSIDIARY" means, with respect to any Person, any corporation, partnership, limited liability company, business trust, joint stock company, trust, unincorporated association , joint venture or other business entity of which fifty percent (50%) or more of the total voting power of shares of capital stock or other equity interest entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof, or fifty percent (50%) or more of the capital stock or other equity interest therein, is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"SUBSIDIARY BOARD" means the board of directors of any Subsidiary of the Company.

"SUPERMAJORITY VOTE" means, with respect to a vote of the Board , approval by sixty-two percent (62%) of the Directors then constituting the entire Board, and with respect to a vote of the Shareholders, approval by the holders of eighty percent (80%) or more of the issued and outstanding Common Stock.

"THIRD PARTY" means any Person other than the Shareholders, the Company or any of their respective Affiliates.

"TRANSFER" means any transfer, sale, assignment, distribution, exchange, mortgage, pledge, hypothecation or other disposition of or encumbrance on Shares.

"VOTING TRUST" AND "VOTING TRUST CERTIFICATES" means that certain Voting Trust Agreement dated July 27, 1990 and Voting Trust Certificates issued pursuant thereto.

1.2 OTHER DEFINITIONAL PROVISIONS; INTERPRETATION.

(a) The words "hereof", "herein", and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE 2.
BOARD OF DIRECTORS

2.1 ELECTION OF DIRECTORS. Each Shareholder hereby agrees that during the term of this Agreement, such Shareholder will vote all of his Shares and any other voting securities of the Company over which such Shareholder has voting control and shall take all other necessary or desirable actions within his control (whether in his capacity as a shareholder, Director, member of a Board committee or officer of the Company or otherwise), and the Company shall take all necessary and desirable actions within its control, in order to cause the following:

(a) subject to the provisos set forth in Section 2.1(b) below, the Board to consist of eleven (11) Directors;

(b) the election to the Board of

(i) two (2) designees of Fund V and V-2, who shall initially be William E. Macaulay and David Kennedy and one (1) designee of Fund V-1, who shall initially be Gerald M. Hage (the designees of the Fund Shareholders are collectively referred to as the "Fund Directors:);

(ii) three (3) designees of CSO, who shall initially be Jean-Bernard Fay, Tom Ehret and Kevin Peterson (the designees of CSO are collectively referred to as the "CSO Directors");

(iii) three (3) designees of the holders of a majority of the Executive Shares, who shall initially be Gerald G. Reuhl, Owen E. Kratz, and S. James Nelson (the designees of the holders of Executive Shares are collectively referred to as the "Executive Directors"); and

(iv) two (2) designees to be chosen by a majority vote of the Board, who are independent of and not Affiliates of any of the Company, the CSO Shareholders and the Fund Shareholders (the "Independent Directors"), who shall initially be Ahalt and a second designee to be chosen by a majority of the Board based on the recommendation of the Nominating Committee of the Board established pursuant to Section 2.2 as promptly as practicable after the date of this Agreement.

PROVIDED, FURTHER that if, at any time the Fund Shareholders cease to own, in the aggregate (i) at least 15% of the outstanding capital stock of the Company, the number of Fund Directors shall immediately decrease to two (2) (and one (1) Fund Director shall resign) and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by one (1) Director, (ii) at least 10% of the outstanding capital stock of the Company, the number of Fund Directors shall immediately decrease to one (1) (and one or two Fund Directors, as then necessary, shall resign) and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by such number of Fund Directors as then resign or (iii) if the Fund Shareholders cease to own at least 5% of the outstanding capital stock of the Company, all the Fund Directors shall immediately resign and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by the number of Fund Directors as then resign;

PROVIDED, FURTHER that if, at any time the CSO Shareholders cease to own, in the aggregate (i) at least 15% of the outstanding capital stock of the Company, the number of CSO Directors shall immediately decrease to two (2) (and one (1) CSO Director shall resign) and the Board shall immediately thereafter all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by one (1) Director, (ii) at least 10% of the outstanding capital stock of the Company, the number of CSO Directors shall immediately decrease to one (1) (and one or two CSO Directors, as then necessary, shall resign) and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by such number of CSO Directors as then resign or (iii) if the CSO Shareholders cease to own at least 5% of the outstanding capital stock of the Company, all the CSO Directors shall immediately resign and the Board shall

immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by the number of CSO Directors as then resign; PROVIDED, FURTHER that if, at any time the CDI Shareholders cease to own, in the aggregate (i) at least 15% of the outstanding capital stock of the Company, the number of Executive Directors shall immediately decrease to two (2) (and one (1) Executive Director shall resign) and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by one (1) Director, (ii) at least 10% of the outstanding capital stock of the Company, the number of Executive Directors shall immediately decrease to one (1) (and one or two Executive Directors, as then necessary, shall resign) and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by such number of Executive Directors as then resign or (iii) if the CDI Shareholders cease to own at least 5% of the outstanding capital stock of the Company, all the Executive Directors shall immediately resign and the Board shall immediately thereafter take all necessary and desirable action to cause the aggregate number of Directors of the Company under paragraph (a) of this Section 2.1 to decrease by the number of Executive Directors as then resign;

PROVIDED, FURTHER, that in the event the Company issues or sells any shares of its capital stock or any securities that, directly or indirectly, are exercisable, convertible or exchangeable into or for shares of its capital stock in a Public Offering, the percentage ownership threshold amounts of outstanding capital stock of the Company contained in the provisos set forth above in this paragraph (b) shall, to the extent each Shareholder group continues to own at least 5% of the issued and outstanding capital stock of the Company immediately prior to such Public Offering, be proportionately decreased by multiplying each such percentage ownership threshold amount by a fraction the numerator of which shall be the total number of shares of capital stock of the Company outstanding immediately prior to such Public Offering and the denominator of which shall be the total number of shares of capital stock of the Company outstanding immediately after the completion of such Public Offering (including any over-allotment option relating thereto);

(c) the removal from the Board or a Subsidiary Board, subject to applicable law, of (i) any Director designated hereunder at the written request, with or without Cause, of the Person or Persons who previously designated such Director pursuant to paragraph 2.1(b) above or (ii) any Director for Cause at the written request of the Board, following a Supermajority Vote of the Board, but only upon such written request and under no other circumstances; PROVIDED that, notwithstanding clause 2.1(b)(iii) above, if any Executive Director elected pursuant to clause 2.1(b)(iii) above ceases to be an employee of the Company or any of its Subsidiaries or a shareholder of at least 5% of the issued and outstanding Shares,

such Director shall be removed as a Director promptly upon the later of the termination of his employment or cessation of ownership of at least 5% of the issued and outstanding Shares;

(d) in the event that any Director designated hereunder for any reason ceases to serve as a member of the Board or a Subsidiary Board during his term of office, the Person or Persons who previously designated such Director pursuant to paragraph 2.1(b) above shall be entitled to designate a successor Director to fill the vacancy created thereby on the terms and subject to the conditions of this Section 2.1.

(e) so long as the CSO Shareholders or the Fund Shareholders or the CDI Shareholders have the right to designate more than one (1) Director pursuant to paragraph 2.1(b) above, the Company shall cause the Directors designated by such Shareholder group then serving on the Board to be apportioned among the various classes of Directors in order to ensure that their respective terms expire in consecutive years.

2.2 COMMITTEES OF THE BOARD. The Board shall in accordance with the By-laws of the Company establish the following committees of the Board: (I) a five-member Executive Committee comprised, subject to the provisions of Section 2.1 (b), of one Fund Director, one CSO Director, one Independent Director and two Executive Directors (one of whom shall be the Chairman of the Board) which, when the Board is not in session, shall exercise such power and authority of the Board in the management of the business of the Company pursuant to the unanimous vote of such Committee as the Board may from time to time authorize, (ii) a four-member Audit Committee comprised of, subject to the provisions of Section 2.1(b), one Fund Director, one CSO Director and two Independent Directors, which shall consult with the independent public auditors of the Company in connection with such auditors' audit and review of the financial statements of the Company and shall consult with the Company's Chief Financial Officer and staff in connection with the preparation of the Company's financial statements, subject to such limitations as the Board may from time to time impose; (iii) a five-member Compensation Committee comprised of, subject to the provisions of Section 2.1(b), one Fund Director, one CSO Director, one Executive Director and two Independent Directors, which shall administer awards under any Stock Option Plan and shall evaluate and make recommendations with respect to the compensation arrangements of executive officers of the Company, subject to such limitations as the Board may from time to time impose; and (iv) a three-member Nominating Committee comprised of, subject to the provisions of Section 2.1(b), one Fund Director, one CSO Director and one Executive Director, which shall be responsible for searching for and selecting nominees to serve as Independent Directors from a list of acceptable potential nominees prepared by the Fund Director and CSO Director with the advice of the Executive Director, from which list the Executive Director shall select a nominee.

2.3 EXPENSES, FEES AND D & O INSURANCE. The Company shall pay the reasonable out-of-pocket expenses incurred by each Director in connection with attending the meetings of the Board, any Subsidiary Board and any committee thereof. In addition, the Company shall pay to each Independent

Director a fee of $12,000 per year plus $2,000 for attending each of four (4) regularly scheduled quarterly meetings, in each case payable in quarterly installments on March 31, June 30, September 30 and December 31 of each year. Furthermore, the independent Director will receive a fee of $250 for each committee meeting he attends. The Company shall also maintain D&O insurance coverage (including initial public offering and public company securities law coverage) in such amounts and with such insurance carriers as determined by the Board at all times during the term of this Agreement. The Board may amend this Section 2.2 by a Supermajority Vote.

2.4 COMPETITORS AS DIRECTORS. Notwithstanding anything to the contrary contained in this Article 2, no Shareholder shall vote or be required to vote to elect any officer, director, employee, consultant, advisor, Affiliate or partner of a Competitor (or Affiliate thereof), to the Board or any Subsidiary Board; PROVIDED that the Person who designated such proposed Director pursuant to paragraph 2.1 (b) hereof shall be entitled to designate a substitute.

2.5 COMPANY INFORMATION. The Company shall deliver to the Directors any and all financial and other information relating to the Company and its Subsidiaries which may be reasonably requested from time to time, and the Directors shall have access, during normal business hours and upon reasonable notice, to such facilities and operations of the Company and its Subsidiaries as may be reasonably requested from time to time.

ARTICLE 3.
IRREVOCABLE PROXY

In order to effectuate the provisions of Section 2.1(a), (b), (c), (d) and (e), the CDI Shareholders, the Fund Shareholders and the CSO Shareholders each hereby appoint the appropriate Proxy as his or its true and lawful proxy and attorney-in fact, with full power of substitution, to vote at any annual or special meeting of shareholders of the Company, or, if permitted by law and the Company's Articles of Incorporation or By-Laws, to take action by written consent in lieu of such meeting with respect to, or to otherwise take action in respect of, all of the Shares owned or held of record by them in connection with the matters set forth in Section 2.1(a),(b),(c),(d) and (e). The Proxy may exercise the irrevocable proxy granted hereby at any time if the CSO Shareholders, the CDI Shareholders or Fund Shareholders, as the case may be, fail to comply with the provisions of Section 2.1(a),(b),(c), (d) and (e). Each proxy granted hereby is irrevocable and is coupled with an interest. To effectuate the provisions of Section 2.1(a), (b), (c), (d) and (e), the Secretary of each of the Company and its Subsidiaries, or if there is no Secretary, such other officer of the Company or its Subsidiary, as the case may be, as the Board of the Company or its Subsidiary, as the case may be, may appoint to fulfill the duties of the Secretary (the "Secretary"), shall not record any vote or consent or other action contrary to the terms of Section 2.1(a), (b), (c), (d) or (e).

ARTICLE 4.
RESTRICTIONS ON TRANSFER OF SHARES

4.1 LIMITATIONS ON TRANSFER OF SHARES. (a) Except as provided in this Agreement and except for transfers contemplated or permitted by the Purchase Agreement, each Shareholder hereby agrees that such Shareholder will not, directly or indirectly, Transfer any Shares or Voting Trust Certificates (or any interest therein).

(b) Each Shareholder hereby agrees that: (i) any Transfer in violation of this Agreement shall not be recognized on the books of the Company and shall be void and (ii) no Transfer shall occur unless the transferee shall agree pursuant to Article 7 to become a party to and be bound by the terms of this Agreement, and, with respect to Employee Shareholders, the Voting Trust Agreement and an Employee Stock Agreement.

4.2 RIGHTS OF FIRST REFUSAL. (a) Subject to the provisions of this Article 4 and Section 2 of the Employee Stock Agreement, at least 60 days prior to making any Transfer of any interest in any Shares or Voting Trust Certificates (other than pursuant to Rule 144 promulgated under the Securities Act ("Rule 144") or an underwritten Public Offering or as provided in the proviso in paragraph 4.2 (c) below), the transferring Shareholder (the "Transferring Shareholder") shall deliver a written notice (the "Offer Notice") to the Company and the other Shareholders. The Offer Notice shall set forth in reasonable detail the name of the Transferring Shareholder, the number of Shares or Voting Trust Certificates proposed to be so Transferred (the "Offered Securities"), the name and address of the proposed transferee (in the case of a Transfer other than pursuant to a Public Offering which is not underwritten), the proposed amount of consideration (which shall be payable solely in cash and which, in the case of a Transfer pursuant to a Public Offering which is not underwritten, shall be based on the average daily trading price of the Common Stock over the 30-day period ending on the business day immediately preceding the date of the Offer Notice) and the other terms and conditions of payment offered by the proposed transferee.

(b) If the Transferring Shareholders (in whole or in part) consist of any Executive Shareholder, Ahalt or any Other Company Shareholder (the "Employee Group"), the non-selling members of the Employee Group may elect to purchase all (but not less than all) of their Pro Rata Share (as defined below) of the Offered Securities being sold by members of the Employee Group at the price and on the other terms specified in the Offer Notice by delivering written notice of such election to the Transferring Shareholder and the other members of the Employee Group (or the Company's Secretary) as soon as practicable but in no event later than 10 days after the delivery of the Offer Notice. If any members of the Employee Group did not elect to purchase their Pro Rata Share of the Offered Securities within such 10-day period, each of the other members of the Employee Group who has so elected may elect to purchase all or part of the remaining Offered Securities at the price and on the other terms specified in the Offer Notice by delivering written notice of such election to the transferring Shareholder and the other members of the Employee Group (or the Company's secretary) as soon as practicable but in no event later than 20 days

after initial delivery of the Offer Notice; PROVIDED, that, in case there are more elections than there are Offered Securities, such additional Shares shall be allocated to such members of the Employee Group in accordance with their Pro Rata Share; it being the intention of the parties that the Offered Securities that are proposed to be Transferred by the members of the Employee Group be offered first to non-selling members of the Employee Group.

(c) If the Transferring Shareholders consist of one or more of the Fund Shareholders (the "Fund Group") and the proposed transferee is not another Fund Shareholder, or an Affiliate of any of the Fund Shareholders, such Transfer is subject to this Article 4; PROVIDED, HOWEVER, that the rights of first refusal provided in this Section 4.2 shall not apply to a Transfer by any member of the Fund Group or any Permitted Transferee thereof (as defined in Section 4.6) to a financial or other similar institutional investor or investment fund which is not a Competitor and which, in connection with such Transfer, is expressly not assigned, and is expressly prohibited from succeeding to, any of the rights of the Fund Shareholders or their Permitted Transferees to designate Directors under Article 2.

(d) If the Transferring Shareholders consist of CSO or a CSO Affiliate (the "CSO Group") and the proposed transferee is not another CSO Affiliate, such transfer is subject to this Article 4.

(e) If the Employee Group as a whole, in the case of paragraph 4.2 (b), has not elected to purchase all of the Offered Securities within the first-offer periods specified therein, or if the Fund Group or CSO Group proposes a Transfer that is subject to this Article 4, any Offered Securities shall be offered during the following 10-day period to the Company. If the Company does not elect to purchase all of the Offered Securities within such 10-day period pursuant to a Supermajority Vote of the Board in accordance with Article 8, any remaining Offered Securities shall then be offered during the following 10-day period to all other Shareholders in accordance with their Pro Rata Share. If any such other Shareholders do not elect to purchase all of their respective Pro Rata Share of such Offered Securities within such 10-day period, any remaining Offered Securities shall then be offered to all those Shareholders electing to purchase Offered Securities during the next succeeding 10-day period, in accordance with their respective Pro Rata Share or as the Shareholders electing to purchase at that time may otherwise agree. The offering periods referred to in this Section 4.2 are collectively referred to as the "Election Period". Each Shareholder agrees not to consummate any Transfer until expiration of the Election Period unless the parties to the Transfer have been finally determined pursuant to this Section at any time prior to the expiration of such Election Period.

(f) If, but only if, the other Shareholders and/or the Company, as the case may be, have elected to purchase all of the Offered Securities from the Transferring Shareholder, the Transfer of such Offered Securities shall be consummated as soon as practicable after the delivery of the election notices, but in no event later than 30 days after the expiration of the Election Period.

(g) If the other Shareholders and/or the Company, as the case may be, have not elected to purchase all of the Offered Securities, the Transferring Shareholder may, within 90 days after the

expiration of the Election Period and subject to the provisions of Section 4.3, Transfer such Offered Securities to the Person(s) named in the Offer Notice at a price not less than the price per Share specified in the Offer Notice and on other terms no more favorable to the transferee than offered to the Company and the other Shareholders in the Offer Notice. If such Transfer does not occur within such 90-day period, this Section 4.2 shall be applicable with respect to all future Transfers of such Offered Securities.

(h) The purchase price specified in any Offer Notice shall be payable solely in cash at the closing of the transaction; PROVIDED, that, with respect solely to Transfers among Shareholders of the Company pursuant to the provisions of this Section 4.2, other bona fide arrangements and terms which are acceptable to the Transferring Shareholder can be considered. For purposes hereof, each Shareholder's "Pro Rata Share" shall be based upon such Shareholder's percentage ownership of Shares on a fully-diluted basis relative to other Shareholders to whom an offer has been made pursuant to this Section 4.2.

4.3 TAG-ALONG RIGHTS. (a) Subject to the provisions of Article 5 and limitations in Section 4.1 and the procedures of Section 4.2, at least 10 days prior to a Transfer by a Shareholder that is subject to this Article 4 (other than pursuant to a Public Offering or Rule 144), the Shareholder desiring to make such Transfer shall deliver a written notice (the "Sale Notice") to the Company and the other Shareholders, setting forth the name of the Transferring Shareholder, the number of Shares proposed to be so Transferred, the name and address of the proposed transferee, the proposed amount and form of consideration and other terms and conditions of payment offered by the proposed transferee, and a representation that the proposed transferee has been informed of the tag-along rights provided for in this Section 4.3 and has agreed to purchase Shares in accordance with the terms hereof.

(b) The other Shareholders may elect to participate in the contemplated Transfer by delivering written notice indicating their desire to exercise their rights pursuant to this Section to the Transferring Shareholder at any time within 10 days after delivery of the Sale Notice. If any other Shareholder has elected to participate in such Transfer (a "Tagging Shareholder"), the Transferring Shareholders and the Tagging Shareholders shall be entitled to sell in the contemplated Transfer, at the same price and on the same terms, a number which is the product of (i) the quotient determined by dividing the percentage of Shares beneficially owned on a fully diluted basis by such Person by the aggregate percentage of Shares owned by the Transferring Shareholders and the Tagging Shareholders participating in such Transfer and (ii) the number of shares to be sold in the contemplated Transfer.

FOR EXAMPLE, if the Sale Notice contemplated a sale of 10,000 Shares by the Transferring Shareholder, and if the Transferring Shareholder at such time beneficially owns 20% of all Shares and if one other Shareholder elects to participate and beneficially owns 5% of all Shares, the Transferring Shareholder would be entitled to sell 8,000 shares (20% divided by 25% x 10,000 shares) and the Tagging Shareholder would be entitled to sell 2,000 shares (5% divided by 25% x 10,000 shares).

(c) In order to be entitled to exercise its right to sell Shares to the proposed transferee pursuant to Section 4.3(b), a Tagging Shareholder must agree to make to the transferee substantially the same representations, warranties, covenants, indemnities and agreements as the Transferring Shareholder agrees to make in connection with the proposed Transfer (except that in the case of representations and warranties pertaining specifically to the Transferring Shareholder, a Tagging Shareholder shall make the comparable representations and warranties pertaining specifically to itself); PROVIDED that all representations and warranties shall be made by Tagging Shareholders severally and not jointly and that the liability of the Transferring Shareholders and the Tagging Shareholders (whether pursuant to a representation, warranty, covenant, indemnification provision or agreement) for liabilities in respect of the Company shall be evidenced in writings executed by them and the transferee and shall be borne by each of them on a pro rata basis.

(d) If the proposed transferee fails to purchase Shares from any Tagging Shareholder that has properly exercised its tag-along rights pursuant to this Section 4.3, then the Transferring Shareholder shall not be permitted to make the proposed Transfer, and any such attempted Transfer shall be void and of no effect, as provided in Article 7.

(e) Each Transferring Shareholder agrees not to consummate any such Transfer until 10 days after delivery to the other Shareholders of the Sale Notice, unless the parties to the Transfer have been finally determined pursuant to this Agreement prior to the expiration of such period. If any of the Tagging Shareholders exercise their rights under this Section 4.3, the closing of the sale of the Shares or Voting Certificates, as the case may be, by such Tagging Shareholder with respect to which such rights have been exercised shall take place concurrently with the closing of the sale of the Shares or Voting Trust Certificates, as the case may be, by the Transferring Shareholder with respect to which the Sale Notice was given. No Transfer shall occur pursuant to this Section 4.3 unless the transferee shall agree to become a party to, and be bound to the same extent as its transferor by the terms of, this Agreement pursuant to the provisions of Article 7.

4.4 DRAG-ALONG RIGHTS. Subject to the provisions of Section 5.3 and notwithstanding, in the case of the CSO Shareholders, the provisions of Section 10.2, each Shareholder hereby agrees that, in connection with any Sale of the Company in accordance with Article 5 or, in the case of all Shareholders other than the CSO Shareholders, in accordance with, Section 10.1 it will Transfer all of its Shares to such Third Party Purchaser or to CSO and/or its Affiliate(s), as applicable, in any such transaction; PROVIDED that the terms of such offer applicable to any Shares owned by the Transferring Shareholder or CSO Shareholders, as applicable, and its Permitted Transferees are not more favorable than the terms of such offer applicable to the Shares owned by the other Shareholders (including, without limitation, with respect to the amount and nature of consideration and the time of receipt thereof).

4.5 TRANSFER TO COMPETITORS. No Shareholder shall, directly or indirectly, Transfer in any transaction or series of transactions (related or not) any Shares or Voting Trust Certificates to any Competitor other than pursuant to a Sale of the Company or a Public Offering.

4.6 PERMITTED TRANSFERS. The restrictions and procedures contained in this Article 4 shall not apply with respect to any Transfer of Shares or Voting Trust Certificates by any Shareholder (i) in the case of the Executives, Ahalt and the Other Company Shareholders, pursuant to applicable laws of descent and distribution or to an Immediate Family Member or to the Company pursuant to the Employee Stock Agreement or to any Other Company Shareholder or Executive Shareholder, (ii) in the case of the Fund Shareholders, to any other Fund Shareholder or to any Affiliate thereof, or (iii) in the case of any CSO Shareholder, to any Affiliate of CSO; provided that the restrictions contained in this Article 4 shall continue to be applicable to the Shares after any such Transfer; and PROVIDED, FURTHER that the transferees of such Shares (each such permitted transferee in accordance with this Section 4.6 being referred to as a "Permitted Transferee"), shall, prior to any such Transfer, agree to become a party to, and be bound to the same extent as its transferor by the terms of, this Agreement pursuant to the provisions of Article 7.

ARTICLE 5.
RIGHTS TO CAUSE A SALE OF THE COMPANY

5.1 RIGHTS OF THE CSO OR FUND SHAREHOLDERS. In the event that no Sale of the Company or Public Offering has occurred prior to December 31, 1999, either the Fund Shareholders holding a majority of the Fund Shares or the holders of a majority of the CSO Shares shall have the right to cause a Sale of the Company pursuant to the provisions of Section 5.3.

5.2 RIGHTS OF THE EXECUTIVE SHAREHOLDERS. If no Sale of the Company or Public Offering has occurred prior to December 31, 1999, the holders of two-thirds (66-2/3%) of the Executive Shares shall have the right to cause a Sale of the Company pursuant to the provisions of Section 5.3; PROVIDED, at such time, all holders of Executive Shares own at least 10% of the total outstanding shares of Common Stock of the Company; and, PROVIDED, FURTHER, that such Third Party Transaction (as defined below) does not provide for or contemplate, and does not result in, any Executive Shareholder receiving compensation or other consideration at any time within two years thereafter, whether as an employee, director, consultant or agent or in any other capacity other than as a shareholder, materially in excess of such Executive's then current per annum compensation from the Company.

5.3 PROCEDURES FOR SALE OF THE COMPANY. (a) Notwithstanding anything to the contrary contained in any Employee Stock Agreement, if the Fund Shareholders, the CSO Shareholders or the Executive Shareholders shall have the right to cause a Sale of the Company pursuant to Section 5.1 or 5.2, such Shareholder group (collectively, the "Proposing Shareholder") shall request the Company to take all steps necessary or desirable to consummate a Sale of the Company within 180 days following the date

such request was delivered by the Proposing Shareholder to the Company. Promptly after receipt of such request, the Company will give written notice of such requested Sale to all other Shareholders and will, as expeditiously as possible, use its best efforts to (i) retain a nationally recognized investment banking firm to assist in such Sale of the Company and to render an opinion as to the fairness, from a financial point of view, of the consideration to be received by the Shareholders in any Sale of the Company (a "Fairness Opinion"); (ii) seek and produce a Third Party (a "Third Party Purchaser") to acquire (x) all of the issued and outstanding capital stock of the Company (whether by merger, consolidation or sale or transfer of the Company's capital stock) or (y) all or substantially all of the Company's assets on a consolidated basis (a transaction of the type referred to in clause (x) or (y) above shall be referred to herein as a "Third Party Transaction"); and (iii) negotiate the terms of such Third Party Transaction with a view to reaching an agreement in principle documented in a writing between such parties as soon as practicable. Except as required by law, the Company shall not be obligated to seek the consent of the Shareholders prior to commencing any of the foregoing actions in connection with a Sale of the Company.

(b) If the Company identifies and reaches an agreement in principle with a potential Third Party Purchaser, then the Company shall deliver written notice to the Shareholders setting forth in reasonable detail the terms of the proposed Third Party Transaction (the "Company Sale Notice"), together with the Fairness Opinion. Within 30 days following receipt of the Company Sale Notice (the "Sale Election Period"), any of the Shareholders shall deliver to the Company and the other Shareholders written notice setting forth such holders' election, if any, to deliver a written offer (a "Shareholder Offer"), upon substantially the same terms as described in the Company Sale Notice, to acquire the Company (a "Shareholder Transaction"). In addition, upon receipt of the Company Sale Notice, the CSO Shareholders shall have the rights provided in Section 10.2.

(c) If the Fund Shareholders, the CSO Shareholders or and the Executive Shareholders have not delivered a Shareholder Offer within the Sale Election Period, the Company shall consummate the Third Party Transaction on the terms specified in the Company Sale Notice as soon as practicable following such Sale Election Period and in any event within 45 days thereafter. If for any reason the Third Party Transaction is not consummated within such 45 day period, or the Company does not take steps to or is otherwise unable to effect a Sale of the Company in accordance with Section 5.3, the Proposing Shareholders shall have the right to take all steps which the Company was required to take to effect a Sale of the Company in accordance with the provisions of this Section 5.3 (including the requirement to obtain a Fairness Opinion). If any of the Shareholders has delivered a Shareholder Offer within the Sale Election Period, the Company and the other Shareholders shall consummate the Shareholder Transaction within 90 days of receipt by the Proposing Shareholder of the Shareholder Offer. If the Shareholder Transaction is not consummated within such 90 day period, the other Shareholders must again comply with the provisions of this Section 5.3. Subject to the provisions of Sections 4.4 and 5.3(d) and, in the case of the CSO Shareholders, the provisions of Section 10.2, (i) in the case of a Third Party Transaction, the Proposing Shareholders and all other Shareholders shall be required to sell all of their Shares in such transaction and (ii) in the case of a Shareholder Transaction, the Proposing Shareholder shall and all other Shareholders

other than the Shareholder that made the Shareholder Offer shall be required to sell all of their Shares in such transaction.

(d) The other Shareholders or the Proposing Shareholder, as the case may be, shall not be obligated to participate in a Third Party Transaction or a Shareholder Transaction, respectively, if upon consummation of the Third Party Transaction, all holders of Common Stock do not receive the same form and amount of consideration per share of Common Stock (including for this purpose amounts allocated to noncompetition, consulting and other arrangements), or if certain holders of Common Stock are given an option as to the form and consideration to be received, and the other holders of Common Stock have not been given the same option.

ARTICLE 6.
LEGEND

Each certificate evidencing Shares and each certificate issued after the date hereof in exchange for or upon the Transfer of any Shares (if such shares remain Shares as defined herein after such Transfer) shall bear the following legend on the face thereof:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, EXCHANGED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF OR ENCUMBERED WITHOUT COMPLIANCE WITH THE PROVISIONS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE RULES AND REGULATIONS THEREUNDER AND THAT CERTAIN 1997 AMENDED AND RESTATED SHAREHOLDERS AGREEMENT, DATED AS OF APRIL 11, 1997, AMONG THE ISSUER OF SUCH SECURITIES (THE "COMPANY") AND THE COMPANY'S SHAREHOLDERS. A COPY OF SUCH SHAREHOLDERS AGREEMENT SHALL BE FURNISHED WITHOUT CHARGE BY THE COMPANY UPON WRITTEN REQUEST."

The Company shall imprint such legend on certificates evidencing Shares outstanding prior to the date hereof. The legend set forth above shall be removed from the certificates evidencing any securities which cease to be Shares.

ARTICLE 7.
TRANSFERS

In the event of any purported Transfer of any Shares in violation of the provisions of this Agreement, such purported Transfer shall be void and of no effect and the Company will give no effect to such Transfer. As a condition to any Transfer of Shares permitted pursuant to Article 4 (other than

pursuant to Rule 144 or a Public Offering), the Transferring Shareholder shall cause the prospective transferee to execute and deliver to the Company and to the Shareholders a counterpart of this Agreement in form reasonably acceptable to the Company pursuant to which such transferee shall be bound by all the terms and provisions hereof to the same extent as the Transferring Party except, in the case of a Transfer pursuant to the proviso in paragraph 4.2 (c), the terms and provisions of Article 2 hereof shall be excluded therefrom.

ARTICLE 8.
SUPERMAJORITY VOTE ON BOARD LEVEL DECISION

(a) The parties agree that, unless such action is approved by a Supermajority Vote of the Board or, in the case of clause 8(a)(iii) below, a unanimous vote of the Board, or this Agreement is amended by a Supermajority Vote of Shareholders, the Company shall not:

(i) subject to 8(a)(iii) hereof, pursue or effect a Sale of the Company or similar transaction with respect to any of its Subsidiaries;

(ii) except as provided in 8(a)(x) hereof, acquire in any transaction or series of related transactions any one asset of any other Person and/or securities of any other Person or the Company (whether debt, equity or convertible, other than investment of cash in the ordinary course of business) for an individual or aggregate purchase price in excess of $3 million in any year;

(iii) voluntarily dissolve, wind up, or liquidate the Company or any of its Subsidiaries;

(iv) sell, lease, exchange or otherwise dispose of in any transaction or series of related transactions a significant portion (defined as $5 million or more of book value at the time) of the assets of the Company or any of its Subsidiaries, other than in the ordinary course of business (such as sales of assets or properties by the Company's Subsidiary, Energy Resource Technology Inc.);

(v) change the compensation payable to or amend the employment agreement or, except as provided in clause (xii) below, enter into any other agreement with, Messrs, Reuhl, Kratz or Nelson;

(vi) except as provided in this Agreement, (a) commence any Public Offering (other than pursuant to the 1995 or 1997 Registration Rights Agreements), (b) authorize any increase in the capital of the Company or any of its Subsidiaries, (c) issue any capital stock, notes or other securities (including, without limitation, options, warrants, preferred stock or convertible securities) of the Company or any of its Subsidiaries, except pursuant to a Stock

Option Plan existing from time to time and approved by the Board, or (d) increase the number of shares of capital stock of the Company available for issuance under any Stock Option Plan or similar stock related compensation arrangement;

(vii) enter into any new credit facility or financing arrangement or amend, supplement or modify in any material respect the Company's Loan and Amended and Restated Security Loan Agreement dated as of May 23, 1995 with Fleet Capital Corporation (formerly known as Shawmut Capital Corporation), except for Amendment No. 5 thereto which the Company expects to enter into within a reasonable period of time after the date hereof;

(viii) change the scope or nature of the business of the Company outside of the oil and gas service and oil and gas exploration and production industries;

(ix) adopt or change a dividend policy or declare any dividend or distribution in respect thereof;

(x) except as provided in Section 8 (a) (ii) hereof, make any capital expenditure in any transaction or series of related transactions in any year (except such expenditures on vessels during dry dockings which are mandated by governmental or industry standards OR regulations) of more than $3 million in the aggregate;

(xi) approve a Shareholders Rights Plan, "poison pill" or similar plan designed to provide take-over defense under U.S. law (collective, a "Shareholder Rights Plan"); and

(xii) approve any transaction between the Company and any Affiliate outside the ordinary course of business involving the commitment or payment in excess of $50,000.

(b) The parties agree that the Company shall not adopt a Shareholder Rights Plan unless provision, reasonably satisfactory to the CSO Shareholders, is made in such Shareholder Rights Plan to exempt the CSO Shareholders and their Affiliates and their respective acquisition, holding, voting and beneficial ownership of, and any exercise of power derived from their ownership, of Shares and securities exercisable, convertible or exchangeable into or for such Shares from triggering provisions of such Shareholders Rights Plan (e.g., CSO Shareholders and their Affiliates would be exempted from the definition of "acquiring person" customarily contained in a Shareholder Rights Plan).

ARTICLE 9.

9.1 LIMITED PREEMPTIVE RIGHTS. (a) Except for issuances of capital stock of the Company (i) in accordance with any Stock Option Plan, (ii) solely to the extent provided in to the last sentence of this

Section 9.1(a), pursuant to a Public Offering, or (iii) in connection with an acquisition of another Person (subject to the provisions of Section 10.1) by the Company or any of its Subsidiaries, or in settlement of indebtedness of the Company or any of its Subsidiaries or in settlement of a lawsuit or other claim involving the Company or any of its Subsidiaries, if at any time the Company authorizes the issuance or sale of any shares of capital stock of the Company or any securities that, directly or indirectly, are convertible into or exchangeable for capital stock of the Company or any securities containing options, rights or warrants to acquire any shares of capital stock of the Company or any securities that, directly or indirectly, are convertible into or exchangeable for capital stock of the Company (other than as a dividend on the outstanding Common Stock) the Company shall first offer to sell, on a pro rata basis, to the Fund Shareholders and the CSO Shareholders (collectively, the "Purchaser Parties") and the Executive Shareholders a portion of such stock or securities equal to the quotient determined by dividing (1) in the case of the Fund Shareholders or the CSO Shareholders, the number of shares of Common Stock Beneficially Owned by the Fund Shareholders or the CSO Shareholders, as applicable (collectively the "Purchaser Common Stock") and (2) in the case of Executive Shareholders, the number of shares of Common Stock held by the Executive Shareholders ("Employee Stock") divided by the total number of shares of Common Stock outstanding. Each holder of Purchaser Common Stock and Employee Stock shall be entitled to purchase such stock or securities at the most favorable price and on the most favorable terms as such stock or securities are to be offered to any other Person. The purchase price for all stock and securities offered to the holders of the Purchaser Common Stock or Employee Stock shall be payable in cash unless other suitable terms are offered to such Shareholders. In addition to the foregoing, the Company shall afford the Purchaser Parties the opportunity to purchase their pro rata portion of any stock or securities (as determined above) to be offered by the Company pursuant to a Public Offering (other than the initial Public Offering of the Company), unless the managing underwriter(s) for such offering state in writing that, in their opinion, such set-aside would materially adversely affect the marketability of such offering.

(b) In order to exercise its purchase rights hereunder, a holder of Purchaser Common Stock or Employee Stock must within 15 days after receipt of written notice from the Company describing in reasonable detail the stock or securities being offered, the purchase price thereof, the payment terms and such holder's percentage allotment, deliver a written notice to the Company describing its election hereunder. If all of the stock and securities offered to the holders of Purchaser Common Stock or Employee Stock is not fully subscribed by such holders, the remaining stock and securities shall be reoffered by the Company to the holders purchasing their full allotment upon the terms set forth in this paragraph, except that such holders must exercise their purchase rights within five days after receipt of such re-offer. This Section 9.1 shall not be applicable to any transactions to be consummated under any other provision of this Agreement.

(c) Upon the expiration of the offering periods described above, the Company shall be entitled to sell such stock or securities which the holders of Purchaser Common Stock or Employee Stock have not elected to purchase, during the 90 days following such expiration on terms and conditions no more

favorable to the purchaser thereof than those offered to such holders. Any stock or securities offered or sold by the Company after such 90-day period must be re-offered to the holders of Purchaser Common Stock or Employee Stock pursuant to the terms of this Section 9.1.

ARTICLE 10
CERTAIN RIGHTS OF CSO

10.1 CSO RIGHTS TO PURCHASE COMPANY. Except as otherwise provided in Article 5 with respect to the rights of the Fund, CSO and Executive Shareholders to cause a Sale of the Company, in the event that the CSO Shareholders own at least 5% of the total outstanding shares of Common Stock of the Company and the Board approves by Supermajority Vote in accordance with the provisions of Article 8 and without the approval of any of the CSO Directors: (a) a bona fide agreement in principle for a Sale of the Company (an "Agreed Sale of the Company"), the CSO Shareholders and/or their Affiliates shall have the right to acquire the Company upon substantially the same terms as set forth in such agreement by delivering written notice of such election to the Company within 15 days after the date of such Board approval; or (b) (i) the commencement of efforts to seek or solicit in any manner a Sale of the Company with or without the assistance of an investment banking firm or other financial advisor through a Third Party Transaction or pursuant to a transaction with any one or more Shareholders and/or their Affiliates (a "Solicited Sale of the Company") or (ii) a bona fide agreement in principle for an acquisition by the Company of any other Person or assets or group of assets which at the time of such acquisition has a market value (based on the purchase price to be paid by the Company) in excess of 50% of the market value of the Company (based on the average daily trading price of the Common Stock over the 30 day period immediately preceding such transaction, if the initial Public Offering of the Company shall then have been completed or, if such initial Public Offering shall not have then been completed, based on the valuation of the Company prepared by an Independent Appraiser (as defined below)) (a "Significant Acquisition"), the CSO Shareholders and/or their Affiliates shall have the right to acquire the Company subject to applicable law at a purchase price equivalent to the fair market value thereof based on a valuation of the Company prepared by a nationally recognized investment banking firm with expertise in the oil and gas service and oil and gas exploration and production industries who has not been previously retained by the Company (or any of its Affiliates) or any of the Shareholders (or any of their Affiliates) and is selected by a majority of the Independent Directors or as otherwise mutually agreed by the Fund Directors, the CSO Directors and the Executive Directors (an "Independent Appraiser") by delivering written notice of such election to the Company within 15 days after the date of such Board approval and, in the case of any election by the CSO Shareholders and/or their Affiliates to acquire the Company pursuant to clause (a) or clause (b), each Shareholder (other than the CSO Shareholders) agrees to Transfer all of his or its Shares to the CSO Shareholders and/or their Affiliates (regardless of whether or not the acquisition of the Company by the CSO Shareholders and/or their Affiliates shall have been approved by the requisite shareholders of the Company) and provide its or their approvals as a shareholder of the Company as may be required in connection with any acquisition of the Company by the CSO Shareholders and/or their Affiliates pursuant to this Section 10.1. In the event the CSO Shareholders and/or their

Affiliates shall have notified the Company of its or their election to acquire the Company pursuant to this Section 10.1, the Company shall not complete or take any further action with respect to any Agreed Sale of the Company, Solicited Sale of the Company or Significant Acquisition, referred to in such election notice for one hundred twenty (120) days after delivery of such notice.

10.2 CSO RIGHTS TO PURCHASE JOINT VENTURE. At the sole election of the CSO Shareholders, in lieu of the rights of the CSO Shareholders to acquire the Company pursuant to the provisions of Section 10.1 or in a Shareholder Transaction pursuant to the provisions of Section 5.3, in the event that the Board approves by Supermajority Vote in accordance with the provisions of Article 8 and without the approval of any of the CSO Directors an Agreed Sale of the Company, a Solicited Sale of the Company or a Significant Acquisition, or in the event that the Fund Shareholders or the Executive Shareholders elect to cause a Sale of the Company pursuant to Section 5.3, the CSO Shareholders and/or their Affiliates shall have the right to acquire all of the Company's ownership interest in the joint venture entity formed by the Company and Coflexip Stena Offshore, Inc., an Affiliate of CSO ("CSO, Inc."), pursuant to that certain Business Cooperation Agreement dated as of the date hereof between the Company and CSO, Inc., as the same may be amended, supplemented or otherwise modified from time to time (the "Joint Venture"), at a purchase price equivalent to the fair market value of the Company's interest in the Joint Venture based on a valuation prepared by an Independent Appraiser in which the fair market value of the Joint Venture is defined as the fair market value of the Company (including the fair market value of the Joint Venture) less the fair market value of the Company without the fair market value of Joint Venture, by delivering written notice of such election to the Company within 15 days after the date of such Board approval or the date of the Company Sale Notice, as applicable, provided that at such time the CSO Shareholders own in the aggregate at least 5% of the total outstanding shares of Common Stock of the Company.

10.3 CSO ANTI-DILUTION PROTECTION. It is currently the Company's expectation (without any obligation) that it may, subject to and in the discretion of its Board, undertake to effect an initial Public Offering of its Common Stock under the Securities Act pursuant to which the Company will raise capital to be used for future company development. Notwithstanding the foregoing, in the event of any such initial Public Offering, the CSO Shareholders shall not be diluted to less than 24% of the issued and outstanding Common Stock on a fully diluted basis as a result of such initial Public Offering (including any over-allotment option relating thereto).

ARTICLE 11
MISCELLANEOUS

11.1 TERM. The term of this Agreement shall run until the effective date of an initial Qualified Public Offering, after which time all provisions hereof except Articles 1 (to the extent

applicable), 2, 3, 6, 7, 8, 9, 10 and 11 (other than Section 11.4) and Sections 4.1, 4.2, and 4.6 shall be void and of no further effect. Articles 1 (to the extent applicable), 2, 3, 6, 7, 8, 9, 10 and 11 (other than Section 11.4) and Sections 4.1, 4.2 and 4.6 shall thereafter only continue to be effective as to holders of the Fund Shares, CSO Shares and/or Executive Shares, respectively, so long as each such group of Shareholders continue to own as a group at least 5% of the outstanding Common Stock (after which this Agreement shall no longer apply to any such Shareholder group which does not own as a group at least 5% of the outstanding Common Stock but shall continue to apply to each such other Shareholder group which does own as a group at least 5% of the outstanding Common Stock).

11.2 ADDITIONAL SECURITIES SUBJECT TO AGREEMENT. Each Shareholder agrees that any other equity securities of the Company which it shall hereafter acquire by means of a stock split, stock dividend, distribution, purchase, exercise of an option or otherwise (other than pursuant to a Public Offering) shall be subject to the provisions of this Agreement to the same extent as if held on the date hereof.

11.3 INJUNCTIVE RELIEF. Each Shareholder acknowledges and agrees that a violation of any of the terms of this Agreement will cause the other Shareholders irreparable injury for which adequate remedy at law is not available. Accordingly, it is agreed that holders of seventy percent (70%) of the Fund Shares and/or the holders of seventy percent (70%) of the Executive Shares and/or the holders of seventy percent (70%) of the CSO Shares together (so long as the Executive Shareholders, the Fund Shareholders, or the CSO Shareholders, as the case may be, owns more than 5%, in the aggregate, of the outstanding shares of Common Stock of the Company), shall be entitled to an injunction, restraining order or other equitable relief to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction in the United States or any state thereof, in addition to any other remedy to which they may be entitled at law or equity.

11.4 NO OTHER SHAREHOLDERS AGREEMENTS. Except for the Purchase Agreement, Company Stock Option agreements from time to time outstanding, the Voting Trust Agreement, the 1995 Registration Agreement and the 1997 Registration Agreement, none of the Shareholders shall enter into any other stockholder agreement or other arrangement of any kind with any Person with respect to the Shares or any other securities of the Company, unless otherwise provided for herein or permitted hereby.

11.5 AMENDMENT AND WAIVER. Except as otherwise provided herein, no modification, amendment or waiver or any provision of this Agreement shall be effective against the Company or the Shareholders unless such modification, amendment or waiver is approved in writing by the holders of eighty percent (80%) of the combined number of shares of Common Stock held by each of the Fund Shareholders, Executive Shareholders and CSO Shareholders. The failure of any party to enforce any of the provisions of this Agreement shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

11.6 SUCCESSORS, ASSIGNS AND TRANSFEREES. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; PROVIDED that no Shareholder may assign to any transferee any of its rights hereunder other than in connection with a Transfer to such transferee of Shares in accordance with the provisions of this Agreement.

11.7 NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing and shall be either personally delivered or sent by reputable overnight courier service (charges prepaid) or by confirmed facsimile transmission to the recipient at the address indicated on Schedule 1 attached hereto and to any subsequent holder of Shares subject to this Agreement at such address as indicated by the Company's records or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices shall be deemed to have been given hereunder when delivered personally or by confirmed facsimile transmission and one day after deposit with a reputable overnight courier service.

11.8 INTEGRATION. This Agreement and the documents referred to herein or delivered pursuant hereto contain the entire understanding of the parties with respect to the subject matter hereof and thereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein and therein. This Agreement supersedes and preempts all prior agreements, understandings and representations, written or oral, between the parties with respect to such subject matter.

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

11.10 COUNTERPARTS. This Agreement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

11.11 REPORTING. The Company shall send copies of all documents filed by it with the Securities and Exchange Commission and any applicable stock exchange and all minutes of any director' or shareholders' meetings (including Board committees), or any consent in lieu of meeting to Coflexip, 23 Avenue de Neuilly 75116, Paris, France, Attention: General Counsel.

11.12 INTERPRETATION. The parties acknowledge and agree that: (i) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its

revision; (ii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iii) the terms and provisions of this Agreement shall be construed fairly as to all parties hereto, regardless of which party was generally responsible for the preparation of this Agreement.

11.13 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MINNESOTA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF.

11.14 SECTION HEADINGS. The Section headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CAL DIVE INTERNATIONAL, INC.

By:

Name: Gerald G. Reuhl
Title: Chief Executive Officer

COFLEXIP

By:

Name: Pierre Marie Valentin
Title: Chairman and Chief Executive Officer

FIRST RESERVE SECURED ENERGY ASSETS FUND, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name: David H. Kennedy
Title: Managing Director

FIRST RESERVE FUND V, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name: William E. Macaulay
Title: President

FIRST RESERVE FUND V- 2, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name: William E. Macaulay
Title: President

FIRST RESERVE FUND VI, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name: William E. Macaulay
Title: President

Gordon Ahalt

EXECUTIVES

Gerald Reuhl

Owen Kratz

S. James Nelson

EXHIBIT 4.5

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT, dated as of January 12, 1995 (this "Agreement"), among Cal Dive International, Inc., a Minnesota corporation (the "Company"), First Reserve Secured Energy Assets Fund, Limited Partnership, a Delaware limited partnership ("SEA"), First Reserve Fund V, Limited Partnership, Delaware limited partnership ("Fund V"), First Reserve Fund V-2, Limited Partnership, a Delaware limited partnership ("Fund V-2"). First Reserve Fund VI, Limited Partnership, a Delaware limited partnership ("Fund VI"; together with SEA, Fund V and Fund V-2, the "Funds"), Gerald G. Reuhl, Owen Kratz and S. James Nelson, individually (collectively, the "Executives") and as Trustees of the Cal Dive International, Inc. Voting Trust (the "Trust").

RECITALS

The Funds, the Executives and the Company are parties to a Purchase Agreement, dated as of the date hereof (the "Purchase Agreement"), pursuant to which the Funds are purchasing 221,985 shares of the common stock of the Company without par value ("Common Stock") from the Company's treasury and an aggregate of 332,978 shares of Common Stock from the CDI Shareholders (as defined in the Shareholders Agreement (as defined below)). In order to induce the Funds and the Executives to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement.

The Funds, the CDI Shareholders and the Company are parties to an Amended and Restated Shareholders Agreement, dated as of the date hereof (the "Shareholders Agreement").

The execution and delivery of this Agreement is a condition precedent to the obligation of the Funds to purchase Common Stock from the Company and the CDI Shareholders pursuant to the Purchase Agreement and to enter into the Shareholders Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. (a) Unless otherwise defined herein, terms defined in the Shareholders Agreement are used herein as defined therein. For purposes of this Agreement, the following terms have the meanings set forth below:

"Executive Registrable Securities" means (i) any Common Stock issued to the Executives (or their Permitted Transferees (as defined in the Shareholders Agreement)) and/or issued in the future to other employee shareholders of the Company and held by the Trust, (ii) any common Stock issued or issuable with respect to the Common Stock referred to in clause (i) above by way of stock dividend or stock split, or in connection with a combination of shares, recapitalization, merger, consolidation, or other reorganization. and (iii) any other shares of Common Stock held by the Executives (or their Permitted Transferees) or by the Trust.

"Funds' Registrable Securities" means (i) any Common Stock purchased by the Funds pursuant to the Purchase Agreement, (ii) any Common Stock issued or issuable with respect to the Common Stock referred to in clause (i) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation, or other reorganization, and (iii) any other shares of Common Stock held by the Funds.

"Registrable Securities" means the Executive Registrable Securities and the Funds' Registrable Securities. As to any particular Registrable Securities, such securities shall cease to be Executive Registrable Securities or Funds' Registrable Securities, as the case may be, when they have been distributed to the public pursuant to an offering registered under the Securities Act or sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force). For purposes of this Agreement, a holder shall be deemed to be a holder of Registrable Securities whenever such Person has the right to acquire directly or indirectly such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected.

2. DEMAND REGISTRATIONS.

(a) REQUEST FOR REGISTRATION. At any time after the earlier of (i) the fifth anniversary of the date hereof or (ii) a Public Offering, the holders of (x) the Funds' Registrable Securities or (y) the holders of Executive Registrable Securities, in each case who own, in the aggregate, not less than 10% of the total outstanding shares of Common Stock, as the case may be, may request registration under the Securities Act of all or part of their Funds' Registrable Securities or Executive Registrable Securities, respectively. Within ten days after receipt of any such request (which shall specify the amount of Registrable Securities to be registered), the Company shall give written notice of such requested registration to all other holders of Registrable Securities and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein

within 15 days after the receipt of the Company's notice. All registrations requested pursuant to this Section 2(a) are referred to herein as -Demand

Registrations."

(b) DEMAND REGISTRATIONS. The holders of Funds' Registrable Securities and Executive Registrable Securities will each be entitled to request two Demand Registrations; PROVIDED, that, at the time of such request, the holders making such request own, in the aggregate, not less than 10% of the total outstanding shares of Common Stock. A registration will not count as one of the permitted Demand Registrations until it has become effective, and a registration initiated as a Demand Registration will not count as one of the permitted Demand Registrations unless the holders of the Funds' Registrable Securities or the Executive Registrable Securities, as the case may be, initiating such Demand Registration are able to register and sell at least 50% of the Registrable Securities requested by such holder to be included in such registration; PROVIDED that in any event the Company shall pay all Registration Expenses in connection with any registration initiated as a Demand Registration. All Demand Registrations shall be underwritten registrations. The Company and each holder will pay a pro rata portion of the Registration Expenses in accordance with Section 6(c).

(c) PRIORITY ON DEMAND REGISTRATIONS. The Company shall not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the holders of a majority of the Registrable Securities initially requesting such registration. If in connection with a Demand Registration the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering, exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the Registrable Securities initially requesting registration, the Company shall include in such registration (i) first, up to 50% of the Registrable Securities requested to be included in such registration, pro rata among the holders of such securities on the basis of the number of Shares owned by the Funds (with respect to those Registrable Securities requested to be included which are held by the Funds), on the one hand, and the Executives (with respect to those Registrable Securities requested to be included which are held by the Executives), on the other, (ii) second, all remaining Fund Registrable Securities and any Executive Registrable Securities requested to be included in such registration, pro rata among the holder of such securities on the basis of the number of Shares owned by the Funds, on the one hand, and the Executives, on the other (excluding the Funds' Registrable Securities and the Executive Registrable Securities included pursuant to (i) above) and (iii) third, other securities requested to be included in such registration.

(d) RESTRICTIONS ON DEMAND REGISTRATION. The Company shall not be obligated to effect any Demand Registration within six months after the effective date of a previous Demand Registration or a registration in which the holders of Registrable Securities were given piggyback rights pursuant to Section 3 and in which there was no reduction in the number of Registrable Securities requested to be included. The Company may postpone for up to six months the filing or the effectiveness of a registration statement for a Demand Registration if the Company and the holders of a majority of each of the Funds' Registrable Securities and the Executive Registrable Securities agree that such Demand Registration would reasonably be expected to have an adverse effect on any proposal or plan by the Company or any of its Subsidiaries to engage in any acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or similar transaction; PROVIDED that in such event, the holders of the Funds' Registrable Securities or the Executive Registrable Securities requesting such Demand Registration shall be entitled to withdraw such request and, if such request is withdrawn, such Demand Registration shall not count as a Demand Registration.

(e) SELECTION OF UNDERWRITERS. The holders of a majority of the Registrable Securities included in any Demand Registration shall have the right to recommend the investment banker(s) and manager(s) to administer the offering, subject to the approval of a majority of the Board which shall not be unreasonably withheld; PROVIDED, that if any of the Funds' Registrable Securities are to be included in such Demand Registration, such underwriter shall be acceptable to the Funds.

(f) OTHER REGISTRATION RIGHTS. Except as provided in this Agreement, the Company shall not grant to any Person the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, without the prior written consent of the holders of a majority of each of the Funds' Registrable Securities and the Executive Registrable Securities; PROVIDED that the Company may grant rights to other Persons to (i) participate in Piggyback Registrations so long as such rights are subordinate to the rights of the holders of Registrable Securities with respect to such Piggyback Registrations and (ii) request registrations so long as the holders of Registrable Securities are entitled to participate in any such registrations with such Persons pro rata on the basis of the number of Shares owned by such Persons and such participating holders of Registrable Securities (assuming for this purpose that all Shares owned by all Funds are aggregated, on the one hand, and all Shares owned by all Executives are aggregated, on the other hand).

(g) REGISTRATION STATEMENT FORM. If any registration requested pursuant to this Section 2 which is proposed by the Company to be effected by the filing of a registration statement on Form S-3 (or any successor or similar short-form registration statement) shall be in connection with an

underwritten public offering, and if the managing underwriter shall advise the Company in writing that, in its opinion, the use of another form of registration statement is of material importance to the success of such proposed offering,

then such registration shall be effected on such other form.

(h) EFFECTIVE REGISTRATION STATEMENT. A registration requested pursuant to this Section 2 will not be deemed to have been effected unless it has become effective; PROVIDED that if within 180 days after it has become effective, the offering of Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the Securities and Exchange Commission or other governmental agency or court, such registration will be deemed not to have been effected.

3. PIGGYBACK REGISTRATIONS.

(a) RIGHT TO PIGGYBACK. Whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"}, the Company shall give prompt written notice (in any event within three business days after its receipt of notice of any exercise of demand registration rights other than under this Agreement) to all holders of Registrable Securities (and to other holders of such securities) of its intention to effect such a registration and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after such holder's receipt of the Company's notice.

(b) PIGGYBACK EXPENSES. The Registration Expenses of the holders of Registrable Securities shall be paid by the Company in all Piggyback Registrations.

(c) PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the Registrable Securities initially requested to be included in such registration, the Company shall include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Funds' Registrable Securities and the Executive Registrable Securities requested to be included in such registration, pro rata among the holders of such securities on the basis of the number of shares owned by each such holder (assuming for this purpose that all Shares owned by all Funds are aggregated, on the one hand, and all Shares owned by all Executives are

aggregated, on the other hand) and (iii) third, other securities requested to be included in such registration.

(d) PRIORITY ON SECONDARY REGISTRATIONS. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the securities initially requesting such registration, the Company shall include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration and the Funds' Registrable Securities and the Executive Registrable Securities requested to be included in such registration, pro rata among the holders of such securities on the basis of the number of shares owned by each such holder (assuming for this purpose that securities owned by all Funds, on the one hand, and all Executives, on the other hand, are aggregated) and (ii) second, other securities requested to be included in such registration.

(e) OTHER REGISTRATIONS. If the Company has previously filed a registration statement with respect to Registrable Securities pursuant to Section 2 or pursuant to this Section 3, and if such previous registration has not been withdrawn or abandoned, the Company shall not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least six months has elapsed from the effective date of such previous registration.

4. HOLDBACK AGREEMENTS.

(a) Each holder of Registrable Securities agrees not to effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 90-day period beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration in which Registrable Securities are included (except as part of such underwritten registration), unless the underwriters managing the registered public offering otherwise agree.

(b) The Company agrees (i) not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and during the 90-day period beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback

Registration (except as part of such underwritten registration or pursuant to registrations on Form S-8 or any successor form), unless the underwriters managing the registered public offering otherwise agree, and (ii) to cause each holder of at least 2% (on a fully-diluted basis) of its equity securities, or any securities convertible into or exchangeable or exercisable for such

securities, purchased from the Company at any time after the date hereof (other than in a registered public offering) to agree not to effect any public sale or distribution (including sales pursuant to Rule 144) of any such securities during such period (except as part of such underwritten registration, if permitted herein), unless the underwriters managing the registered public offering otherwise agree.

5. REGISTRATION PROCEDURES.

(a) Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company shall use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(i) prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to the counsel selected by the holders of a majority of the Funds' Registrable Securities covered by such registration statement copies of all such documents proposed to be filed, which documents shall be subject to the review and approval of such counsel);

(ii) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than six months and comply with the provisions of the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(iii) furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits), the

prospectus included in such registration statement (including each preliminary prospectus and summary prospectus) in conformity with the requirements of the Securities Act, and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(iv) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller and the managing underwriter or underwriters may reasonably request and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller; PROVIDED that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection, (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction;

(v) notify each seller of such Registrable Securities and the managing underwriter or underwriters, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any fact required to be stated therein to make the statements therein not misleading in the light of the circumstances then existing, and, at the request of any such seller, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact required to be stated therein to make the statements therein not misleading in the light of the circumstances then existing;

(vi) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed on the NASD automated quotation system;

(vii) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(viii) enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order

to expedite or facilitate the disposition of such Registrable Securities (including effecting a stock split or a combination of shares);

(ix) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to

such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(x) otherwise use its best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(xi) obtain a cold comfort letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the holders of a majority of the Registrable Securities being sold reasonably request (provided that such Registrable Securities constitute at least 10% of the securities covered by such registration statement); and

(xii) if any such registration or comparable statement refers to any holder of Funds' Registrable Securities by name or otherwise as the holder of any securities of the Company and if in its sole and exclusive judgment, such holder is or might be deemed to be a controlling person of the Company, such holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such holder and presented to the Company in writing, to the effect that the holding by such holder of such securities is not to be construed as a recommendation by such holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such holder shall assist in meeting any future financial requirements of the Company or (ii) in the event that such reference to such holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such holder; PROVIDED

that with respect to this clause (ii) such holder shall furnish to the Company an opinion of counsel to such effect, which opinion and counsel shall be reasonably satisfactory to the Company.

(b) Each seller of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the type described in clause (v) of Section 5(a) hereof, such seller shall forthwith discontinue disposition of such Registrable Securities covered by such registration statement or related prospectus until such seller's receipt of the copies of the supplemental or amended prospectus contemplated by clause (v) of Section 5(a) hereof, and, if so directed by the Company, such seller will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such seller's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period mentioned in clause (ii) of Section 5(a) hereof shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to clause (v) of Section 5(a) hereof and including the date when each seller of Registrable Securities shall have received the copies of the supplemental or amended prospectus contemplated by clause (v) of Section 5(a) hereof.

(c) Each seller of Registrable Securities agrees to provide the Company, upon receipt of its request, with such information about such seller to enable the Company to comply with the requirements of the Securities Act and to execute such certificates as the Company may reasonably request in connection with such information and otherwise to satisfy any requirements of law.

6. REGISTRATION EXPENSES.

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), shall be borne as provided in this Agreement, except that the Company shall, in any event, pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed or, if not so listed, on the NASD automated quotation system.

(b) In connection with each Demand Registration and each Piggyback Registration, the Company shall reimburse the holders of Registrable Securities covered by such registration for the reasonable fees (not exceeding, in the aggregate, $25,000 for each registration) and disbursements of one counsel chosen by the holders of a majority of the Funds' Registrable Securities.

(c) To the extent Registration Expenses are not required to be paid by the Company, each holder of securities included in any registration hereunder shall pay those Registration Expenses allocable to the registration of such

holder's securities so included, and any Registration Expenses not so allocable shall be borne by all sellers of securities included in such registration in proportion to the aggregate selling price of the securities to be so registered.

7. INDEMNIFICATION.

(a) The Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities, its officers and directors or general and limited partners and each Person who controls such holder (within the meaning of the Securities Act) against any and all losses, claims, damages, liabilities and expenses arising out of or based upon (i) any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and the Company will reimburse such Persons for any legal or any other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, liability, action or proceeding; PROVIDED, that the Company shall not be liable to any Person in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or summary prospectus in reliance upon and in conformity with written information with respect to such seller furnished to the Company by such seller for use in the preparation thereof. In connection with an underwritten offering, the Company shall indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder shall furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration

statement or prospectus and, to the extent permitted by law, shall indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such holder; PROVIDED that the obligation to indemnify shall be individual to each holder and shall be limited to the net amount of proceeds received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; PROVIDED, that the failure of the indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 7, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties With respect to such claim.

(d) The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities. The Company also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event the Company's indemnification is unavailable for any reason.

(e) Indemnification similar to that specified in the preceding subsections of this Section 7 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect

to any required registration or other qualification of securities under any federal or state law or regulation or governmental authority other than the Securities Act.

(f) The obligations of the parties under this Section 7 shall be in addition to any liability which any party may otherwise have to any other party.

8. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS. No Person may participate in any registration hereunder which is underwritten unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires,

powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements; PROVIDED that no holder of Registrable Securities included in any underwritten registration shall be required to make any representations or warranties to the Company or the underwriters other than representations and warranties regarding such holder and such holder's intended method of distribution.

9. RULE 144. If the Company shall have filed a registration statement pursuant to the requirements of Section 12 of the Exchange Act or a registration statement pursuant to the requirements of the Securities Act, the Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder (or, if the Company is not required to file such reports, it will, upon the request of any holder of Shares, make publicly available such information), and it will take such further action as any holder may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Securities and Exchange Commission. Upon the request of any holder of Shares, the Company will deliver to such holder a written statement as to whether it has complied with such requirements. Notwithstanding anything contained in this Section 9, the Company may deregister under Section 12 of the Exchange Act if it then is permitted to do so pursuant to the Exchange Act and the rules and regulations promulgated thereunder.

10. MISCELLANEOUS.

(a) NO INCONSISTENT AGREEMENTS. The Company shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the holders of Registrable Securities under this Agreement.

(b) ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES. The Company shall not take any action, or permit any change to occur, with respect to its securities which would materially and adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would materially and adversely affect the marketability of such Registrable Securities in any such registration (including effecting a stock split or a combination of shares).

(c) REMEDIES. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically, to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or other security) for specific performance and for other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

(d) CONSENT TO AMENDMENTS. Except as otherwise expressly provided herein, no modification, amendment or waiver or any provision of this Agreement shall be effective against the Company or the holders of the Registrable Securities unless such modification, amendment or waiver is approved in writing by the Company, the holders of a majority of the Funds' Registrable Securities, and with respect to any amendment materially and adversely affecting the rights of the holders of the Executive Registrable Securities, the holders of a majority of the Executive Registrable Securities. The failure of any party to enforce any of the provisions of this Agreement shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(e) SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided that the rights granted under this Agreement to the holders of Registrable Securities may not be assigned by them except as permitted by Section 4.6 of the Shareholders Agreement. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of purchasers or holders of Registrable Securities are also for the benefit of, and enforceable by, any subsequent holder of Registrable Securities.

(f) SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not

invalidate or render unenforceable such provisions in any other jurisdiction.

(g) COUNTERPARTS. This Agreement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

(H) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MINNESOTA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

(i) SECTION HEADINGS. The Section headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(j) NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing and shall be either personally delivered or sent by reputable overnight courier service (charges prepaid) or by confirmed facsimile transmission to the recipient at the address for such recipient provided in the Purchase Agreement and to any subsequent holder of Registrable Securities subject to this Agreement at such address as indicated by the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices shall be deemed to have been given hereunder when delivered personally or by confirmed facsimile transmission and one day after deposit with a reputable overnight courier service.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CAL DIVE INTERNATIONAL, INC.

By:
Name:
Title:

FIRST RESERVE SECURED ENERGY ASSETS FUND, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name:
Title:

FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name:
Title:

FIRST RESERVE FUND VI, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By:

Name:
Title:

EXECUTIVES

Gerald G. Reuhl

Owen Kratz

S. James Nelson

CAL DIVE INTERNATIONAL, INC.
VOTING TRUST

By:

Name:
Title:

By:

Name:
Title:

1997 REGISTRATION RIGHTS AGREEMENT

This 1997 REGISTRATION RIGHTS AGREEMENT, dated as of April 11, 1997 (this "Agreement"), is between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and Coflexip, a French corporation ("CSO").

RECITALS

CSO and the Company are parties to a Purchase Agreement, dated as of April 11, 1997 (the "Purchase Agreement"), pursuant to which CSO is purchasing 3,699,788 shares of the common stock of the Company, without par value the ("Common Stock"), as described in the Purchase Agreement. In order to induce CSO to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement.

The execution and delivery of this Agreement is a condition precedent to the obligation of CSO to accept Common Stock from the Company and the Selling Shareholders pursuant to the Purchase Agreement and to enter into the 1997 Shareholders Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. (a) Unless otherwise defined herein, terms defined in the Purchase Agreement are used herein as defined therein. For purposes of this Agreement, the following terms have the meanings set forth below:

"CSO Registrable Securities" means (i) any Common Stock issued by the Company or purchased by CSO from the Selling Securityholders under the Purchase Agreement, and (ii) any other Common Stock acquired by CSO, including, without limitation, any Common Stock issued or issuable with respect to the Common Stock referred to in clause (i) above by way of a stock dividend or stock split, or in connection with a combination of shares, recapitalization, merger, consolidation, reorganization or similar event.

"Public Offering" means any sale of capital stock of the Company to the public pursuant to an effective registration statement filed under the Securities Act.

"Registrable Securities" means the CSO Registrable Securities, Executive Registrable Securities and the Funds' Registrable Securities (as the latter two terms are defined in the Registration Rights Agreement dated January 12, 1995 between, among others, the Company, the Funds and the Executives (the "1995 Registration Agreement")). As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when they have been distributed to the public pursuant to an offering registered under the Securities Act or sold to the public through a broker, dealer, or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force).

"Shareholders Agreement" means the 1997 Shareholders Agreement among CSO, the Company, the Executives and the Funds dated as of the date hereof.

2. DEMAND REGISTRATIONS.

(a) REQUEST FOR REGISTRATION. At any time, and from time to time, after the earlier of (i) January 12, 2000 or (ii) a Public Offering, CSO or the holders of the CSO Registrable Securities owning at least 25% of the CSO Registrable Securities then outstanding may request registration under the Securities Act of all or part of the CSO Registrable Securities. Within ten days after receipt of any such request (which shall specify the amount of CSO Registrable Securities to be registered), the Company shall give written notice of such requested registration to all other holders of Registrable Securities and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice. All registrations requested pursuant to this Section 2(a) are referred to herein as "Demand Registrations."

(b) DEMAND REGISTRATIONS. The holders of the CSO Registrable Securities are entitled to request and have effected up to three (3) Demand Registrations, PROVIDED, that at the time of such request the holders of CSO Registrable Securities own, in the aggregate, not less than 5% of the total outstanding shares of Common Stock. A registration will not count as one of the permitted Demand Registrations until it has become effective, and a registration initiated as one of the Demand Registrations will not count as one of the permitted Demand Registrations unless the holders of the CSO Registrable Securities are able to register and sell at least 50% of the CSO Registrable Securities requested by such holders to be included in such registration. All Demand Registrations shall be underwritten registrations.

(c) PRIORITY ON DEMAND REGISTRATIONS. The Company shall not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the holders of a majority of the CSO Registrable Securities. If in connection with a Demand Registration the managing underwriters advise the Company and the holders of Registrable Securities in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering, exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the CSO Registrable Securities, the Company shall include in such registration (i) first, the Registrable Securities requested to be included in such registration, allocated pro rata among the

Funds, the holders of CSO Registrable Securities and the Executives based on the number Registrable Securities owned, in the aggregate, by the Funds, the holders of CSO Registrable Securities and the Executives, respectively (with the Registrable Securities which are included in the registration for the Funds, the holders of CSO Registrable Securities and the Executives being allocated among the holders within each such group pro rata based on the number of Registrable Securities owned by each holder within the group or in such other manner as the holders within each group shall otherwise agree), and (ii) second, other securities requested to be included in such registration.

(d) RESTRICTIONS ON DEMAND REGISTRATIONS. The Company shall not be obligated to effect any Demand Registration within six months after (i) the effective date of a previous Demand Registration, (ii) the effective date of an S-3 Registration (as defined in Section 4(a) hereof), or (iii) a registration in which the holders of CSO Registrable Securities were given piggyback rights pursuant to Section 3 and in which there was no reduction in the number of CSO Registrable Securities requested to be included. The Company may postpone for up to 90 days the filing or the effectiveness of a registration statement for a Demand Registration if the Company and the holders of a majority of the CSO Registrable Securities agree that such Demand Registration would reasonably be expected to have a material adverse effect on any proposal or plan by the Company or any of its Subsidiaries to engage in any acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or similar transaction; PROVIDED, that in such event, the holders of the CSO Registrable Securities requesting such

Demand Registration shall be entitled to withdraw such request and, if such request is withdrawn, such Demand Registration shall not count as a Demand Registration.

(e) SELECTION OF UNDERWRITERS. The holders of a majority of the CSO Registrable Securities included in any Demand Registration shall have the right to recommend the investment banker(s) and manager(s) to administer the offering, subject to the approval of the Company, which shall not be unreasonably withheld, delayed or conditioned.

(f) OTHER REGISTRATION RIGHTS. Except as provided in this Agreement and the 1995 Registration Agreement, the Company shall not grant to any Person the right to require the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, without the prior written consent of the holders of a majority of the CSO Registrable Securities; PROVIDED, that the Company may grant rights to other Persons who agree to be bound by the provisions of Section 8(d) of this Agreement or enter into a comparable agreement with the Company of which the holders of CSO Registrable Shares are a third-party beneficiary to (i) participate in Piggyback Registrations so long as such rights are subordinate to the rights of the holders of CSO Registrable Securities with respect to such Piggyback Registrations and (ii) request registrations so long as the holders of CSO Registrable Securities are entitled to participate in any such registrations with such Persons pro rata on the basis of the number of shares owned by such Persons and such participating holders of CSO Registrable Securities (assuming for this purpose that all shares owned by all participating holders of CSO Registrable Securities are aggregated, on the one hand, and all shares owned by all other Persons participating in such Registration are aggregated, on the other hand).

(g) REGISTRATION STATEMENT FORM. If any Demand Registration which is proposed by the Company to be effected by the filing of a registration statement on Form S-3 (or any successor or similar short-form registration statement) shall be in connection with an underwritten public offering, and if the managing underwriter shall advise the Company in writing that, in its opinion, the use of another form of registration statement is of material importance to the success of such proposed offering, then such registration shall be effected on such other form.

(h) EFFECTIVE REGISTRATION STATEMENT. A Demand Registration will not be deemed to have been effected unless it has become effective; PROVIDED that if within 180 days after it has become effective, the offering of CSO Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the Securities and Exchange Commission or other governmental agency or court, such registration will be deemed not to have been effected.

3. PIGGYBACK REGISTRATIONS.

(a) RIGHT TO PIGGYBACK. Whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration or S-3 Registration requested by holders of CSO Registrable Securities) and the registration form to be used may be used for the registration of CSO Registrable Securities (a "Piggyback Registration"), the Company shall give prompt written notice (in any event within three business days after its receipt of notice of any exercise of demand registration rights other than under this Agreement) to all holders of CSO Registrable Securities of its intention to effect such a registration and shall include in such registration all CSO Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after such holder's receipt of the Company's notice.

(b) PIGGYBACK NOT A DEMAND REGISTRATION. The exercise by holders of CSO Registrable Securities of their rights under this Section 3 shall not constitute a Demand Registration under Section 2 hereof.

(c) PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company and the holders of Registrable Securities in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Company, the Company shall include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration, allocated pro rata among the Funds, the holders of CSO Registrable Securities and the Executives based on the number Registrable Securities owned, in the aggregate, by the Funds, the holders of CSO Registrable Securities and the Executives, respectively (with the Registrable Securities which are included in the registration for the Funds, the holders of CSO Registrable Securities and the Executives being allocated among the holders within each such group pro rata based on the number of Registrable Securities owned by each holder within the group or in such other manner as the holders within each group shall otherwise agree), and (iii) third, other securities requested to be included in such registration.

(d) PRIORITY ON SECONDARY REGISTRATIONS. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities, and the managing underwriters advise the Company and the holders of Registrable Securities in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the securities initially requesting such registration, the Company shall include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration and the Registrable Securities requested to be included in such registration, allocated pro rata among holders requesting the registration, the Funds, the holders of CSO Registrable Securities and the Executives based on the number Registrable Securities owned, in the aggregate, by the holders requesting the registration, the Funds, the holders of CSO Registrable Securities and the Executives, respectively (with the Registrable Securities which are included in the registration for the holders requesting the registration, the Funds, the holders of CSO Registrable Securities and the Executives being allocated among the holders within each such group pro rata based on the number of Registrable Securities owned by each holder within the group or in such other manner as the holders within each group shall otherwise agree) and (ii) second, other securities requested to be included in such registration.

(e) OTHER REGISTRATIONS. If the Company has filed a registration statement with respect to Registrable Securities pursuant to Section 2 or 4 or subject to this Section 3, and if such registration statement has not been withdrawn or abandoned, the Company shall not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least six months has elapsed from the effective date of such previous registration statement.

4. FORM S-3 REGISTRATIONS.

(a) If the Company becomes eligible to use Form S-3 under the Securities Act or a comparable successor form, the Company shall use its reasonable best efforts to continue to qualify at all times for registration of its capital stock on Form S-3 or such successor form. In such event, CSO or the holders of CSO Registrable Securities owning at least 25% of the CSO Registrable Securities then

outstanding shall have the right, from time to time, to request and have effected up to three (3) registrations of shares of CSO Registrable Securities on Form S-3 or such successor form (which request shall specify the amount of CSO Registrable Securities to be registered), PROVIDED, that, at the time of such request, the holders of CSO Registrable Securities own, in the aggregate, not less than 5% of the total outstanding shares of Common Stock. All registrations requested pursuant to this Section 4(a) are referred to herein as "S-3 Registrations." A registration will not count as one of the permitted S-3 Registrations until it has become effective. If so requested by any holder of CSO Registrable Securities in connection with an S-3 Registration, the Company shall take such steps as are required to register such holder's CSO Registrable Securities for sale on a delayed or continuous basis under Rule 415 and shall take such steps as are required to keep such registration effective until all of such holder's CSO Registrable Securities registered thereunder are sold. S-3 Registrations need not be underwritten unless either the Company (if it includes shares in the S-3 Registration pursuant to Section 4(b) hereof) or the holders of a majority of the CSO Registrable Securities demanding the registration request that it be underwritten.

(b) USE OF ALTERNATE REGISTRATION STATEMENTS; PRIORITY IN S-3 REGISTRATIONS. At the Company's option, the Company may elect to include in an S-3 Registration, Common Stock to be issued by the Company and, if required in order to effect the registration of such securities, cause the registration to be made pursuant to a registration statement on Form S-1 or S-2, which shall count as one of the five S-3 Registrations. If in connection with an underwritten S-3 Registration the managing underwriters advise the Company and the holders of Registrable Securities in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering, exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the CSO Registrable Securities, the Company shall include in such registration (i) first, the Registrable Securities requested to be included in such registration, allocated pro rata among the Funds, the holders of CSO Registrable Securities and the Executives based on the number Registrable Securities owned, in the aggregate, by the Funds, the holders of CSO Registrable Securities and the Executives, respectively (with the Registrable Securities which are included in the registration for the Funds, the holders of CSO Registrable Securities and the Executives being allocated among the holders within each such group pro rata based on the number of Registrable Securities owned by each holder within the group or in such other manner as the holders within each group shall otherwise agree), and (ii) second, other securities requested to be included in such registration.

(c) RESTRICTIONS ON S-3 REGISTRATIONS. The Company shall not be obligated to effect any S-3 Registration within six months after (i) the effective date of a previous Demand Registration, (ii) the effective date of a previous S-3 Registration hereof, or (iii) a registration in which the holders of CSO Registrable Securities were given piggyback rights pursuant to Section 3 and in which there was no reduction in the number of CSO Registrable Securities requested to be included. The Company may postpone for up to 90 days the filing or the effectiveness of a registration statement for an S-3 Registration if the Company and the holders of a majority of the CSO Registrable Securities agree that such S-3 Registration would reasonably be expected to have a material adverse effect on any proposal or plan by the Company or any of its Subsidiaries to engage in any acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or similar transaction; PROVIDED, that in such event, the holders of the CSO Registrable Securities requesting such S-3 Registration shall be entitled to withdraw such request and, if such request is withdrawn, such S-3 Registration shall not count as an S-3 Registration.

(d) SELECTION OF UNDERWRITERS. In an underwriter is requested pursuant to Section 4(a) hereof, the holders of a majority of the CSO Registrable Securities included in the S-3 Registration shall have the

right to recommend the investment banker(s) and manager(s) to administer the offering, subject to the approval of the Company which shall not be unreasonably withheld, delayed or conditioned.

(e) EFFECTIVE REGISTRATION STATEMENT. An S-3 Registration will not be deemed to have been effected unless it has become effective; PROVIDED that if within 180 days after it has become effective, the offering of CSO Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the Securities and Exchange Commission or other governmental agency or court, such registration will be deemed not to have been effected.

5. HOLDBACK AGREEMENTS. Each holder of CSO Registrable Securities agrees not to effect any public sale or distribution of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 90-day period beginning on the effective date of the first registration statement of the Company declared effective under the Securities Act unless the underwriters managing the related offering otherwise agree; PROVIDED, that the holders of the CSO Registrable Securities shall not be so restricted unless comparable agreements are entered into by each executive officer and director of the Company and each holder of at least 2% (on a fully-diluted basis) of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, purchased from the Company at any time after the date hereof.

6. REGISTRATION PROCEDURES.

(a) Whenever the holders of CSO Registrable Securities have requested that any CSO Registrable Securities be registered pursuant to this Agreement, the Company shall use its best efforts to effect the registration and the sale of such CSO Registrable Securities in accordance with the intended method or disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(i) prepare and file with the Securities and Exchange Commission a registration statement with respect to such CSO Registrable Securities and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to one counsel selected by the holders of CSO Registrable Securities covered by such registration statement copies of all such documents proposed to be filed, which documents shall be subject to the review and approval of such counsel);

(ii) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than six months and comply with the provisions of the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof disclosed to the Company by such sellers or set forth in such registration statement;

(iii) furnish to each seller of CSO Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits), the prospectus included in such registration statement (including each preliminary prospectus and summary prospectus) in conformity with the requirements of the Securities Act, and such other documents as such seller may reasonably request in order to facilitate the disposition of the CSO Registrable Securities owned by such seller;

(iv) use its best efforts to register or qualify such CSO Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller and the managing underwriter or underwriters may reasonably request and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the CSO Registrable Securities owned by such seller; PROVIDED that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection, or (ii) subject itself to taxation in any such jurisdiction;

(v) notify each seller of such CSO Registrable Securities and the managing underwriter or underwriters, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any fact required to be stated therein to make the statements therein not misleading in the light of the circumstances then existing, and, at the request of any such seller, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchaser of such CSO Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact required to be stated therein to make the statements therein not misleading in the light of the circumstances then existing;

(vi) cause all such CSO Registrable Securities to be listed on each securities exchange (including the NASDAQ National Market) on which similar securities issued by the Company are then listed and, if not so listed, to be listed on the NASD automated quotation system;

(vii) provide a transfer agent and registrar for all such CSO Registrable Securities not later than the effective date of such registration statement;

(viii)enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the CSO Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such CSO Registrable Securities (including effecting a stock split or a combination of shares);

(ix) make available for inspection by any seller of CSO Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees, attorneys and independent accountants to supply all information reasonably requested (and not privileged in the case of information from attorneys) by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(x) otherwise use its best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(xi) obtain for the benefit of the holders of CSO Registrable Securities included in the registration a cold comfort letter from the Company's independent public accountants in customary form

and covering such matters of the type customarily covered by cold comfort letters as the holders of a majority of the CSO Registrable Securities being sold reasonably request;

(xii) obtain for the benefit of the holders of CSO Registrable Securities included in the registration an opinion of counsel in customary form and covering such matters of the type customarily covered by underwriters in an underwritten public offering; and

(xiii)if any such registration or comparable statement refers to any holder of CSO Registrable Securities by name or otherwise as the holder of any securities of the Company and if in its sole and exclusive judgment, such holder is or might be deemed to be a controlling Person of the Company, such holder shall have the right to require (A) the insertion therein of language, in form and substance satisfactory to such holder and presented to the Company in writing, to the effect that the holding by such holder of such securities is not to be construed as a recommendation by such holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such holder shall assist in meeting any future financial requirements of the Company or (B) in the event that such reference to such holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such holder; PROVIDED that with respect to this clause (B) such holder shall furnish to the Company an opinion of counsel to such effect, which opinion of counsel shall be reasonably satisfactory to the Company.

(b) Each seller of CSO Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the type described in clause (v) of Section 6(a) hereof, such seller shall forthwith discontinue disposition of such CSO Registrable Securities covered by such registration statement or related prospectus until such seller's receipt of the copies of the supplemental or amended prospectus contemplated by clause (v) of Section 6(a) hereof, and, if so directed by the Company, such seller will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such seller's possession, of the prospectus covering such CSO Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period mentioned in clause (ii) of Section 6(a) hereof shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to clause (v) of Section 6(a) hereof and including the date when each seller of CSO Registrable Securities shall have received the copies of the supplemental or amended prospectus contemplated by clause (v) of Section 6(a) hereof.

(c) Each seller of CSO Registrable Securities agrees to provide the Company, upon receipt of its request, with such information about such seller as is necessary to enable the Company to comply with the requirements of the Securities Act and to execute such certificates as the Company may reasonably request in connection with such information and otherwise to satisfy any requirements of law.

7. REGISTRATION EXPENSES.

(a) PAYMENT OF REGISTRATION EXPENSES. All expenses incident to the Company's performance of or compliance with this Agreement, including all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other Persons retained by the Company, internal expenses, liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange (including the NASDAQ National Market) on which similar securities issued by the Company are then listed or, if not so listed, on the NASD automated quotation system (all such expenses being herein called "Registration Expenses"), shall be borne by the Company or such holders of Registrable

Securities or other securities included in the registration (other than holders of CSO Registrable Securities) with whom the Company has agreements regarding the payment of such Registration Expenses.

(b) COUNSEL OF CSO HOLDERS. In connection with each Demand Registration, S-3 Registration and each Piggyback Registration in which only the Company and holders of CSO Registrable Securities participate, the Company shall reimburse the holders of CSO Registrable Securities covered by such registration for the reasonable fees and disbursements of one counsel chosen by the holders of a majority of the CSO Registrable Securities requested to be included in such registration; PROVIDED, such counsel shall agree to represent the other holders of Registrable Securities or other securities included in such registration if requested by such other holders. In connection with each Piggyback Registration in which holders of CSO Registrable Securities participate which is not subject to the preceding sentence, the Company shall arrange for the holders of CSO Registrable Securities covered by such registration to be represented, jointly with holders of other securities included in such registration and without expense to the holders of the CSO Registrable Securities included in such registration, by counsel acceptable to the holders of a majority of the CSO Registrable Securities requested to be included in such registration, which acceptance shall not be unreasonably withheld.

8. INDEMNIFICATION

(a) The Company agrees to indemnify, to the extent permitted by law, each holder of CSO Registrable Securities, its officers and directors, general and limited partners, employees and agents and each Person who controls such holder (within the meaning of the Securities Act or the Exchange Act) against any and all losses, claims, damages, liabilities and expenses (including any amount paid in settlement of any action, suit or proceeding or any claim asserted subject to Section 8(c) below) arising out of or based upon (i) any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing or (iii) any violation by the Company of the Securities Act or any rule or regulation thereunder in connection with such registration, and the Company will reimburse such Persons for any legal or any other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, liability, action or proceeding or enforcing its rights under this Section 8; PROVIDED, that the Company shall not be liable to any Person in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or summary prospectus in reliance upon and in conformity with written information with respect to such seller furnished to the Company by such seller expressly for use in the preparation thereof. In connection with an underwritten offering, the Company shall indemnify such underwriters, their officers and directors, general and limited partners, employees and agents and each Person who controls such underwriters (within the meaning of the Securities Act or the Exchange Act) to the same extent as provided above with respect to the indemnification of the holders of CSO Registrable Securities.

(b) In connection with any registration statement in which a holder of CSO Registrable Securities is participating, each such holder shall furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, shall indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment

thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such holder expressly for use in such Registration Statement, PROVIDED that the obligation to indemnify shall be individual to each holder and shall be limited to the net amount of proceeds received by such holder from the sale of CSO Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; PROVIDED, that the failure of the indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 8, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not, to assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnifying party, a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities. If the indemnification provided for in this Section 8 for any reason is held by a court of competent jurisdiction to be unavailable to an indemnified party in respect of any losses, claims, damages, expenses or liabilities referred to therein, then each indemnifying party under this Section 8, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, expenses or liabilities in such proportion as is appropriate to reflect (i) the relative benefits received by the Company, the holders of Registrable Securities or other securities sold in an offering (the "Selling Holders") and the underwriters from the offering, (ii) the relative fault of the Company, the Selling Holders and the underwriters in connection with the statements or omissions which resulted in such losses, claims, damages, expenses or liabilities, and (iii) any other relevant equitable considerations. The relative benefits received by the Company, the Selling Holders and the underwriters shall be deemed to be in the same respective proportions as the net proceeds from the offering (before deducting expenses) received by the Company and the Selling Holders and the underwriting discount received by the underwriters, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities sold in the offering. The relative fault of the Company, the Selling Holders and the underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Holders or the underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the holders of the CSO Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this subsection. In no event, however, shall a Selling Holder be required to contribute any amount under this Section 8 in excess of the net amount of proceeds received by such Selling Holder from its sale of securities under such registration statement. No Person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f)

of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Indemnification similar to that specified in the preceding subsections of this Section 8 (with appropriate modifications) shall be given by the Company and each seller of CSO Registrable Securities with respect to any required registration or other qualification of securities under any federal or state law or regulation or governmental authority other than the Securities Act.

(f) The obligations of the parties under this Section 8 shall be in addition to any liability which any party may otherwise have to any other party.

9. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS. No Person may participate in any registration hereunder which is underwritten unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements; PROVIDED that no holder of CSO Registrable Securities included in any underwritten registration shall be required to make any representations or warranties to the Company or the underwriters other than representations and warranties regarding such holder and such holder's intended method of distribution.

10. RULES 144 AND 144A.

(a) RULE 144. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder (or, if the Company is not required to file such reports, it will, upon the request of any holder of CSO Registrable Securities, make publicly available such information), and it will take such further action as any holder may reasonably request, all to the extent required from time to time to enable such holder to sell CSO Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Securities and Exchange Commission. Upon the request of any holder of CSO Registrable Securities from time to time, the Company will deliver to any such holder (i) a written statement as to whether it has complied with such requirements, and (ii) at the Company's expense, an opinion of the Company's counsel as to the availability of an exemption from registration in connection with a proposed transfer of CSO Registrable Securities by such holder. Notwithstanding anything contained in this Section 10, the Company may deregister under Section 12 of the Exchange Act if it then is permitted to do so pursuant to the Exchange Act and the rules and regulations promulgated thereunder.

(b) RULE 144A. The Company shall, at all times during which it is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, promptly upon the written request of any holder of CSO Registrable Securities, provide in writing to such holder and to any prospective transferee of any of the CSO Registrable Securities of such holder the information concerning the Company described in Rule 144A(d)(4) under the Securities Act ("Rule 144A Information"). The Company also shall, upon the written request of any such holder, cooperate with and assist such holder or any member of the National Association of Securities Dealers, Inc. PORTAL system in applying to designate and thereafter maintain the eligibility of the Common Stock for trading through PORTAL. The Company's obligations under this Section 10(b) shall at all times be contingent upon receipt from the prospective transferees of CSO Registrable Securities of a written agreement to take all reasonable precautions to safeguard the Rule 144A

Information from disclosure to anyone other than Persons who will assist such transferee in evaluation the purchase of the CSO Registrable Securities.

11. MISCELLANEOUS.

(a) NO INCONSISTENT AGREEMENTS. The Company shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the holders of CSO Registrable Securities under this Agreement.

(b) ADJUSTMENTS AFFECTING CSO REGISTRABLE SECURITIES. The Company shall not take any action, or permit any change to occur, with respect to its securities which would materially and adversely affect the ability of the holders of CSO Registrable Securities to include such CSO Registrable Securities in a registration undertaken pursuant to this Agreement or which would materially and adversely affect the marketability of such CSO Registrable Securities in any such registration (including affecting a stock split or a combination of shares).

(c) REMEDIES. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically, to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or other security) for specific performance and for other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

(d) CONSENT TO AMENDMENTS. Except as otherwise expressly provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the Company or the holders of the CSO Registrable Securities unless such modification, amendment or waiver is approved in writing by the Company and the holders of a majority of the CSO Registrable Securities. The failure of any party to enforce any of the provisions of this Agreement shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(e) SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of purchasers or holders of CSO Registrable Securities are also for the benefit of, and enforceable by, any subsequent holder of CSO Registrable Securities; PROVIDED, that subsequent holders of CSO Registrable Securities shall be permitted to have their shares registered pursuant to this Agreement only if they agree in writing to be bound by the terms of this Agreement (including without limitation Section 8(b) hereof) if requested by the Company.

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

(g) COUNTERPARTS. This Agreement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same agreement.

(h) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF.

(i) SECTION HEADINGS. The Section headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(j) NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing and shall be either personally delivered or sent by reputable overnight courier service (charges prepaid) or by confirmed facsimile transmission to the recipient at the address for such recipient set forth in the 1995 Registration Agreement or below and to any subsequent holder of CSO Registrable Securities subject to this Agreement at such address as indicated by the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices shall be deemed to have been given hereunder when delivered personally or by confirmed facsimile transmission and one day after deposit with a reputable overnight courier service.

If to CSO:

Coflexip
23 avenue de Neuilly
75116 Paris, France
Attention: General Counsel
Facsimile No: 33 1 40 67 6007

With a copy (which shall not constitute notice) to:

Nixon, Hargrave, Devans & Doyle LLP
437 Madison Avenue
New York, New York 10022
Attn: Richard F. Langan, Jr., Esq.
Facsimile No: 212-940-3111

If to the Company:

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attn: Mr. Owen Kratz, President
Facsimile No: 713-690-2204

or to such other address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party.

12. JOINDER CONSENT AND WAIVER OF THE EXECUTIVES AND THE FUNDS. By their execution of this Agreement, each of the Executives and each of the Funds hereby (i) consent, pursuant to Section 2(f) of the 1995 Registration Agreement, and (ii) waive the application of Sections 10(a) and 10(b) of the 1995 Registration Agreement, evidencing his or its consent, as required pursuant to Section 2(f), 10(a) and 10(b)

of the 1995 Registration Agreement, to the Company's entering into this Agreement and granting to CSO the registration rights described herein, and agrees to be bound by the terms of this Section 12. The parties agree that this Agreement and the 1995 Registration agreement are to be interpreted together so as to provide holders of CSO Registrable Securities, the Executives and the Funds with comparable registration rights with respect to all registrations of Registrable Securities by the Company, except as expressly provided otherwise herein or therein. Without limiting the generality of the foregoing, each of the Executives and each of the Funds agree that in any demand registration under Section 2 of the 1995 Registration Agreement or in any registration in which any of the Executives or the Funds exercise their rights under Section 3 of the 1995 Registration Agreement, in each case where holders of CSO Registrable Securities participate in such registration pursuant to Section 3 of this Agreement, Section 2(c), 3(c) or 3(d) of this Agreement, as applicable, shall govern the determination of the Registrable Securities to be included in such registration so that the Funds, the Executives and the holders of CSO Registrable Securities have the same priority in such registrations. Furthermore, the Funds and the Executives agree to be bound by the provisions of Section 8(d) hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CAL DIVE INTERNATIONAL, INC.

By: OWEN KRATZ, PRESIDENT
Owen Kratz, President

COFLEXIP

By: PIERRE MARIE VALENTIN
Pierre Marie Valentin, Chairman
and Chief Executive Officer

FOR PURPOSES OF THE CONSENT IN SECTION 12 HEREOF:

FIRST RESERVE SECURED ENERGY ASSETS FUND, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By: DAVID H. KENNEDY
David H. Kennedy, Managing Director

FIRST RESERVE FUND V, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By: DAVID H. KENNEDY
David H. Kennedy, Managing Director

FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By: DAVID H. KENNEDY
David H. Kennedy, Managing Director

FIRST RESERVE FUND VI, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION, as General Partner

By: DAVID H. KENNEDY
David H. Kennedy, Managing Director

EXECUTIVES

GERALD G. REUHL

OWEN KRATZ

S. JAMES NELSON

EXHIBIT 10.1

PURCHASE AGREEMENT

AMONG

CAL DIVE INTERNATIONAL, INC.

COFLEXIP

AND

CERTAIN SHAREHOLDERS OF
CAL DIVE INTERNATIONAL, INC.

Dated as of April 11, 1997

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the "AGREEMENT"), dated as of April 11, 1997, is among Cal Dive International, Inc., a Minnesota corporation (the "COMPANY"), Coflexip, a French corporation (the "PURCHASER"), and the shareholders of the Company listed on EXHIBIT A (individually, a "SHAREHOLDER" and, collectively, the "SHAREHOLDERS"). Except as otherwise defined herein, capitalized terms used in this Agreement are defined in Section 10.

This Agreement is being executed in connection with the acquisition of thirty-one and eight-tenths percent (31.8%) of the issued and outstanding capital stock (after giving effect to the transactions contemplated by this Agreement) of the Company by the Purchaser. This acquisition will be accomplished through the (i) issuance and sale by the Company of 528,541 shares of Common Stock, no par value, of the Company (the "COMPANY SHARES") for an aggregate purchase price of Four Million Nine Hundred Ninety-Nine Thousand Nine Hundred Ninety-Seven and 86/100 Dollars ($4,999,997.86), and (ii) the sale by the Shareholders of 3,171,247 shares of Common Stock, no par value, of the Company (the "SHAREHOLDER SHARES") for an aggregate purchase price of Twenty-Nine Million Nine Hundred Ninety-Nine Thousand Nine Hundred Ninety-Seven Dollars ($29,999,997.00), all as hereinafter described.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. AUTHORIZATION AND CLOSING.

1A. PURCHASE AND SALE OF COMMON STOCK. At the Closing, subject to the terms and conditions of this Agreement, the Company shall sell the Company Shares and the Shareholders shall sell the Shareholder Shares to the Purchaser or its designee for an aggregate purchase price of Thirty-Four Million Nine Hundred Ninety-Nine Thousand Nine Hundred Ninety-Four and 86/100 Dollars ($34,999,994.86), as follows:

(i) The Company shall sell to the Purchaser, and the Purchaser shall purchase from the Company, the Company Shares at a price of $9.46 per share, for an aggregate purchase price of Four Million Nine Hundred Ninety-Nine Thousand Nine Hundred Ninety-Seven and 86/100 Dollars ($4,999,997.86).

(ii) At the Closing, the Company shall deliver to the Purchaser stock certificates evidencing the Company Shares with all applicable stock transfer Taxes paid and stamps affixed, duly registered in the Purchaser's name free and clear of all Liens, upon payment by the Purchaser of $4,999,997.86 by Purchaser's execution of the agreement, in substantially the form of EXHIBIT B hereto (the "ROV AGREEMENT"), for the delivery by the Purchaser to the Company of certain assets free and clear of all Liens, including two remotely operated vehicles, as described therein. The parties agree that such assets have an aggregate value of $4,999,997.86.

(iii) At the Closing, the Shareholders shall sell to the Purchaser, and the Purchaser shall purchase from the Shareholders, the Shareholder Shares free and clear of all Liens at a price of $9.46 per share, for an aggregate purchase price of Twenty Nine Million Nine Hundred Ninety-Nine Thousand Nine Hundred Ninety-Seven Dollars

($29,999,997.00), which purchase price shall be paid at the time of the Closing by wire transfer of immediately available funds or by cashiers check to the Shareholders' accounts as designated by the Shareholders at least four (4) business days prior to the Closing. The number of Shareholder Shares to be sold to the Purchaser by each of the Shareholders is set forth on EXHIBIT A hereto opposite the name of each of such Shareholders.

(iv) At the Closing, the Shareholders shall deliver to the Purchaser stock certificates evidencing the Shareholder Shares, in each case duly endorsed for transfer or accompanied by stock transfer powers duly endorsed in blank with all requisite stock transfer Taxes paid and stamps affixed, free and clear of all Liens.

Purchaser shall have no obligation to complete the Closing or the transactions contemplated hereby unless there shall have been transferred and conveyed to Purchaser good, valid and marketable title to all of the Company Shares and the Shareholder Shares, in each case free and clear of all Liens.

1B. THE CLOSING. The closing of the purchase and sale of the Company Shares and the Shareholder Shares pursuant to Section 1A (the "CLOSING") shall take place at the offices of Nixon, Hargrave, Devans & Doyle LLP, 437 Madison Avenue, New York, New York, at 10:00 a.m. on the date of this Agreement, or at such other place or on such other date as may be mutually agreeable to the Company, the Purchaser, the Funds and the Representative . The date on which the Closing is held is referred to in this Agreement as the "CLOSING DATE."

2. CONDITIONS TO THE PURCHASER'S OBLIGATION AT THE CLOSING. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by the Purchaser in whole or in part to the extent permitted by applicable Law):

2A. REPRESENTATIONS AND WARRANTIES. All representations and warranties of the Company and the Shareholders to the Purchaser contained herein shall be true and correct at and as of the Closing Date with the same effect as though those representations and warranties had been made again at and as of that time.

2B. COMPLIANCE. The Company and the Shareholders shall have performed and complied in all material respects with all obligations and covenants required by this Agreement and the Seller Documents to be performed or complied with by any one or more of them on or prior to the Closing Date.

2C. BRING-DOWN CERTIFICATE. The Purchaser shall have been furnished with certificates (dated the Closing Date and in form and substance reasonably satisfactory to the Purchaser) executed by the Company, the Funds, the Executives and the Representative, certifying as to the fulfillment of the conditions specified in this Section 2.

2D. MATERIAL ADVERSE CHANGE. Since September 1, 1996, there shall not have been or occurred (i) any change, destruction or loss, whether or not covered by insurance, which would result in the loss of a material part of the properties or assets of the Company or any of its Subsidiaries, (ii) any Legal Proceedings instituted or threatened against the Company, any of the Shareholders or the Purchaser seeking to restrain or prohibit or to obtain substantial damages with respect to the consummation of the transactions contemplated hereby, or which might, in the reasonable opinion of the Purchaser, result in a Material Adverse Change, (iii) any Order by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting

the consummation of the transactions contemplated hereby, or (iv) any other event or occurrence which could reasonably be expected to result in a Material Adverse Change.

2E. THIRD PARTY CONSENTS. The Company and the Shareholders shall have obtained the consents and waivers, in a form reasonably satisfactory to the Purchaser, with respect to the transactions contemplated by this Agreement and the other Seller Documents set forth on SCHEDULE 6C; PROVIDED, HOWEVER, that neither the Company, the Shareholders nor the Purchaser shall be obligated to pay any consideration therefor to any third party from whom consent or approval is requested (other than the payment of filing fees, recording fees and other similar administrative fees).

2F. HSR ACT. Any Person required in connection with the transactions contemplated by this Agreement to file a notification and report form in compliance with the HSR Act shall have filed such form and the applicable waiting period with respect to each such form (including any extension thereof by reason of a request for additional information) shall have expired or been terminated.

2G. EXON-FLORIO FILING. All filings made by the Purchaser to comply with the notification procedure under EXFA shall have been made and neither the Company, any one or more of the Shareholders nor the Purchaser shall have received any notification from or on behalf of the Committee on Foreign Investment in the United States (the "COMMITTEE") within a 30-day period after the date of such filings to the effect that the Committee intends to investigate or otherwise review any of the transactions contemplated by this Agreement.

2H. REGISTRATION RIGHTS AGREEMENT. The Company, certain Shareholders, and other Shareholders which are signatories thereof shall have entered into a registration rights agreement, in substantially the form of EXHIBIT C attached hereto (the "REGISTRATION RIGHTS AGREEMENT"), and the Registration Rights Agreement shall be in full force and effect as of the Closing.

2I. SHAREHOLDERS AGREEMENT. The Company, the Funds, the Employee Shareholders, Gordon F. Ahalt and the Executives shall have entered into a shareholders agreement, in substantially the form of EXHIBIT D attached hereto (the "SHAREHOLDERS AGREEMENT"), and the Shareholders Agreement shall be in full force and effect as of the Closing.

2J. BUSINESS COOPERATION AGREEMENT. The Purchaser (or an Affiliate of the Purchaser) and the Company shall have entered into a business cooperation agreement, in substantially the form of EXHIBIT E attached hereto (the "BUSINESS COOPERATION AGREEMENT"), and the Business Cooperation Agreement shall be in full force and effect as of the Closing.

2K. CORPORATE GOVERNANCE DOCUMENTS. The Company's Articles of Incorporation, By-laws and other agreements, instruments and indentures relating to the corporate governance of the Company (including, without limitation, voting trust agreements) shall be in substantially the form attached hereto as EXHIBIT F.

2L. EMPLOYMENT AGREEMENTS. The Company and each of the Executives , Andrew C. Becher, Senior Vice President and General Counsel of the Company, Randall W. Drewry, Vice President-Bids and Proposals, Lou Tapscott, Senior Vice President - Business Development, Michael P. Middleton, Vice President - Operations, Ken Duell, Vice President Special Projects, and Jon Buck, Vice President Sales, shall have entered into employment and non-competition agreements in substantially the forms of Exhibits G-1, G-2, G-3, G-4, G-5, G-6, G-7 AND G-8 attached hereto, respectively.

2M. LEGAL OPINIONS. The Purchaser shall have received from the Company's General Counsel, from Robins, Kaplan, Miller & Ciresi L.L.P., special counsel to the Company and certain Shareholders other than the Funds, and from Simpson Thacher & Bartlett, counsel to the Funds, opinions with respect to the matters set forth in EXHIBITS H-1, H-2 and H-3 attached hereto, respectively, which shall be addressed to the Purchaser, dated the Closing Date and in form and substance reasonably satisfactory to the Purchaser.

2N. CLOSING DOCUMENTS. The Company and the Shareholders shall have delivered to the Purchaser each of the following documents:

(i) certified copies of the resolutions duly adopted by the Company's shareholders and board of directors authorizing the execution, delivery and performance of this Agreement and each of the Seller Documents and the other agreements contemplated hereby, the issuance and sale of the Company Shares and the consummation of all other transactions contemplated by this Agreement and the other Seller Documents;

(ii) certified copies of the Company's Articles of Incorporation and By-laws, each as in effect at the Closing;

(iii) certified copies of the resolutions duly adopted by the requisite equity owners and governing bodies of any Shareholder which is not an individual authorizing the execution, delivery and performance of this Agreement and each of the Seller Documents and the other agreements contemplated hereby to which such Shareholder is a party and the sale of such Shareholder's Shares;

(iv) copy of the consent of Fleet Capital Corporation and any other necessary third party consents;

(v) such affidavit and certificate, in substantially the form attached hereto as EXHIBIT I, to the effect that the Company was NOT prior to or at Closing a "United States real property holding corporation" as defined in Section 897 of the Code; and

(vi) such other documents, instruments and certificates relating to the transactions contemplated by this Agreement or any of the other Seller Documents as the Purchaser or its counsel may reasonably request or are otherwise required by this Agreement.

2O. PROCEEDINGS. All corporate and other proceedings taken or required to be taken in connection with the transactions contemplated hereby to be consummated at or prior to the Closing and all documents, instruments and certificates incident thereto shall be satisfactory in form and substance to the Purchaser and its counsel.

3. CONDITIONS TO THE COMPANY'S AND SHAREHOLDERS' OBLIGATION AT THE CLOSING. The obligations of the Company and the Shareholders to consummate the transactions contemplated by this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived by the Company, the Funds and the Representative, in whole or in part to the extent permitted by applicable Law):

3A. REPRESENTATIONS AND WARRANTIES. All representations and warranties of the Purchaser contained herein shall be true and correct in all material respects at and as of the Closing Date with the same

effect as though those representations and warranties had been made again at and as of that date.

3B. COMPLIANCE. The Purchaser shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by the Purchaser on or prior to the Closing Date.

3C. BRING-DOWN CERTIFICATE. The Company and the Shareholders shall have been furnished with a certificate (dated the Closing Date and in form and substance reasonably satisfactory to the Company, the Funds and the Representative) executed by the Purchaser certifying as to the fulfillment of the conditions specified in Sections 3A and 3B.

3D. ROV AGREEMENT. Purchaser shall have executed and delivered the ROV Agreement to the Company, and the ROV Agreement shall be in full force and effect as of the Closing.

3E. HSR ACT. Any Person required in connection with the transactions contemplated by this Agreement to file a notification and report form in compliance with the HSR Act shall have filed such form and the applicable waiting period with respect to each such form (including any extension thereof by reason of a request for additional information) shall have expired or been terminated.

3F. BUSINESS COOPERATION AGREEMENT. The Purchaser (or an Affiliate of the Purchaser) shall have entered into the Business Cooperation Agreement, and the Business Cooperation Agreement shall be in full force and effect as of the Closing.

3G. THIRD PARTY CONSENTS. The Purchaser shall have obtained the consents and waivers, in a form reasonably satisfactory to the Company, with respect to the transactions contemplated by this Agreement set forth in SCHEDULE 8B; provided, however that the Purchaser shall not be obligated to pay any consideration therefor to any third party from whom consent or approval is requested (other than the payment of filing fees, recording fees and other similar administrative fees).

3H. REGISTRATION RIGHTS AGREEMENT. The Purchaser shall have entered into the Registration Rights Agreement, and the Registration Rights Agreement shall be in full force and effect as of the Closing.

3I. SHAREHOLDERS AGREEMENT. The Purchaser shall have entered into the Shareholders Agreement, and the Shareholders Agreement shall be in full force and effect as of the Closing.

3J. LEGAL OPINIONS. The Company and the Shareholders shall have received from Falque Carpentier Barbe & Associes, the Purchaser's French counsel, and from Nixon, Hargrave, Devans & Doyle LLP, special U.S. counsel to the Purchaser, opinions with respect to the matters set forth in Exhibits J-1 AND J-2 attached hereto, respectively, which shall be addressed to the Company and the Shareholders, dated the Closing Date and in form and substance reasonably satisfactory to the Company.

3K. CLOSING DOCUMENTS. The Purchaser shall have delivered to the Company and the Shareholders each of the following documents:

(i) certified copies of the resolutions duly adopted by the Purchaser's board of directors authorizing the execution, delivery and performance of this Agreement and each of the Seller Documents and the other agreements contemplated hereby and the consummation of all other transactions contemplated by this Agreement; and

(ii) such other documents, instruments and certificates contemplated by this Agreement as the Company, the Representative or their counsel may reasonably request.

3L. PROCEEDINGS. All corporate and other proceedings taken or required to be taken in connection with the transactions contemplated hereby to be consummated at or prior to the Closing and all documents, instruments and certificates incident thereto shall be satisfactory in form and substance to the Company, the Shareholders and their counsel.

4. APPOINTMENT OF REPRESENTATIVE. Subject to the successorship provisions of this Section 4, each Employee Shareholder hereby irrevocably appoints Owen Kratz as the representative of such Shareholder's interests (the "REPRESENTATIVE") for all purposes of this Agreement. Without giving notice to the Employee Shareholders, the Representative shall have full, exclusive and irrevocable authority on behalf of the Employee Shareholders to: (a) accept and give notices and other communications relating to this Agreement; (b) waive any condition, which is of general applicability to all the Employee Shareholders, to the obligations of the Employee Shareholders under this Agreement; (c) modify, amend or supplement this Agreement, unless such modification, amendment or supplement could reasonably be expected to have a material adverse effect on any Employee Shareholder; (d) take any other action in connection with this Agreement and the transactions contemplated hereby, unless such action would have a material adverse effect on any Employee Shareholder; and/or (e) execute and deliver any instrument or document required pursuant to this Agreement or that the Representative deems necessary or desirable in the exercise of his authority under this Section 4.

The Company and each of the Employee Shareholders hereby severally agrees to indemnify the Representative and to hold him harmless from any loss, liability and expense incurred without willful malfeasance or bad faith on the part of the Representative based upon, arising out of or in connection with the acceptance or exercise by the Representative of his powers and authorities granted pursuant to this Section 4, including, without limitation, the reasonable fees, costs and expenses of defending himself in respect of any Legal Proceedings based upon, arising out of or in connection with his acting as the Representative pursuant to this Section 4.

In the event of the inability to serve, death or incapacity of the Representative, S. James Nelson shall become his successor, with all the powers and authority of the Representative. Those who currently are the holders of a majority of the Employee Shareholders' Shares may, at any time and by written action delivered to the Purchaser, remove the Representative or any successor thereto, but such removal shall be effective only upon the replacement of such Representative or successor by a new Representative designated, by written action delivered to the Purchaser, by those who currently are the holders of a majority of the Employee Shareholders' Shares. If Owen Kratz, S. James Nelson and any successor thereto shall have died, resigned, or become incapacitated or unable to serve, the holders of a majority of the Employee Shareholders' Shares shall promptly designate, by written action delivered to the Purchaser, a replacement Representative.

The foregoing authorization is granted and conferred by each of the Employee Shareholders in consideration of the grant of such authorization by each of the other Employee Shareholders and in consideration for the agreements and covenants of the Purchaser contained herein. In consideration of the foregoing, and subject to the removal and successorship provisions of this Section 4, this authorization granted to the Representative shall be irrevocable and shall not be terminated by any act of any of the Employee Shareholders or by operation of law, whether by death or incompetency of any Employee Shareholder or by the occurrence of any other event except the termination of this Agreement. If after the

execution hereof any such Employee Shareholder shall die or become incompetent, the Representative is nevertheless authorized and directed to exercise the authority granted in this Section 4 as if such death or incompetence had not occurred and regardless of notice thereof.

5. COVENANTS

5A. FINANCIAL STATEMENTS AND OTHER INFORMATION. Until the Company has completed its initial Qualified Public Offering, the Company shall deliver to the Purchaser (so long as the Purchaser and/or its Affiliates Beneficially Owns at least 100,000 shares (subject to adjustment for any stock splits, stock dividends, recapitalizations or similar events) of Common Stock of the Company):

(i) As soon as practicable, and in any event within 40 days after the close of each monthly accounting period, unaudited consolidated statements of income, shareholders' equity and cash flows of the Company and its Subsidiaries for such monthly period and an unaudited consolidated balance sheet of the Company and its Subsidiaries as of the close of such monthly period, setting forth in comparative form, the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail, and prepared in accordance with GAAP consistently applied (excluding footnote disclosures and subject to normal year-end audit adjustments).

(ii) As soon as practicable, and in any event within 45 days after the close of each quarterly accounting period, unaudited consolidated statements of income, shareholders' equity and cash flows of the Company and its Subsidiaries for such quarterly period and an unaudited consolidated balance sheet of the Company and its Subsidiaries as of the close of such quarterly period, setting forth in comparative form, the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail, and prepared in accordance with GAAP consistently applied (excluding footnote disclosures and subject to normal year-end audit adjustments).

(iii) As soon as practicable and in any event within 90 days after the close of each fiscal year, consolidated statements of income, cash flow and shareholders equity of the Company and its Subsidiaries for such fiscal year and a consolidated balance sheet of the Company and its Subsidiaries as of the close of such fiscal year setting forth in comparative form, the corresponding figures for the preceding fiscal year, all in reasonable detail and certified by Arthur Andersen & Co.,or another independent certified public accountant of recognized standing selected by the Company and reasonably satisfactory to the Purchaser.

(iv) As soon as practicable, copies of all financial statements, proxy materials or reports sent to the shareholders of the Company and all reports and registration statements, including accompanying prospectuses, filed with the Securities and Exchange Commission.

(v) Such other financial information as the Purchaser may reasonably request, including, without limitation, certificates of the principal financial officer of the Company concerning compliance with the covenants of the Company under this Section 5.

5B. INSPECTION OF PROPERTY. Until the Company has completed its initial Qualified Public Offering, the Company shall permit any representatives designated by the Purchaser (so long as the Purchaser and/or its Affiliates Beneficially Owns any Common Stock of the Company), upon reasonable notice and during

normal business hours and such other times as any the Purchaser may reasonably request, to (i) visit and inspect any of the properties of the Company and its Subsidiaries, (ii) examine the corporate and financial records of the Company and its Subsidiaries and make copies thereof or extracts therefrom and (iii) discuss the affairs, finances and accounts of the Company and its Subsidiaries with the directors, officers, key employees and independent accountants of the Company and its Subsidiaries.

5C. AFFIRMATIVE COVENANTS. So long as the Purchaser and/or its Affiliates Beneficially Owns any Common Stock of the Company, the Company shall, and shall cause each of its Subsidiaries to:

(i) Pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or upon its income or properties prior to the date on which any penalty is attached thereto or the same shall otherwise become in default; provided that the Company shall not be required to pay any such tax, assessment, charge or levy which is being contested in good faith and by proper proceedings and for which such reserves or other provisions as may be required by GAAP shall have been made and recorded.

(ii)Maintain a comparative system of accounts in accordance with GAAP, consistently applied, and keep full and complete financial records and books of account, in which complete entries shall be made in accordance with GAAP, consistently applied, reflecting all financial transactions of the Company.

(iii) Comply with the applicable requirements of all laws, rules, regulations, treaties and orders of any governmental authority (including, without limitation, federal and state securities laws, ERISA and Environmental Laws), the violation of which might reasonably be expected to have a Material Adverse Effect.

5D. COMPLIANCE WITH AGREEMENTS. The Company shall perform and observe all of its material obligations to the Purchaser set forth in the (i) Company's Articles of Incorporation and By-laws, (ii) Registration Rights Agreement, and (iii) Shareholders Agreement.

5E. VESSELS. At all times on and after the Closing Date, the Company and each of its Subsidiaries:

(a) so long as it owns U.S. documented vessels, shall be a corporation qualified to document a vessel under 46 U.S.C ss. 12102(a)(4); and

(b) shall not operate any of the Vessels or any other vessels owned by the Company or any of its Subsidiaries to perform any of the services described in Part I.E. of the Ruling Letter or otherwise so as to cause the Company, any of its Subsidiaries or any of their respective assets to be liable for any material penalties for breach of the Coastwise Laws.

5F. ACCESS TO INFORMATION; CONFIDENTIALITY. (a) Prior to the Closing Date, the Purchaser shall be entitled, through its officers, employees and representatives (including, without limitation, its legal advisors and accountants), to make such investigation of the properties, businesses and operations of the Company and its Subsidiaries and such examination of the books, records and financial condition of Company and its Subsidiaries as the Purchaser reasonably requests and to make extracts and copies of such books and records. Any such investigation and examination shall be conducted during regular business hours and under reasonable circumstances, and the Company shall cooperate, and shall cause its Subsidiaries to cooperate, fully therein. No investigation by the Purchaser prior to or after the date of this Agreement shall diminish,

impair, discharge or obviate any of the representations, warranties, covenants or agreements of the Company or the Shareholders contained in this Agreement or any of the Seller Documents.

(b) Information obtained by each of the Purchaser and the Company pursuant to this Agreement shall be subject to the provisions of the Confidentiality Agreement, dated as of September 20, 1996, between the Purchaser and the Company.

5G. CONDUCT OF THE BUSINESS PENDING THE CLOSING. Except as otherwise expressly contemplated by this Agreement or with the prior written consent of the Purchaser (which shall not be unreasonably withheld, conditioned or delayed), until the Closing Date the Company shall and shall cause its Subsidiaries to:

(i) conduct the respective businesses of the Company and its Subsidiaries only in the ordinary course of business consistent with past practice;

(ii)not declare, set aside, make or pay any dividend or other distribution in respect of the capital stock of the Company or repurchase, redeem or otherwise acquire any outstanding shares of the capital stock or other securities of, or other profit participations or proprietary or equity interests in, the Company or any of its Subsidiaries; not transfer, issue, sell or dispose of any shares of capital stock or profit participations or other proprietary or equity interests in, or other securities of the Company or any of its Subsidiaries or grant options, warrants, calls or other rights to directly or indirectly purchase or otherwise acquire profit participations or proprietary or equity interests in the Company or any of its Subsidiaries or shares of capital stock of the Company or any of its Subsidiaries or other securities (except as to any of the foregoing as set forth on SCHEDULE 6F);

(iii) not effect any recapitalization, reclassification, stock split or like change in the capital ization of the Company or its Subsidiaries;

(iv) not amend the Articles of Incorporation or By-laws of the Company or its Subsidiaries;

(v) use its best efforts to (A) preserve its present business operations, organization (including, without limitation, management) and goodwill of the Company and its Subsidiaries and (B) preserve its present relationship with Persons having business dealings with the Company and its Subsidiaries;

(vi) maintain insurance upon all of the properties and assets of the Company and its Subsidiaries in such amounts and of such kinds comparable to that in effect on the date of this Agreement (with insurers of substantially the same or better financial condition);

(vii) (A) maintain the books, accounts and records of the Company and its Subsidiaries in the ordinary course of business consistent with past practices, (B) continue to collect accounts receivable and pay accounts payable utilizing historical procedures and without discounting or accelerating payment of such accounts, and (C) comply with all contractual and other obligations applicable to the operations of the Company and its Subsidiaries;

(viii) not, other than in the ordinary course of business consistent with past practice and without materially increasing the benefits or the costs thereof (except as described on SCHEDULE 6F) (A) increase the compensation payable or to become payable by the Company or any of its Subsidiaries to any of their respective directors, officers, employees, agents or representatives, (B) increase the coverage or benefits

available under any (or create any new) severance pay, termination pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, bonus or other incentive compensation, insurance, pension or other employee benefit plan, payment or arrangement made to, for, or with any of the directors, officers, employees, agents or representatives of the Company or any of its Subsidiaries or (C) enter into any employment, deferred compensation, severance, consulting, non-competition or similar agreement (or amend any such agreement) to which the Company or any of its Subsidiaries is a party or involving a director, officer or employee of the Company or any of its Subsidiaries in his or her capacity as a director, officer or employee of the Company or any of its Subsidiaries;

(ix) not introduce any material change with respect to the operations of the Company or any of its Subsidiaries;

(x) except as set forth on SCHEDULE 6F, not permit the Company or any of its Subsidiaries to enter into any transaction or to make or enter into any Contract which by reason of its size, subject matter or otherwise is not in the ordinary course of business ;

(xi) promptly notify the Purchaser of (A) any one or more or Extraordinary Losses suffered by the Company or any of its Subsidiaries, (B) any casualty losses or damages suffered by the Company or any of its Subsidiaries with respect to property and assets having an individual replacement cost of more than $100,000 or aggregate replacement cost of more than $500,000 or which could cause a Material Adverse Change, whether or not such losses or damages are covered by insurance, and (C) (i) any material Legal Proceeding commenced by or against the Company or any of its Subsidiaries or (ii) any Legal Proceeding commenced or threatened against the Company, any of its Subsidiaries or the Shareholders relating to the transactions contemplated by this Agreement;

(xii) not permit the Company or any of its Subsidiaries to make any investments in or loans to, or pay any fees or expenses (except in the Ordinary Course of Business) to, or enter into or modify any Contract with, the Shareholders or any of their respective Affiliates;

(xiii) promptly and accurately record in the appropriate records and books of account of the Company and its Subsidiaries, as applicable, all material corporate action taken on or after the date hereof by the shareholders or the boards of directors (including committees thereof) of the Company and its Subsidiaries and promptly following such recordation deliver true, correct and complete copies thereof to Purchaser;

(xv) not permit any of their respective directors, officers, employees, Affiliates, representatives or agents to, directly or indirectly, (A) discuss, negotiate, undertake, authorize, recommend, propose or enter into any transaction involving a merger, consolidation, business combination, purchase or disposition of any amount of the assets (other than in the ordinary course of business consistent with past practice), partnership interests or capital stock or other proprietary or equity interest in the Company or any of its Subsidiaries other than the transactions contemplated by this Agreement (an "ACQUISITION TRANSACTION"), (B) facilitate knowingly, encourage, solicit or initiate discussions, negotiations or submissions of proposals or offers in respect of an Acquisition Transaction, (C) furnish or cause to be furnished, to any Person any information concerning the business, operations, properties or assets of the Company or any of its Subsidiaries in connection with an Acquisition Transaction, or (D) otherwise cooperate in any way with, or assist or participate in, facilitate knowingly or encourage, any effort or attempt by any other Person to do or seek any of the foregoing; and

(xvi) not agree to do anything prohibited by this Section 5G or anything which would make any of the representations and warranties of the Company or the Shareholders in this Agreement or the Seller Documents untrue or incorrect in any material respect.

5H. FINANCIAL STATEMENTS. The Company (i) shall (if the request is timely) deliver to Purchaser as promptly as practicable after Purchaser's request therefor and, in any event at least 15 days prior to the applicable filing deadline therefor under the Securities Act, the Securities Exchange Act or the regulations promulgated thereunder, such financial statements, financial statement schedules and other financial information relating to the Company and its Subsidiaries which Purchaser may require in order to prepare any registration statement, report, proxy statement or other filing under any such securities law or regulation and shall direct its independent public accountants to cooperate with Purchaser in connection therewith and (ii) shall use its best efforts to obtain promptly for Purchaser, upon Purchaser's request (and at Purchaser's sole cost), any consent, report, opinion or letter of such accountants required to be filed by Purchaser under such law or regulations.

5I. PURCHASER COVENANT. Except as otherwise expressly contemplated by this Agreement or with the prior written consent of the Company, which shall not be unreasonably withheld, conditioned or delayed, until the Closing Date, the Purchaser shall not enter into any negotiations or discussions relating to the acquisition of or the making of an investment in, or any acquisitions of or investments in (other than the acquisition of less than 2% of the outstanding common stock of any publicly held corporation) any Person performing subsea construction, maintenance, repair and salvage services to the offshore natural gas and oil industry in the Gulf of Mexico substantially similar in scope, methodology, cost and quality to those provided by the Company in the Gulf of Mexico in the form of a merger, consolidation, purchase of stock or acquisition of assets.

5J. OTHER ACTIONS. Each of the Company, the Shareholders and the Purchaser shall use its best efforts to (i) take all actions necessary or appropriate to consummate the transactions contemplated by this Agreement and (ii) cause the fulfillment at the earliest practicable date of all of the conditions to their respective obligations to consummate the transactions contemplated by this Agreement set forth in Sections 2 and 3.

6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. As a material inducement to the Purchaser to enter into this Agreement and purchase the Company Shares and the Shareholder Shares, the Company hereby represents and warrants at the time of execution hereof that:

6A. ORGANIZATION AND CORPORATE POWER. The Company is a corporation duly incorporated validly existing and in good standing under the laws of the State of Minnesota and is duly qualified or authorized to do business as a foreign corporation and is in good standing in each of the jurisdictions listed on SCHEDULE 6A, which listing includes every jurisdiction in which the Company's ownership or lease of property or conduct of business requires it to so qualify, except for those jurisdictions where the failure to be so qualified or authorized would not have a Material Adverse Effect. The Company has all requisite legal and corporate power and authority and all Permits necessary to own, lease and operate its properties, to carry on its businesses as now conducted , to execute and deliver this Agreement and each other Seller Document, to consummate the transactions contemplated hereby and thereby and to duly perform its obligations hereunder and thereunder, including but not limited to all Permits necessary to operate the vessels and diving bells used in the Company's business, except for such Permits which, if not obtained, would not have a Material Adverse Effect. The Company is not an "issuing public corporation" within the meaning of Subdivision 39 of Section 302A.011 of the Minnesota Business Corporation Act. ERT is a corporation duly

incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly qualified or authorized to do business as a foreign corporation and is in good standing in each of the jurisdictions listed on SCHEDULE 6A, which listing includes every jurisdiction in which its ownership or lease of property or conduct of business requires it to so qualify, except for those jurisdictions where the failure to be so qualified or authorized would not have a Material Adverse Effect. ERT has all requisite legal and corporate power and authority and all material Permits necessary to own, lease and operate its properties, to carry on its business as now conducted . Copies of the Company's and each of its Subsidiaries' Articles of Incorporation, By-laws or other organizational documents have been delivered to the Purchaser and its counsel, which reflect all amendments made thereto and are correct and complete.

6B. CAPITAL STOCK AND RELATED MATTERS.

(i) The authorized capital stock of the Company consists solely of (A) 60,000,000 shares of Common Stock, no par value, of which 11,099,260 shares of Common Stock are issued and outstanding and, as of the Closing Date, 11,627,801 shares of Common Stock shall be issued and outstanding and (B) 5,000,000 shares of Preferred Stock, par value $.01 per share, none of which are issued and outstanding. Neither the Company nor any of its Subsidiaries has outstanding any capital stock or securities directly or indirectly convertible into or exchangeable for any shares of its capital stock or any profit participation (other than a cash bonus program based upon earnings as described in SCHEDULE 6N) or proprietary or equity interests, nor shall it have outstanding any options, warrants or other rights (except as expressly set forth on SCHEDULE 6B) to acquire, subscribe for or purchase its capital stock or any other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interest in the Company or any of its Subsidiaries or any stock or securities directly or indirectly convertible into or exchangeable for its capital stock or any other profit participation or proprietary or equity interest in the Company or any of its Subsidiaries nor is the Company or any of its Subsidiaries committed to do any of the foregoing, except as expressly set forth on SCHEDULE 6B. Neither the Company nor any of its Subsidiaries is subject to: (i) any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock, any stock or securities directly or indirectly convertible into or exchangeable for its capital stock or any other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interest in the Company or any of its Subsidiaries, or (ii) any options, warrants or other rights to directly or indirectly acquire its capital stock or any other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interest in the Company or any of its Subsidiaries except to the Purchaser under this Agreement or as expressly set forth on SCHEDULE 6B. All of the outstanding shares of the Company's capital stock (including, without limitation, the Company Shares and the Shareholder Shares) and of each of its Subsidiaries are, and as of the Closing, shall have been duly authorized, validly issued, fully paid and nonassessable. Immediately upon completion of the Closing, Purchaser will own, and have good, valid and marketable title to, the Company Shares free and clear of all Liens.

(ii)There are no statutory or contractual shareholders preemptive rights, rights of first offer, rights of refusal, co-sale rights or similar rights with respect to any capital stock, securities or other profit participations (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interests in the Company, including, without limitation, the issuance of the

Purchaser Common Stock hereunder, except as expressly set forth on SCHEDULE 6B. No capital stock or other securities of the Company or any of its Subsidiaries have been issued in violation of any such right. To the best of the Company's knowledge, there are no agreements with respect to the issuance, sale, redemption, transfer, disposition or voting of capital stock of the Company or any of its Subsidiaries or any other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interest in the Company or any of its Subsidiaries or with respect to any other aspect of the Company's or any of its Subsidiaries affairs, except as expressly set forth on SCHEDULE 6B. Neither the Articles of Incorporation, By-laws or other organizational documents of the Company or any of its Subsidiaries contains any restriction or limitation on the direct or indirect ownership of any capital stock, securities or any other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interest in the Company or any of its Subsidiaries by any Person who is not a U.S. citizen, resident or domiciliary.

(iii) The Company owns 100% of the issued and outstanding capital stock of ERT and such capital stock is duly authorized, validly issued, fully paid and nonassessable. Other than the ownership by the Company of the capital stock of ERT, neither the Company nor ERT (i) Beneficially Owns or owns of record any capital stock, security or other profit participation or proprietary or equity interest of or in any other Person or (ii) has any other investment in any other Person.

6C. AUTHORIZATION; NO BREACH. The execution, delivery and performance of this Agreement and the other Seller Documents to which the Company is a party have been duly authorized by all necessary corporate, including shareholder, action on the part of the Company. This Agreement and each other Seller Document have been duly and validly executed and delivered by, and constitute a valid and binding obligation of, the Company and each Executive which is a party thereto enforceable against such Person in accordance with its respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditor's rights generally (regardless of whether such enforceability is considered in a proceeding at law or in equity). The execution and delivery by the Company and each Executive of this Agreement and each other Seller Document to which such Person is a party, the offering, sale and issuance by the Company or any Shareholder of the Purchaser Common Stock, and the fulfillment of and compliance with the respective terms of this Agreement and the other Seller Documents to which such Person is a party by any such Person, do not and shall not (a)(i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default or any event which with the giving of notice, passage of time or both would constitute a default under, (iii) give rise to any right or right of termination, cancellation or acceleration or right to increase in any material respect the obligations or otherwise modify in any material respect the terms of, (iv) result in a violation of, or (v) require any consent, approval, waiver, Order, Permit or exemption or other action by or notice, declaration or filing to or with any Governmental Body pursuant to, the Articles of Incorporation, By-laws or other organizational documents of the Company or any of its Subsidiaries or any Law, Contract, Permit or Order, to which the Company, any of its Subsidiaries, Executive or any of their respective assets is subject, except for waivers or consents set forth on SCHEDULE 6C, or (b) result in the creation or imposition of any Lien upon the capital stock, property or assets of the Company or any of its Subsidiaries, Shareholders or Executive .

6D. FINANCIAL STATEMENTS. Attached hereto on SCHEDULE 6D are the audited consolidated balance sheets of the Company and its Subsidiaries as of December 31, 1994, 1995 and 1996, and the related statements of income, shareholders' equity and cash flows for the respective twelve month periods then ended

(the "FINANCIAL STATEMENTS"). Each of the Financial Statements (including in all cases the notes thereto, if any) is accurate and complete in all material respects, is consistent with the books and records of the Company (which, in turn, are accurate and complete in all material respects) has been prepared in accordance with GAAP consistently applied, and presents fairly the financial condition and results of operations of the Company and its Subsidiaries in accordance with GAAP consistently applied through the periods covered thereby.

6E. ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on SCHEDULE 6E, the Company and its Subsidiaries do not have any obligation or liability (whether accrued, absolute, contingent, unliquidated or otherwise, whether due or to become due and regardless of when asserted) arising out of transactions entered into at or prior to the Closing, or any action or inaction at or prior to the Closing, or any state of facts existing at or prior to the Closing (regardless of when any such obligation or liability is asserted, including Taxes, with respect to or based upon transactions or events occurring on or before the Closing, other than (i) liabilities set forth on the audited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1996 (including any notes thereto) (the "LATEST BALANCE SHEET,"), (ii) liabilities and obligations which have arisen after the date of the Latest Balance Sheet in the ordinary course of business, (iii) as set forth in the footnotes to the Financial Statements, or (iv) liabilities and obligations which would not, either individually or in the aggregate, have a Material Adverse Effect. The McDermott Agreements and the transactions contemplated thereby have been terminated without any further material obligation or liability on the part of the Company, any Shareholder or any Affiliate of the Company on or after the Closing Date.

6F. ABSENCE OF CERTAIN DEVELOPMENTS. Except as set forth on SCHEDULE 6F or as expressly contemplated by this Agreement, since September 1, 1996 up to and including the Closing Date:

(i) there has not occurred any Material Adverse Change nor has any event occurred which could reasonably be expected to result in any Material Adverse Change;

(ii) there has not been any damage, destruction or loss, whether or not covered by insurance, with respect to the property and assets of the Company or any of its Subsidiaries at a replacement cost of more than $100,000 for any single loss or $500,000 for all such losses;

(iii) there has not been any declaration, setting aside or payment of any dividend or other distribution in respect of any shares of capital stock of the Company or any of its Subsidiaries or any repurchase, redemption or other acquisition by the Company or any of its subsidiaries of any outstanding shares of the capital stock or other securities of, or other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interest in, the Company or any of its Subsidiaries;

(iv) there has not been any transfer, issue, sale or disposition of any sales of capital stock, securities or profit participations (other than a cash bonus program based on earnings described in SCHEDULE 6N) or other proprietary or equity interests in the Company or any of its Subsidiaries or any grant of options, warrants, calls or other rights to directly or indirectly purchase or otherwise acquire profit participations (other than a cash bonus program based on earnings described in SCHEDULE 6N) or proprietary or equity interests in the Company or any of its Subsidiaries or shares of capital stock or securities of the Company or any of its Subsidiaries;

(v) neither the Company nor any of its Subsidiaries has awarded or paid any bonuses to employees of the Company or any of its Subsidiaries except to the extent appearing on the Latest Balance Sheet or has entered into any employment, deferred compensation, severance or similar agreement (nor amended any such agreement) or agreed to increase the compensation payable or to become payable by the Company or any of its Subsidiaries to any directors, officers, employees, agents or representatives of the Company or any of its Subsidiaries or agreed to increase the coverage or benefits available under any severance pay, termination pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, bonus or other incentive compensation, insurance, pension, or other employee benefit plan, payment or arrangement made to, or with such directors, officers, employees, agents or representatives;

(vi) there has not been any change by the Company or any of its Subsidiaries in accounting principles, methods or policies;

(vii) neither the Company nor any of its Subsidiaries has introduced any material change with respect to the operations of the Company or any of its Subsidiaries which is not in the Ordinary Course of Business;

(viii) neither the Company nor any of its Subsidiaries has entered into any transaction or made or entered into any Contract which by reason of its size, subject matter or otherwise is not in the Ordinary Course of Business ;

(ix) neither the Company nor any of its Subsidiaries has suffered one or more Extraordinary Losses;

(x) neither the Company nor any of its Subsidiaries has made any investments in or loans to, or paid any material fees or expenses to, or entered into or modified any Contract with any of the Shareholders or any other respective Affiliates other than inter-company arrangements between the Company and its Subsidiaries; and

(xi) neither the Company nor any of its Subsidiaries has agreed or committed to do anything set forth in this Section 6F.

6G. TAX MATTERS. The Company and each of its Subsidiaries have filed in a timely manner all tax returns which they are required to file other than those which, individually or in the aggregate, would not have a Material Adverse Effect; and such returns are true and correct in all material respects. The Company and each of its Subsidiaries have timely paid all taxes owed by them (or have made provision for the payment thereof on the Latest Balance Sheet) and have withheld and paid over all Taxes which they are obligated to withhold from amounts owing to any employee, creditor or other Person. No unresolved deficiencies or additions to Taxes have been proposed, asserted or assessed against the Company or any of its Subsidiaries, and the assessment of any additional Taxes for periods for which returns have been filed is not expected to exceed the recorded liability therefor on the Latest Balance Sheet. Neither the Company nor any of its Subsidiaries have incurred any liability for Taxes from the date of the Latest Balance Sheet except for Taxes incurred in the ordinary course of business consistent with past practice. The federal income tax returns of the Company and its Subsidiaries have been audited for all tax years through 1991; there are no pending

federal or state tax audits being conducted with respect to the Company or any of its Subsidiaries; and there are no material unresolved questions or claims concerning the Company's or any of its Subsidiaries' tax liability, except as described on SCHEDULE 6G.

6H. LITIGATION. There are no Legal Proceedings pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its Subsidiaries or the business or assets of the Company or any of its Subsidiaries, that if adversely determined, could reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement or any of the Seller Documents or any action taken or to be taken by the Company or any of its Subsidiaries in connection with the consummation of the transactions contemplated hereby or thereby. SCHEDULE 6H sets forth a list of all Legal Proceedings pending or, to the knowledge of the Company, threatened against or involving the Company or any of its Subsidiaries or any business or assets of the Company or any of its Subsidiaries, at law, in equity or admiralty, or otherwise which, if determined adversely to the Company or any of its Subsidiaries, could reasonably be expected to result in a liability to the Company or any of its Subsidiaries in excess of $100,000. There is no outstanding or, to the knowledge of the Company, threatened Order of any Governmental Body against, involving or naming the Company or any of its Subsidiaries or involving any of their respective businesses or assets. SCHEDULE 6H sets forth a list of all Legal Proceedings pending or contemplated in which the Company or any of its Subsidiaries is the plaintiff or claimant. Some of the Legal Proceedings identified in SCHEDULE 6H against the Company or its Subsidiaries may be subject to punitive damage awards . Since punitive damage awards are uninsured exposures, an adverse result in any of the cases listed on SCHEDULE 6H could have a Material Adverse Effect on the Company.

6I. REAL PROPERTY. (a) Neither the Company nor any of its Subsidiaries owns any real property. SCHEDULE 6I contains a correct and complete schedule of the documents comprising all leases, subleases, licenses, rights of way or other Contracts for the use or occupancy of any real property ("ONSHORE REAL PROPERTY LEASES") or the exploration, development or exploitation of oil or gas properties by the Company or any of its Subsidiaries ("OFFSHORE REAL PROPERTY LEASES"). Neither the Company nor any of its Subsidiaries is a party to any lease, sublease, license or other agreement for the use or occupancy of any onshore or offshore real property other than the Onshore or Offshore Real Property Leases. There exists no material reciprocal easement or operating Contracts relating to the Offshore Real Property Leases between the Company and/or any of its Subsidiaries and any third party. Except as set forth on SCHEDULE 6I, neither the Company nor any of its Subsidiaries has assigned, sublet, mortgaged or otherwise encumbered in any respect whatsoever its leasehold estate under the Onshore or Offshore Real Property Leases. Except as set forth on SCHEDULE 6I, neither the Company nor any of its Subsidiaries owns or holds, or is obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell, assign or dispose of any real estate or any portion thereof or interest therein.

(b) Each of the Onshore and Offshore Real Property Leases is a valid and binding obligation enforceable against the Company and/or any of its Subsidiaries which is a party thereto and, to the knowledge of the Company, against each other party thereto in accordance with its terms, and there is no default under any of the Onshore and Offshore Real Property Leases by the Company, any of its Subsidiaries or, to the knowledge of the Company, by any other party thereto and, to the knowledge of the Company, no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder, except for such defaults or events which would not have a Material Adverse Effect. No previous or current party to the Onshore or Offshore Real Property Leases has given written notice of or made a claim against the Company or any of its Subsidiaries with respect to any breach or default thereunder which remains uncured or otherwise in existence as of the date hereof. To the knowledge of the Company, each of the Onshore or Offshore Real Property Leases covers the entire estate it purports to cover and, entitles the

Company and its Subsidiaries to the use, occupancy and possession of the real property or the exploration, development or exploitation of the oil or gas properties, as applicable, specified in the Onshore or Offshore Real Property Leases and for the purposes such property is now being used by the Company and its Subsidiaries. To the knowledge of the Company, neither the Company nor any of its Subsidiaries is engaged in any "slant drilling" across the properties of any other Person or otherwise engaged in any activities which violate the property rights of any other Person. Complete and correct copies of the Onshore or Offshore Real Property Leases, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder have been delivered to the Purchaser. To the knowledge of the Company, the property which is subject to the Onshore and Offshore Real Property Leases complies with all applicable Laws, except for such failure to comply which would not have a Material Adverse Effect. No notice of violation of any such Law has been received by the Company or any of its Subsidiaries and, to the knowledge of the Company, no such notice has been issued by any Governmental Body with respect to such property.

(c) No portion of property covered by an Onshore Real Property Lease ("Onshore Property") is dependent for its access, operation or utility on any land, building or other improvement not part of the Onshore Property. The Onshore Property has direct, unobstructed access, both pedestrian and vehicular, to public rights of way. All material utility systems required in connection with use, occupancy and operation of the Onshore Property are supplied directly to the Onshore Property by facilities of public utilities, are sufficient for their present purposes, are fully operational and in working order, and are benefitted by customary utility easements providing for the continued use and maintenance of such systems.

(d) EXHIBIT K contains a true and correct copy of the estimate dated December 31,1995, prepared by Miller & Lents, Ltd., independent petroleum engineers ("MILLER & LENTS"), of the proved developed reserves and future net revenue attributable to interests in properties located offshore Texas and offshore Louisiana of ERT (the "RESERVES REPORT"). The historical information underlying the estimates of the reserves of ERT supplied by the Company to Miller & Lents, for the purposes of preparing the Reserve Report, including, without limitation, production volumes, sales prices for production, contractual pricing provisions under oil or gas sales or marketing contracts or under hedging arrangements, costs of operations and development, and working interest and revenue information relating to ERT's ownership interests in properties, was true and correct in all material respects on the date of such Reserve Report; the estimates of future capital expenditures and other future exploration and development costs supplied to Miller & Lents were prepared in good faith and with a reasonable basis; the information provided by Miller & Lents for purposes of preparing the Reserve Report was prepared in accordance with customary industry practices; to the best of the Company's knowledge, Miller & Lents was, as of the date of the Reserve Report prepared by it, and are, as of the date hereof, independent petroleum engineers with respect to the Company; and other than normal production of reserves and intervening spot market product price fluctuations, the Company is not aware of any facts or circumstances that would result in a materially adverse change in the reserves in the aggregate, or the aggregate present value of future net cash flows therefrom, as reflected in the Reserve Report except as indicated in EXHIBIT K .

6J. VESSELS. (a) The Company and its Subsidiaries do not own or operate any vessels other than those listed on SCHEDULE 6J (collectively, the "VESSELS"). Each of the Vessels listed on SCHEDULE 6J is duly documented in the sole ownership of the Company under the Law and flag of the jurisdiction indicated for such vessel on SCHEDULE 6J, is in compliance with all applicable Laws of such jurisdiction and of the United States of America, except for any such noncompliance as would not have a Material Adverse Effect, and, at no time during the Company's or any of its Subsidiaries' ownership of the Vessels, have any of the Vessels been sold, chartered or otherwise transferred to any Person in violation of Law.

(b) The Company has good, valid and marketable title to each of the Vessels, free and clear of any Liens, other than those Liens described on SCHEDULE 6J.

(c) Each of the Vessels listed on SCHEDULE 6J maintains the class indicated on SCHEDULE 6J with the classification society indicated on SCHEDULE 6J, free of recommendations that would have a Material Adverse Effect.

(d) Except as indicated on Schedule 6J, each of the Vessels is in adequate running order and repair, and, insofar as due diligence can make such vessel so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished equipped and in all material respects seaworthy and in adequate operating condition to perform its functions as currently contemplated. Each of the Vessels that is documented under U.S. flag has a clean certificate of inspection from the United States Coast Guard free of reported or reportable exceptions or notations of record.

(e) The Company and its Subsidiaries have filed with each appropriate Governmental Body all evidence of financial responsibility to the extent required under all applicable Laws, including the Oil Pollution Act of 1990, 33 U.S.C. ss.ss. 2710 ET SEQ., and the rules and regulations promulgated thereunder, except for such failure to file as would not have a Material Adverse Effect.

(f) The description of services to be performed by non-coastwise qualified vessels set forth in the Ruling Letter, completely and correctly describes in all material respects the manner in which the Company and its Subsidiaries currently operate the Vessels, except that any Vessel documented under the law and flag of the United States of America with a Certificate of Documentation issued with a coastwise endorsement currently may be operated by the Company to perform services described in Part I.F of the Ruling Letter. A true, complete and correct copy of the Ruling Letter and the response thereto of the Customs Commissioner is set forth in EXHIBIT L. Each of the Company and each of its Subsidiaries that owns Vessels is and at all times prior to Closing will have been a citizen of the United States of America within the meaning of Section 2 of the Shipping Act of 1916, as amended (46 U.S.C. ss. 802), and qualified to operate vessels in coastwise trade.

(g) In respect of each Vessel documented under the law and flag of the United States of America with a Certificate of Documentation issued with a coastwise endorsement, the Company has provided to the Purchaser a true and complete copy of the duly completed application for exchange of such Certificate of Documentation with a new Certificate of Documentation issued with a registry endorsement.

6K. TANGIBLE PERSONAL PROPERTY. (a) SCHEDULE 6K sets forth all leases of personal property ("PERSONAL PROPERTY LEASES") involving annual payments in excess of $100,000 relating to personal property, other than Vessels, used in the business of the Company and its Subsidiaries or to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective properties or assets is bound, the parties thereto, the amount of annual payments in respect thereof and the termination date and the conditions of renewal thereof. Complete and correct copies of the Personal Property Leases, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder, have been delivered or otherwise made available to Purchaser.

(b) Each of the Personal Property Leases is valid and enforceable against the Company and/or any of its Subsidiaries which is party thereto and, to the knowledge of the Company, against each other party thereto in accordance with its terms, and there is no default under any Personal Property Lease either by the

Company or any of its Subsidiaries or, to the knowledge of the Company, by any other party thereto which could reasonably be expected to have a Material Adverse Effect, and, to the knowledge of the Company, no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder which could reasonably be expected to have a Material Adverse Effect.

(c) Except for such items of personal property that are not material to the operation of the business of the Company and the Subsidiaries, taken as a whole, the Company and its Subsidiaries have good and marketable title to all of the items of tangible personal property reflected on the Latest Balance Sheet, free and clear of any and all Liens, other than as set forth on SCHEDULE 6K. In the reasonable judgment of the Company, such items of tangible personal property which are material to and are currently used in the operation of the business of the Company and its Subsidiaries , taken as a whole, are in operating condition and in a state of adequate maintenance and repair (ordinary wear and tear excepted) and are generally suitable for the purposes used for the operation of the business of the Company and its Subsidiaries as currently conducted.

6L. INTANGIBLE PROPERTY. (a) SCHEDULE 6L sets forth a complete and correct list of each patent, trademark, trade name, service mark, brand mark, brand name, Software and copyright owned or used in the business of the Company and its Subsidiaries as well as all registrations thereof and pending applications therefor, and each material license or other material Contract relating thereto (collectively, the "INTANGIBLE PROPERTY") and indicates, with respect to each item of Intangible Property, the owner thereof and, if applicable, the name of the licensor and licensee thereof and the basic terms of such license or other Contract relating thereto. Except as set forth on SCHEDULE 6L, each of the foregoing is owned by the Company or one of its Subsidiaries free and clear of any and all Liens and is in good standing and no other Person has any claim of ownership with respect thereto. The use of the foregoing by the Company or any of its Subsidiaries does not conflict with, infringe upon, violate or interfere with or constitute an appropriation of any right, title, interest or goodwill, including, without limitation, any intellectual property right, patent, trademark, trade name, service mark, brand mark, brand name, computer program, database, industrial design, copyright or any pending application therefor of any other Person, which, in any such case, could have a Material Adverse Effect. There have been no Legal Proceedings initiated or, to the knowledge of the Company, threatened with respect to Intangible Property and neither the Company nor any of its Subsidiaries has received any notice or otherwise knows that any of the foregoing is invalid or conflicts with the asserted rights of other Persons or have failed to be used or enforced in a manner that would result in the abandonment, cancellation or unenforceability of the Intangible Property that could have a Material Adverse Effect.

(b) The Company and its Subsidiaries own or license all Intangible Property, know-how, formulae and other proprietary and trade rights necessary for the conduct of their respective businesses as now conducted .

6M. MATERIAL CONTRACTS. (a) Except as set forth on SCHEDULES 6B, 6I, 6J, 6K AND 6L or as set forth on SCHEDULE 6M, neither the Company nor any of its Subsidiaries nor any of their respective properties or assets is a party to or bound by any (i) Contract not made in the ordinary course of business, the performance of which will extend over a period greater than thirty (30) days; (ii) employment, consulting, non-competition, severance, golden parachute or employee, officer, or director indemnification Contract (including, without limitation, in each case any material Contract to which the Company or any of its Subsidiaries is a party involving employees of the Company or any of its Subsidiaries), which is not terminable by the Company or any of its Subsidiaries, as

the case may be, within thirty (30) days after written notice thereof and without liability to the Company or any of its Subsidiaries; (iii) distributorship, sales representative or sales agency Contract, which is not terminable by the Company or any of its Subsidiaries, as the case may be, within thirty (30) days after written notice thereof and without liability to the Company or any of its Subsidiaries; (iv) Contract (including, without limitation, purchase orders issued by customers or to suppliers of the Company or any of its Subsidiaries which remain open as of the date of this Agreement) involving the commitment or payment reasonably expected to be in excess of $1,000,000 for the future purchase of services or equipment; (v) Contract among stockholders or granting a right of first refusal or for a partnership or a joint venture or for the acquisition, sale or lease of any assets individually or in the aggregate in excess of $100,000, partnership interests or capital stock of the Company or any of its Subsidiaries or any other Person or involving a sharing of profits which could, individually or in the aggregate, reasonably be expected to be in excess of $100,000; (vi) mortgage, pledge, conditional sales contract, security agreement, factoring agreement or other similar Contract with respect to any real or tangible personal property of the Company or any of its Subsidiaries involving annual payments or liabilities in excess of $100,000; (vii) loan agreement, credit agreement, promissory note, guarantee, subordination agreement, letter of credit or any other similar type of Contract involving liabilities, individually or in the aggregate, in excess of $100,000; (viii) material Contract relating to the exploration, development, exploitation, extraction or transportation of oil or gas, (ix) Contract with any Governmental Body; or (x) Contract for the charter of any vessels. There has been delivered or otherwise made available to Purchaser complete and correct copies of the Contracts listed on SCHEDULE 6M 6B, 6I, 6J, 6K AND 6L, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

(b) Each of the Contracts listed on SCHEDULE 6M is a valid and binding obligation enforceable against the Company and/or any of its Subsidiaries which is a party thereto and, to the knowledge of the Company, against each other party thereto in accordance with its terms, and there is no default under any Contract listed or described on SCHEDULE 6M either by the Company or any of its Subsidiaries or, to the knowledge of the Company, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder, which could result in a Material Adverse Effect. No party to any Contract set forth on SCHEDULE 6M has given notice of or initiated a material Legal Proceeding with respect to any breach or default thereunder.

6N. EMPLOYEE BENEFITS. (a) SCHEDULE 6N AND 6B sets forth a complete and correct list of all "employee benefit plans", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any other pension plans or employee benefit arrangements or payroll practices (including, without limitation, severance pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, bonus or other incentive compensation, stock purchase arrangements or policies) maintained by the Company or any of its Subsidiaries or any trade or business (whether or not incorporated) which is under common control with the Company or any of its Shareholders or is treated with the Company as a single employer under Section 414(b), (c), (m) or (o) of the Code ("ERISA AFFILIATE") or to which the Company or any of its Subsidiaries contributes or is obligated to contribute thereunder with respect to employees of the Company or any of its Subsidiaries ("EMPLOYEE BENEFIT PLANS").

(b) Neither the Company nor any ERISA Affiliate has now or has ever sponsored or contributed to any Employee Benefit Plans that are (i) subject to Section 4063 and 4064 of ERISA (multiple employer plans), (ii) multiemployer plans as defined in Section 4001(a)(3) of ERISA, (iii) welfare plans providing continuing benefits after the termination of employment (other than COBRA benefits required by Section 4980B of the Code and paid for by the former employer), or (iv) defined benefit pension plans subject to Title IV of ERISA or the funding requirements of Section 412 of the Code.

(c) The Employee Benefit Plan intended to qualify under Section 401(a) of the Code ("QUALIFIED PLANS") so qualifies, and, except as disclosed on SCHEDULE 6N, nothing has occurred with respect to the

operation of any such plan which, either individually or in the aggregate, would cause the loss of such qualification or the imposition of any liability, penalty or tax under ERISA or the Code.

(d) All contributions and premiums required by law or by the terms of any Employee Benefit Plan or any agreement relating thereto have been timely made or provided for (without regard to any waivers granted with respect thereto).

(e) The liabilities of each Employee Benefit Plan that has been terminated or otherwise wound up, have been fully discharged in compliance with applicable Law.

(f) There has been no violation of ERISA with respect to the filing of applicable returns, reports, documents and notices regarding any of the Employee Benefit Plans with the Secretary of Labor or the Secretary of the Treasury or the furnishing of such notices or documents to the participants or beneficiaries of the Employee Benefit Plans which, either individually or in the aggregate, could result in material liability to the Company or any ERISA Affiliate.

(g) Complete and correct copies of the following documents, with respect to each of the Employee Benefit Plans (as applicable), have been delivered to Purchaser: (i) any plan documents and related trust documents, and all amendments thereto; (ii) the most recent Forms 5500 and schedules thereto; (iii) the most recent IRS determination letters; (iv) the most recent summary plan descriptions.

(h) There are no pending Legal Proceedings which have been asserted or instituted against any of the Employee Benefit Plans, the assets of any such plans or the Partnership or any of the Corporations or the plan administrator or any fiduciary of the Employee Benefit Plans with respect to the operation of such plans (other than routine, uncontested benefit claims) which, either individually or in the aggregate, could result in a Material Adverse Change.

(i) Each of the Employee Benefit Plans has been maintained, in all material respects, in accordance with its terms and all provisions of applicable Law. All amendments and actions required to bring each of the Employee Benefit Plans into conformity in all material respects with all of the applicable provisions of ERISA, the Code and other applicable Laws have been made or taken except to the extent that such amendments or actions are not required by Law to be made or taken until a date after the Closing Date.

(j) None of the Company, the Subsidiaries or any ERISA Affiliate maintains a welfare benefit plan providing continuing benefits after the termination of employment (other than as required by Section 4980B of the Code and at the former employee's own expense) except as provided on SCHEDULE 6N and the Company, its Subsidiaries and each of the ERISA Affiliates have complied in all material respects with the notice and continuation requirements of Section 4980B of the Code and the regulations thereunder.

(k) No Employee Benefit Plan will require the payment of severance benefits, separation pay or any similar pay as a result of the consummation of the transactions contemplated by this Agreement.

(l) The Company does not maintain or contribute to a trust under Sections 501(a) and 501(c)(9) of the Code.

6O. LABOR. (a) Neither the Company nor any of its Subsidiaries is party to any labor or collective bargaining agreement and there are no labor or collective bargaining agreements which pertain to employees of the Company or any of its Subsidiaries.

(b) No employees of the Company or any of its Subsidiaries are represented by any labor organization. No labor organization or group of employees of the Company or any of its Subsidiaries has made a pending demand for recognition, and there are no representation proceedings or petitions seeking a representation proceeding presently pending or, to the knowledge of the Company, threatened to be brought or filed, with the National Labor Relations Board or other labor relations tribunal. There is no organizing activity involving the Company or any of its Subsidiaries pending or, to the knowledge of the Company, threatened by any labor organization or group of employees of the Company or any of its Subsidiaries.

(c) Except as described in Schedule 6H ,there are no labor or employment related (i) strikes, work stoppages, slowdowns, lockouts or arbitrations or (ii) material grievances or other material labor disputes pending or, to the knowledge of the Company, threatened against or involving the Company or any of its Subsidiaries. There are no unfair labor practice charges or grievances pending or, to the knowledge of the Company, threatened by or on behalf of any employee or group of employees of the Company or any of its Subsidiaries.

(d) There are no complaints, charges or claims against the Company or any of its Subsidiaries pending or, to the knowledge of the Company, threatened to be brought or filed with any Governmental Body based on, arising out of, in connection with, or otherwise relating to the employment by the Company or any of its Subsidiaries of any individual, including any claim for workers' compensation (except as described in Section 6H), which could reasonably be expected to result in a Material Adverse Change . To the knowledge of the Company , the Company and its Subsidiaries are in compliance with all Laws and Orders relating to the employment of labor, including all such Laws and Orders relating to wages, hours, collective bargaining, discrimination, civil rights, workers' compensation, pay equity and the collection and payment of withholding and/or Social Security Taxes and similar Taxes, noncompliance with which could result in a Material Adverse Charge.

6P. COMPLIANCE WITH LAWS; PERMITS. (a) Except as set forth on SCHEDULE 6P, the Company and its Subsidiaries are in compliance in all material respects with all Laws and Orders promulgated by any Governmental Body (including, without limitation, the Commissioner of Customs and the U.S. Coast Guard) applicable to the Company or any of its Subsidiaries or to the conduct of the business or operations of the Company or any of its Subsidiaries or the use of any of their properties (including any leased properties) and assets, noncompliance with which could result in a Material Adverse Change. Except as set forth on SCHEDULE 6P, neither the Company nor any of its Subsidiaries has received, or knows of the issuance of, any notices of any violation or alleged violation of any such Law or Order of any Governmental Body. Except as set forth on SCHEDULE 6P, there are no pending or, to the knowledge of the Company, threatened investigations by any Governmental Body with respect to such business or operations of the Company or any of its Subsidiaries which, either individually or in the aggregate, could result in a Material Adverse Change.

(b) SCHEDULE 6P lists all Permits of the Company and its Subsidiaries issued or granted by any Governmental Body, indicating, in each case, the expiration date thereof, which are material to the business and operations of the Company or any of its Subsidiaries. The Company and its Subsidiaries have all Permits that are required to be obtained by each of them to permit the operations of their respective businesses in the manner in which such operations are currently and heretofore conducted, except to the extent that the failure to have any such Permit could not, either individually or in the aggregate, cause a Material Adverse Change. The Company and its Subsidiaries have complied with all conditions of such Permits applicable to it, non-compliance with which could result in a Material Adverse Effect. No default or violation, or event, that with the lapse of time or giving of notice or both would become a default or violation, has occurred in the due observance of any such Permit which could reasonably be expected to have a Material Adverse Effect. To the

knowledge of the Company, all such Permits are in full force and effect without further consent or approval of any Person except for such as would not have a Material Adverse Effect.

6Q. ENVIRONMENTAL MATTERS. Except as would not have a Material Adverse Effect, (i) the operations of the Company and its Subsidiaries are in compliance with all Environmental Laws ; (ii) the Company and its Subsidiaries have all Environmental Permits required for their operations ; all such Environmental Permits are in full force and effect and in good standing, there are no Legal Proceedings pending or, to the knowledge of the Company, threatened WITH RESPECT TO any such Environmental Permit; the Company and its Subsidiaries are in compliance with such Environmental Permits; (iii) the Company and its Subsidiaries are not (x) subject to any outstanding written Order or, except as set forth on SCHEDULE 6M, material Contract, including Environmental Liens, with or in favor of any Governmental Body or Person relating to Environmental Laws, Environmental Permits or Hazardous Materials or (y) to the knowledge of the Company, subject to any federal, state or local investigation concerning any Environ mental Laws or Environmental Claims; (iv) neither the Company nor any of its Subsidiaries is subject to any Legal Proceeding alleging the violation of any Environmental Law or Environmental Permit; (v) neither the Company nor any of its Subsidiaries has received (nor, to the knowledge of the Company, has there been issued) any written communication that alleges that either the Company or any of its Subsidiaries is not in compliance with any Environmental Law or Environmental Permit ; (vi) except as set forth on SCHEDULE 6Q, neither the Company nor any of its Subsidiaries has caused or, to the best knowledge of the Company after due inquiry, permitted any Hazardous Materials to remain or be disposed of, either on or under real property owned or operated by the Company or any of its Subsidiaries or on any real property not permitted to accept, store or dispose of such Hazardous Materials; (vii) to the knowledge of the Company, except as set forth on SCHEDULE 6Q, there is not now on or in the Leased Property (A) any underground storage tanks or surface tanks, dikes or impoundments; (B) any friable asbestos containing materials or (C) any polychlorinated biphenyls.

6R. INVESTMENT COMPANY ACT. Neither the Company nor any of its Subsidiaries is an investment company within the meaning of the Investment Company Act of 1940, as amended.

6S. INSURANCE. SCHEDULE 6S sets forth a list of all policies of insurance of any kind or nature covering the Company or any of its Subsidiaries or any of their employees, properties or assets, including, without limitation, policies of life, disability, fire, theft, workers compensation, employee fidelity and other casualty and liability insurance. Except as set forth on Schedule 6S, all such policies are in full force and effect. SCHEDULE 6S also sets forth, for each such policy, the type of coverage, name of the insured (other than third parties), the insurer, the expiration date of each policy, the amount of coverage per occurrence and in the aggregate, and any deductible amount or other form of self-insured retention. Such policies of insurance are valid, enforceable and in full force and effect (and will continue to be valid, enforceable and in full force and effect following the Closing) and, taken together, provide the Company, its Subsidiaries, directors and officers with, in the reasonable judgment of the Company, adequate coverage for all risks normally insured against a Person carrying on the same businesses as the Company and its Subsidiaries. Except as set forth on SCHEDULE 6S , neither the Company nor any of its Subsidiaries has received any refusal of coverage or any notice that a defense will be afforded with a reservation of rights or any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or will not be renewed or that the issuer of any policy is not willing or able to perform its obligations thereunder. The Company has delivered or otherwise made available to Purchaser complete and correct copies of each policy listed on SCHEDULE 6S, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

6T. CUSTOMERS AND SUPPLIERS. SCHEDULE 6T lists the ten (10) largest customers in terms of revenues and the ten (10) largest suppliers in terms of purchases of the Company and its Subsidiaries taken as a whole during the year ended December 31, 1996 and the approximate amount of sales to each such customer and purchases from each such supplier during such year. Except as expressly set forth on SCHEDULE 6T, (i) taken as a whole, the relationships of the Company and its Subsidiaries with customers and suppliers have been entered into and are conducted pursuant to arms' length transactions, and (ii) no customer or supplier of the Company or any of its Subsidiaries has canceled, otherwise terminated, altered, or threatened in writing to cancel, otherwise terminate or alter, its relationship with the Company or any of its Subsidiaries or withheld or delayed payment for, or shipment or provision of, any products or services or threatened in writing to do so which, either individually or in the aggregate, could result in a Material Adverse Effect.

6U. RELATED PARTY TRANSACTIONS. Except as set forth on SCHEDULE 6U, since December 31, 1994 and as of the date hereof, neither the Company nor any of its Subsidiaries has entered into any transaction with or is a party to any Contract with any Affiliate of the Company. None of the Company's shareholders or any of their respective Affiliates owns any direct or indirect interest of any kind in, or controls or is a director, officer, employee or partner of, or consultant to, or lender to or borrower from or has the right to participate in the profits of, any Person which is a competitor, supplier, customer, landlord, tenant, creditor or debtor of the Company or any of its Subsidiaries excluding ownership of shares of publicly traded companies.

6V. ENTIRE BUSINESS. Except for the unavailability from time to time of vessels or oil services machinery and equipment for charter or lease on the spot market, the assets, properties and rights which will be owned, leased or licensed by the Company and its Subsidiaries as of the Closing Date will constitute all of the tangible and intangible property used by and necessary to the Company and its Subsidiaries in connection with the conduct of their businesses as now conducted .

6W. NO FINDER'S FEE. Other than fees payable by the Company to Simmons & Company International, its financial adviser, there are no claims for brokerage commissions, finders' fees or similar compensation payable by the Company and/or its Affiliates in connection with the transactions contemplated by this Agreement. The Company shall be solely responsible for the payment of such fees to Simmons & Company International.

6X. DISCLOSURE. Neither this Agreement nor any of the exhibits, schedules, attachments, documents, certificates supplied to the Purchaser by or on behalf of the Company with respect to the transactions contemplated hereby nor any of the Seller Documents contains any untrue statement of a material fact or omit a material fact necessary to make each statement contained herein or therein not misleading under the circumstances. There is no fact which the Company has not disclosed to the Purchaser and of which any of its officers, directors or key employees is aware and which has had or would reasonably be anticipated to have a Material Adverse Effect.

7. REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDERS. As a material inducement to the Purchaser to enter into this Agreement and purchase the Company Shares and the Shareholder Shares, each of the Shareholders, severally, hereby represents and warrants at the time of execution hereof that:

7A. TITLE TO SHARES. Such Shareholder has, and on the Closing Date will have, good, valid and marketable title to all of such Shareholder's Shareholder Shares to be sold to the Purchaser pursuant to this Agreement free and clear of any Liens. Immediately upon completion of the Closing, the Purchaser will own, and will have, good, valid and marketable title to, the Shareholder Shares free and clear of any Liens. There are no Legal Proceedings pending or, to the knowledge of such Shareholder, threatened against such

Shareholder or such Shareholder's businesses or assets that if adversely determined, could reasonably be expected to have a material adverse effect on such Shareholder's ability to perform its obligations under this Agreement or the Seller Documents to which such Shareholder is a party or any action taken or to be taken by such Shareholder in connection with the consummation of the transactions contemplated hereby or thereby. No other Person has any direct or indirect record or beneficial title or interest in or claim of any nature whatsoever to any of such Shareholder's Shareholder Shares, and there are no Contracts, commitments, undertakings, understandings or other restrictions to which such Shareholder is a party which directly or indirectly restricts or otherwise limits in any manner the voting, sale, transfer or other disposition of such Shares except as set forth on SCHEDULE 7A.

7B. AUTHORITY RELATIVE TO THIS AGREEMENT. Such Shareholder has full legal and, if applicable, corporate, partnership, trust or other organizational right, power and authority to execute and deliver this Agreement and the other Seller Documents to which such Shareholder is a party, to consummate the transactions contemplated hereby and thereby, and to sell such Shareholder's Shareholder Shares to Purchaser hereunder. The execution, delivery and performance of this Agreement and the other Seller Documents to which such Shareholder is a party have been duly authorized by all necessary corporate (including shareholder), partnership, trust or other organizational action on the part of such Shareholder. This Agreement and each other Seller Document to which such Shareholder is a party have been duly and validly executed and delivered by, and each such agreement constitutes a valid and binding obligation of such Shareholder, enforceable against such Shareholder in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditor's rights generally (regardless of whether such enforceability is considered in a proceeding at law or in equity). Each Shareholder which is not an individual has delivered to the Purchaser true and complete copies of such Shareholder's organizational documents. The execution and delivery by such Shareholder of this Agreement and each other Seller Document to which such Shareholder is a party, the offering and sale by such Shareholder of Shareholder Shares, and the fulfillment of and compliance with the terms of this Agreement and the other Seller Documents to which such Shareholder is a party by such Shareholder, do not and shall not (a)(i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default or an event which with the giving of notice, passage of time or both would constitute a default under, (iii) give rise to any right of termination, cancellation or acceleration, (iv) result in a violation of, or (v) require any consent, approval, waiver, Order, Permit or exemption or other action by or notice, declaration or filing to or with any Governmental Body pursuant to, the organizational documents of such Shareholder, if applicable, or to the extent such conflict, breach, default, termination, cancellation, acceleration, violation or failure to obtain such consent, approval, waiver, order, permit or exemption could reasonably be expected to have a material adverse effect on such Shareholder, any Law, Contract, Permit or Order, to which such Shareholder, or any of such Shareholder's assets is subject, or (b) result in the creation or imposition of any Lien upon the capital stock, property or assets of such Shareholder.

8. PURCHASER'S REPRESENTATIONS AND WARRANTIES. As a material inducement to the Company and the Shareholders to enter into this Agreement and sell the Company Shares and Shareholder Shares, the Purchaser hereby represents and warrants at the time of execution hereof that:

8A. ORGANIZATION AND CORPORATE POWER. The Purchaser is duly organized, validly existing and in good standing under the laws of France and is duly qualified or authorized to do business as a foreign corporation and is in good standing in each of the jurisdictions where the Purchaser's ownership or lease of property or conduct of business requires it to so qualify, except for those jurisdictions where the failure to be so qualified or authorized would not have a material adverse effect on the business, properties, results of

operations, prospects, operations, condition (financial or otherwise) of the Purchaser and its Subsidiaries taken as a whole. The Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and each other Seller Document to which it is a party, to consummate the transactions contemplated hereby and thereby and to duly perform its obligations hereunder and thereunder.

8B. AUTHORIZATION; NO BREACH. The execution, delivery and performance of this Agreement and the other Seller Documents to which the Purchaser is a party have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement and each other Seller Document to which the Purchaser is a party has been duly and validly executed and delivered by, and constitutes or, at the Closing, will constitute, a valid and binding obligation of, the Purchaser enforceable against the Purchaser in accordance with its respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditor's rights generally (regardless of whether such enforceability is considered in a proceeding at law or in equity). The execution and delivery by the Purchaser of this Agreement and each other Seller Document to which the Purchaser is a party and the fulfillment of, and the compliance with, the respective terms of this Agreement and the other Seller Documents to which the Purchaser is a party by the Purchaser, do not and shall not (i) conflict with, or result in a breach of, the terms, conditions or provisions of, (ii) constitute a default under or any event which with the giving of notice, passage of time or both would constitute a default under, or (iii) assuming compliance with the applicable requirements of the HSR Act and EXFA, result in a violation of, require any consent, approval, waiver, Order, Permit or exemption or other action by or notice, declaration or filing to or with any Governmental Body pursuant to, the corporate organizational documents of the Purchaser, or any Law to which the Purchaser is subject, or any Contract, Permit or Order to which the Purchaser is a named party and subject, except for consents or approvals set forth on SCHEDULE 8B.

8C. RESTRICTED SECURITIES. The Restricted Securities purchased hereunder or acquired pursuant hereto are being acquired by the Purchaser for its own account with the present intention of holding such securities for purposes of investment, and that it has no present intention of selling or distributing such securities in any transaction that would be in violation of the federal securities laws or any applicable state securities laws; provided that nothing contained herein shall prevent the Purchaser and subsequent holders of Restricted Securities from transferring such securities in compliance with applicable Law. The Purchaser understands that the Restricted Securities have not been registered under the Securities Act or any state securities laws by reason of their contemplated issuance hereunder in a transaction exempt from the registration requirements of the Securities Act and applicable state securities laws, and that the reliance of the Company and others upon these exemptions is predicated in part upon this representation by the Purchaser. The Purchaser further understands that the Restricted Securities may not be transferred or resold without (i) registration thereof under the Securities Act and applicable state securities laws, or (ii) the availability of an exemption from the registration requirements of the Securities Act and applicable state securities laws.

8D. NO FINDER'S FEE. Other than fees payable by the Purchaser to Schroder, Wertheim & Co. Incorporated, its financial adviser, there are no claims for brokerage commissions, finders' fees or similar compensation payable by the Purchaser and/or its Affiliates in connection with the transactions contemplated by this Agreement. The Purchaser shall be solely responsible for the payment of such fees to Schroder, Wertheim &Co. Incorporated.

8E. PURCHASER INQUIRY. The Purchaser and its advisors have reviewed to their satisfaction, solely for purposes of satisfying the exemption for the issuance and sale of the Restricted Securities hereunder from the registration requirements of the Secutities Act and applicable state securities laws, business, management and financial information about the Company and have had an opportunity to ask questions of, and receive

answers from, the Company concerning the business, management and financial affairs of the Company which questions, if any, have been answered to their satisfaction, solely for purposes of satisfying the exemption for the issuance and sale of the Restricted Securities hereunder from the registration requirements of the Secutities Act and applicable state securities laws, including, without limitation, all material contracts and related material described in SCHEDULE 6M, and have had an opportunity to obtain, and have received, any additional information deemed necessary by them in order to form a decision concerning the Purchaser's investment in the Company contemplated herein; provided, however, that none of the foregoing shall limit, diminish or constitute a waiver of any representation, warranty or covenant made under this Agreement by the Company or any Shareholder or impair any rights which the Purchaser may have with respect thereto under Section 12B hereof.

8F. QUALIFICATION AS AN ACCREDITED INVESTOR. The Purchaser is an accredited investor within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act.

9. PUBLIC DISCLOSURE. No party shall disclose that the Purchaser is acquiring an interest in the Company or the price or terms thereof in any press release or any public announcement or in any document or material filed with any Governmental Body or to any other Person, without the prior written consent of the Company and the Purchaser (which consent shall not be unreasonably withheld, delayed, or conditioned) unless such disclosure is required by applicable Law or Rules of the Nasdaq Stock Market or by order of a court of competent jurisdiction in which case prior to making such disclosure, the disclosing party shall use its reasonable efforts to give written notice to the other party describing in reasonable detail the proposed content of such disclosure and shall use its reasonable efforts to permit the Company to review and comment upon the form and substance of such disclosure. With respect to the transactions contemplated by this Agreement, the Purchaser and the Company will coordinate all communications, if any, to third parties.

10. DEFINITIONS. (a) For the purposes of this Agreement, the following terms have the meanings set forth below:

"AFFILIATE" means, with respect to any Person, (i) any Person that directly or indirectly controls, is controlled by or is under, common control with, such Person, or (ii) any director, senior officer or partner of such Person or any Person specified in Clause (i) above, or (iii) any Immediate Family Member of any Person specified in clause (i) or (ii) above.

"BENEFICIAL OWNER" shall have the meaning set forth in Rule 13d-3 of the U.S. Securities and Exchange Commission and "BENEFICIALLY OWNS" shall have a correlative meaning.

"COASTWISE LAWS" means 46 U.S.C.ss.ss.289-883 and the rules and regulations promulgated thereunder.

"CODE" means the Internal Revenue Code of 1986, as amended.

"CONTRACT" means any contract, agreement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, insurance policy, commitment or other arrangement or agreement.

"CUSTOMS COMMISSIONER" means the U.S. Commissioner of Customs, Office of Regulations and Rulings.

"EMPLOYEE STOCK AGREEMENTS" means the Employee Stock Agreements entered into from time to time between the Company and certain employees which provide that the Company shall have a repurchase-option on such employee's shares of Common Stock if the employee ceases to be employed by the Company.

"ENVIRONMENTAL CLAIM" means any notice of violation, pending or to the knowledge of the Company, threatened court or administrative action, claim, Lien, abatement, order or agency direction (conditional or otherwise) by any Governmental Body or asserted by any Person pertaining to Environmental Matters.

"ENVIRONMENTAL LAW" means any Law, as existing as of the Closing Date, concerning Releases into any part of the natural environment, or activities that might result in damage to the natural environment, or any Law that is concerned in whole or in part with the natural environment and with protecting or improving the quality of the natural environment and includes, but is not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") (42 U.S.C. ss.ss. 9601 ET SEQ.), the Hazardous Materials Transportation Act (49 U.S.C. ss.ss. 1801 ET SEQ.), the Resource Conservation and Recovery Act (42 U.S.C. ss.ss. 6901 ET SEQ.), the Clean Water Act (33 U.S.C. ss.ss. 1251 ET SEQ.), the Clean Air Act (33 U.S.C. ss.ss. 7401 ET SEQ.), the Toxic Substances Control Act (15 U.S.C. ss.ss. 2601 ET SEQ.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. ss.ss. 136 ET SEQ.), the Oil Pollution Act (33 U.S.C.ss.ss. 2701-2719), and the Louisiana spill law (La. Rev. Stat. ss.30:2025) as such laws have been amended or supplemented, and the regulations promulgated pursuant thereto, and any and all analogous state or local statutes, and the regulations promulgated pursuant thereto. "Environmental Laws" does not include the Occupational Safety and Health Act or any other law related to worker safety or workplace conditions which, for purposes of this Agreement, shall nevertheless still constitute a Law.

"ENVIRONMENTAL MATTERS" means any matter arising out of or relating to the production, storage, transportation, disposal or Release of any Hazardous Material which could give rise to liability or require the expenditure of money to address, and shall include, without limitation, the costs of investigating and remediating any of the foregoing matters, any fines and penalties arising in connection therewith, and any claim in respect thereof for damages for alleged personal injury, property damage or damage to natural resources or injunctive relief under common law or other Environmental Law.

"ENVIRONMENTAL PERMIT" means any Permit, approval, authorization, license variance, registration, or permission required under any applicable Environmental Laws and all supporting documents associated therewith.

"ERISA" means the Employee Retirement Income Security of 1974, as amended.

"ERT" means Energy Resource Technology, Inc., a direct wholly-owned Subsidiary of the Company.

"EMPLOYEE SHAREHOLDERS" means employees who are shareholders of the Company.

"EXFA" means the Exon-Florio Amendment to the Defense Production Act of 1950 and the rules and regulations promulgated thereunder.

"EXECUTIVES" means Gerald G. Reuhl, Owen Kratz and S. James Nelson.

"EXTRAORDINARY LOSS" means any extraordinary loss (as defined in Opinion No. 30 of the Accounting Principles Board of the American Institute of Certified Public Accountants and any amendments thereto).

"FACILITIES" means real property now or heretofore owned, leased or operated by the Company or any of its Subsidiaries.

"FUNDS" means First Reserve Secured Energy Assets Fund, Limited Partnership, First Reserve Fund V, Limited Partnership, First Reserve Fund V-2, Limited Partnership, and First Reserve Fund VI, Limited Partnership.

"GAAP" means generally accepted accounting principles as in effect in the United States of America from time to time.

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

"HAZARDOUS MATERIALS" means any substance, material or waste which is defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste" or "restricted hazardous waste," "subject waste," "contaminant," "toxic waste" or "toxic substance" under any provision of Environmental Law, including but not limited to, petroleum, petroleum products, asbestos and polychlorinated biphenyls.

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"IMMEDIATE FAMILY MEMBER" means, with respect to any Person, a spouse, parent, child or sibling (whether natural or adopted) of such Person and any trust or other mechanism established for estate or tax planning purposes solely for the benefit of any such Person's Immediate Family Members.

"LAW" means any federal, state, local, foreign or supranational statute, treaty, code, ordinance, rule, regulation or other requirement.

"LEGAL PROCEEDING" means any judicial, civil, criminal, equitable, administrative or arbitral actions, suits, charges, complaints, demands, proceedings (public or private), claims or governmental proceedings.

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

"MATERIAL ADVERSE CHANGE" or "MATERIAL ADVERSE EFFECT" means any action, event, circumstance, condition, change or effect which, individually or in the aggregate, has resulted in, or could reasonably be expected to, result in a material adverse change in and/or effect on the business, properties, results of operations, prospects, operations, condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole.

"MCDERMOTT AGREEMENTS" means the Asset Purchase Agreements dated August 30, 1996 between the Company and J. Ray McDermott S.A. and between the Company and J. Ray McDermott Inc. and all Contracts relating thereto.

"OFFICER'S CERTIFICATE" means, with respect to the Company or Purchaser, a certificate signed by a chairman, president or its chief financial officer of such Person, stating, among other things, that (i) the officer signing such certificate has made or has caused to be made such investigations as are necessary in order to permit him to verify the accuracy of the information set forth in such certificate and (ii) to the best of such officer's knowledge, such certificate does not misstate any material fact and does not omit to state any

fact necessary to make the certificate not misleading.

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

"ORDINARY COURSE OF BUSINESS" shall mean either action consistent with historical Company practice or consistent with oil service industry practice of competitors or reasonably foreseeable trends therein.

"PERMITS" means any approvals, authorizations, consents, filings, licenses, permits, registrations, qualifications or certificates, other than Environmental Permits..

"PERSON"means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization, Governmental Body or any other entity, agency or political subdivision thereof.

"PURCHASER COMMON STOCK" means (i) the Common Stock (a) issued to the Purchaser pursuant to this Agreement by the Company and (b) sold to the Purchaser by the Shareholders pursuant to this Agreement, and (ii) any additional shares of Common Stock issued with respect to the Common Stock referred to in clause (i) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other similar event.

"QUALIFIED PUBLIC OFFERING" means an underwritten public offering of Common Stock of the Company under the Securities Act pursuant to which the Company receives proceeds, net of underwriting discounts and commissions, of at least $35,000,000.

"RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, or migration of a Hazardous Material into the indoor or outdoor environment, or into or out of any property owned, operated or leased by the Company or any of its Subsidiaries.

"REMEDIAL ACTION" means all actions, including, without limitation, any capital expenditures, required by applicable Environmental Laws to (i) clean up, remove or treat, Hazardous Material ; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material ; (iii) perform preremedial studies and investigations or post-remedial monitoring and care; or (iv) bring any Facility into compliance with all Environmental Laws and Environmental Permits.

"RESTRICTED SECURITIES" means (i) the Purchaser Common Stock issued hereunder, and (ii) any securities issued with respect to the securities referred to in clause (i) above, by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Restricted Securities, such securities shall cease to be Restricted Securities when they have (a) been effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them, (b) become eligible for sale pursuant to Rule 144 or Rule 144A (or any similar provision or provisions then in force) under the Securities Act or (c) been otherwise transferred in compliance with applicable securities laws and new certificates for them not bearing a Securities Act restrictive legend set forth have been delivered by the Company. Whenever any particular securities cease to be Restricted Securities, the holder thereof shall be entitled to receive from the Company, without expense, new securities of like tenor not bearing a Securities Act restrictive legend.

"RULING LETTER" means the letter dated February 10, 1997 of Robins, Kaplan, Miller & Ciresi, L.L.P., special counsel to the Company, to the Customs Commissioner, a copy of which, together with the response thereto from the Customs Commissioner, is set forth in EXHIBIT L..

"SECURITIES ACT" means the Securities Act of 1933, as amended, or any similar federal law then in force.

"SECURITIES EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, or any similar federal law then in force.

"SELLER DOCUMENTS" means this Agreement and each other Contract, document or certificate contemplated by this Agreement in connection with the consummation of the transactions contemplated by this Agreement.

"1995 SHAREHOLDERS AGREEMENT" means that certain Amended and Restated Shareholders Agreement dated January 12, 1995 among the Company, the Funds, the Executives, Gordon F. Ahalt and the Employee Shareholders.

"SOFTWARE" means any computer software program (exclusive of off-the-shelf computer software available in the open market and related applications thereof), program specification chart, procedure, source code, object code, input data, routine, database, report layout, format, record file layout, diagram, functional specification, narrative description, flow chart or other related material which is material to the operations of the Company and its subsidiaries.

"STOCK OPTION PLAN" means that certain 1995 Long Term Incentive Plan of the Company.

"SUBSIDIARY" means, with respect to any Person, any corporation, partnership, association or other business entity of which fifty percent or more of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof, or fifty percent or more of the equity interest therein is at the time owned or controlled by any Person or one or more of the Subsidiaries of such Person or a combination thereof.

"TAX RETURNS" means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes.

"TAXES" means all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest and any penalties, fines, additions to tax or additional amounts imposed by any taxing authority (domestic or foreign) and shall include any transferee liability in respect of Taxes.

"TRANSFER" means any transfer, sale, assignment, distribution, exchange, mortgage, pledge, hypothecation or other disposition.

"TRUSTEES" means Gerald G. Reuhl, Owen Kratz and S. James Nelson acting in their capacity as trustees of the Voting Trust Agreement.

"VOTING TRUST AGREEMENT" means that certain Voting Trust Agreement dated as of July 27, 1990 by and among the Executives and certain employees of the Company.

(b) The following capitalized terms are defined in the following Sections of this Agreement:

TERM	SECTION
Acquisition Transaction	5G
Agreement	Preamble
Arbitration Notice	12J
Award	12J
Basket	12D
Business Cooperation Agreement	2J
Cap	12D
Closing	1B
Closing Date	1B
Committee	2G
Company	Preamble
Company Shares	Preamble
Discovery	12J
Dispute	12J
Employee Benefit Plans	6N
ERISA	6N
ERISA Affiliate	6N
Expenses	12D
Financial Statements	6D
Independent Arbitrator	12J
Intangible Property	6L
Intangible Property Licenses	6L
Latest Balance Sheet	6E
Lease Property	6I
Losses	12D
Multi Employer Plans	6N
PBGC	6N
Personal Property Leases	6K
Purchaser	Preamble
Purchaser Indemnified Parties	12D
Qualified Plans	6N
Real Property Leases	6I
Registration Rights Agreement	2H
Registration Statement	12D
Representative	4
Reserves Report	6I
ROV Agreement	1A
Securities Act	12D
Seller Indemnifying Parties	12D
Shareholder	Preamble
Shareholders	Preamble
Shareholder Shares	Premable
Shareholders Agreement	2I
Vessels	6J

(c) As used in this Agreement, all references to "Dollars" or "$" are to U.S. dollars. As used in this Agreement, unless the context otherwise requires: (1) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP; (2) "or" is not exclusive; and (3) words in the singular include the plural, and in the plural include the singular.

11. POST-CLOSING ACTIVITIES. After the Closing, the parties shall execute and deliver such other and further instruments and perform such other and further acts as may be reasonably necessary or desirable for the implementation of this Agreement or the consummation of the transactions contemplated hereby.

12. MISCELLANEOUS.

12A. EXPENSES. The Company will pay all of its expenses, including attorneys' fees and the fees of Simmons & Company International, incurred in connection with the negotiation of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby. Except as otherwise provided in this paragraph relating to HSR Act filing fees, Purchaser will pay all of its own expenses, including fees of Schroder Wertheim & Co. Incorporated, incurred in connection with the negotiation of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby. Purchaser and the Company shall each pay one-half of the filing fees required in connection with compliance with the HSR Act.

12B. REMEDIES. The Purchaser shall have all rights and remedies set forth in this Agreement (including, without limitation, Section 12D) and the Company's Articles of Incorporation and all rights and remedies which such holders may have under any Law or Contract. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without the requirement of posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

12C. ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement (including the exhibits hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

12D. SURVIVAL OF REPRESENTATION AND WARRANTIES; INDEMNIFICATION. (a) The representations and warranties contained in this Agreement or any of the documents delivered at Closing pursuant to Sections 2C, 2N, 3C or 3K shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and continue in full force and effect, regardless of any investigation made by the Purchaser or on its behalf, for a period of three (3) years after the Closing Date ; PROVIDED, HOWEVER,

that (i) the representations and warranties of the Company contained in the first and second sentences of Section 6C, the last sentence of Section 6E, Section 6G, paragraph (b) of Section 6J, the first sentence of paragraph (c) of Section 6K, the second sentence of Section 6L and Section 6N shall continue in full force and effect until 60 days after any applicable statute of limitations (taking into account any waiver or tolling thereof) with respect to any Legal Proceeding which may arise thereunder or relate thereto shall have run; (ii) the representations and warranties of the Company contained in Section 6Q shall continue in full force and effect for a period of five (5) years after Closing Date; (iii) the representations and warranties of the Shareholders contained in the first sentence of Section 7A and the first, second and third sentences of Section 7B and (iv) the representations and warranties of the Purchaser contained in the first and second sentences of Section 8B and in Section 5 of the ROV Agreement shall continue in full force and effect until 60 days after any applicable statute of limitations (taking into account any waiver or tolling thereof) with respect to any Legal Proceeding which may arise thereunder or relate thereto shall have run. To the extent the survival periods specified herein exceed an applicable statute of limitations, the provisions of this Section 12D(a) shall constitute a waiver by the Company, the Shareholders or the Purchaser, as applicable, of each such statute of limitations.

(b) The Company hereby agrees to indemnify and hold harmless the Purchaser and its directors, officers, employees, Affiliates, agents, successors and assigns (collectively, the "PURCHASER INDEMNIFIED PARTIES") from and against:

(i) subject to paragraph (a) of this Section 12D, any and all losses, liabilities, obligations, damages, deficiencies, costs and expenses ("LOSSES") based upon, attributable to or resulting from any inaccuracy in or breach of any representation or warranty on the part of the Company under this Agreement or in any of the documents delivered by the Company at Closing pursuant to Sections 2C or 2N;

(ii) any and all Losses based upon, attributable to or resulting from (A) the breach of any covenant or agreement on the part of the Company under this Agreement or (B) the enforcement of this Agreement (including, without limitation, this Section 12D); and

(iii) any and all notices, actions, suits, proceedings, demands, assessments, judgments, costs, penalties and expenses, including attorneys' and other professionals, fees and disbursements (collectively, "EXPENSES") incident to the foregoing;

PROVIDED, HOWEVER, that (x) the Company shall not have any liability for indemnity hereunder until the aggregate amount of Losses and Expenses for which the Purchaser Indemnified Parties would otherwise be entitled to receive indemnification hereunder exceeds $350,000 (the "BASKET"), in which event the Company shall be obligated to pay to the Purchaser Indemnified Parties the full amount of such Losses and Expenses, inclusive of the Basket, and (y) the Company shall not have any liability for indemnity hereunder in an aggregate amount in excess of $35,000,000; provided, further, however, that notwithstanding clause (x) above, the Basket shall not apply to restrict, reduce or limit any liability of the Company for indemnity hereunder for any Losses and Expenses of the Purchaser Indemnified Parties, based upon, attributable to or resulting from any willful failures ("willful" to be defined as after having been given reasonable notice and a 60 day period to cure such failure), to fully discharge any covenant or agreement on the part of the Company under this Agreement which by its terms are to be performed after the Closing Date.

(c) Each of the Shareholders hereby severally agrees to indemnify and hold harmless the Purchaser Indemnified Parties from and against:

(i) subject to paragraph (a) of this Section 12D, any and all Losses based upon, attributable to or resulting from any inaccuracy in or breach of any representation or warranty by such Shareholder under Section 7 of this Agreement or by such Shareholder in any of the documents delivered at Closing pursuant to Section 2C or 2N of this Agreement; provided, however, that no Shareholder shall be required to indemnify or hold harmless any Purchaser Indemnified Party under paragraph (c) of this Section 12D for any inaccuracy or breach of representation or warranty by any other Shareholder or the Company;

(ii) any and all Losses based upon, attributable to or resulting from the enforcement of this Agreement against such Shareholder (including, without limitation, paragraph (c) of this Section 12D); and

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

PROVIDED, HOWEVER, that in no event shall the aggregate liability of any of the Shareholders for indemnity under paragraph (c) of this Section 12D exceed the product of (x) the aggregate number of shares of Common Stock sold by such Shareholder hereunder multiplied by (y) $9.46.

(d) The Purchaser hereby agrees to indemnify and hold harmless the Company and its directors, officers, employees, Affiliates, agents, successors and assigns and the Shareholders (collectively, the "Seller Indemnified Parties") from and against:

(i) subject to paragraph (a) of this Section 12D, any and all "Losses" based upon, attributable to or resulting from any inaccuracy in or breach of any representation or warranty on the part of the Purchaser under this Agreement, the ROV Agreeement or in any of the documents delivered by the Purchaser at Closing pursuant to Sections 3C or 3K;

(ii) any and all Losses based upon, attributable to or resulting from (A) the breach of any covenant or agreement on the part of the Purchaser under this Agreement or the ROV Agreement or (B) the enforcement of this Agreement (including, without limitation , this Section 12D) or the ROV Agreement; and

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

PROVIDED, HOWEVER, that (x) the Purchaser shall not have any liability for indemnity hereunder until the aggregate amount of Losses and Expenses for which the Seller Indemnified Parties would otherwise be entitled to receive indemnification hereunder exceeds the Basket, in which event the Purchaser shall be obligated to pay to the Seller Indemnified Parties the full amount of such Losses and Expenses inclusive of the Basket, and (y) the Seller shall not have any liability for indemnity hereunder (A) to the Company or its directors, officers, employees, Affiliates, agents, successors and assigns in an aggregate amount in excess of $4,999,997.86 or (B) to any of the Shareholders in an aggregate amount in excess of the product of (1) the aggregate number of shares of Common Stock sold by such Shareholder hereunder multiplied by (2) $9.46; provided, further, however, that notwithstanding clause (x) above, the Basket shall not apply to restrict, reduce or limit any liability of the Purchaser for indemnity hereunder for any Losses and Expenses of the Seller Indemnified Parties, based upon, attributable to or resulting from any willful failures ("willful" to be defined as after having been given reasonable notice and a 60 day period to cure such failure), to fully discharge any covenant or agreement on the part of the Purchaser under this Agreement which by its terms are to be performed after the Closing Date.

(e) Subject to the limits on Losses and Expenses contained in Section 12D (b) , (c) and (d) above, the Company, the Shareholders and the Purchaser agree that any indemnification payment made hereunder will be treated by the parties on their respective Tax Returns as an adjustment to the aggregate consideration for the shares of Common Stock of the Company acquired by the Purchaser. If, notwithstanding such treatment by the parties, any such indemnification payment is determined to be taxable to the indemnified party by any taxing authority, the indemnifying party shall also indemnify the indemnified party for any Taxes and Related Costs payable by the indemnified party by reason of the receipt of such indemnification payment.

(f) In the event that any Legal Proceedings shall be instituted or asserted by any Person in respect of which payment may be sought under this Section 12D, the indemnified party shall reasonably and promptly cause written notice of the assertion of any Legal Proceeding of which it has knowledge which is covered by the indemnities under this Section 12D to be forwarded to the indemnifying party; provided, however, that the failure of the indemnified party to give such reasonable and prompt notice shall not release, waive or otherwise offset the indemnifying party's obligations hereunder with respect thereto except to the extent that the indemnifying party can demonstrate actual loss and prejudice as a result of such failure. The indemnifying party shall have the right, at its sole option and expense, to be represented by counsel of its choice, which must be reasonably satisfactory to the indemnified party which consent shall not be unreasonably withheld, conditioned or delayed, and to defend against, negotiate, settle or otherwise deal with any Legal Proceeding which relates to any Losses or Expenses indemnified against hereunder; PROVIDED, however, that (i) prior to assuming control of such defense, the indemnifying party shall verify in writing to the indemnified party that the indemnifying party will be fully responsible (with no reservation of any rights) for all Liabilities and obligations relating to such claim for indemnification and that it will provide full indemnification with respect thereto and (ii) no settlement shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld, conditioned or delayed. If the indemnifying party elects to defend against, negotiate, settle or otherwise deal with any Legal Proceeding which relates to any Losses indemnified against hereunder, it shall within thirty (30) days (or sooner, if the nature of the Legal Proceeding so requires) notify the indemnified party of its intent to do so. If the indemnifying party elects not to defend against, negotiate, settle or otherwise deal with any Legal Proceeding which relates to any Losses and Expenses indemnified against hereunder, fails to notify the indemnified party of its election as herein provided or contests its obligation to indemnify the indemnified party for such Losses and Expenses under this Agreement, the indemnified party may defend against, negotiate, settle or otherwise deal with such Legal Proceeding. If the indemnified party defends any Legal Proceeding, then the indemnifying party shall reimburse the indemnified party for the reasonable Expenses of defending such Legal Proceeding upon submission of periodic bills. The indemnified party may not settle any Legal Proceeding without the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld, conditioned or delayed. If the indemnifying party shall assume the defense of any Legal Proceeding, the indemnified party may participate, at its own expense, in the defense of such Legal Proceeding; PROVIDED, HOWEVER, such indemnified party shall be entitled to participate in any such defense with separate counsel (other than the Nixon, Hargrave, Devans & Doyle, LLP law firm) at the expense of the Indemnifying Party if (i) so requested by the indemnifying party to participate or (ii) in the reasonable opinion of counsel to the indemnified party, a conflict or potential conflict exists between the indemnified party and the indemnifying party that would make such separate representation advisable. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such Legal Proceeding.

After any final judgment or award shall have been rendered by a court, arbitration board or administrative agency of competent jurisdiction and the expiration of the time in which to appeal therefrom,

or a settlement shall have been consummated, or the indemnified party and the indemnifying party shall have arrived at a mutually binding agreement with respect to a Legal Proceeding hereunder, the indemnified party shall forward to the indemnifying party notice of any sums due and owing by the indemnifying party pursuant to this Agreement with respect to such matter and the indemnifying party shall be required to pay all of the sums so due and owing to the indemnified party by wire transfer of immediately available funds within five business days after the date of such notice.

12E. SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, and whether or not any express assignment has been made, the provisions of this Agreement which are for the Purchaser's benefit as a purchaser or holder of Common Stock are also for the benefit of, and enforceable by, any Purchaser Party, including any subsequent holder of such Common Stock.

12F. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

12G. COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, and all such counterparts taken together shall constitute one and the same Agreement.

12H. TABLE OF CONTENTS AND SECTION HEADINGS; INTERPRETATION. The table of contents and section headings of this Agreement are inserted for convenience only, do not constitute a part of this Agreement and are to be given no effect in the construction or interpretation of this Agreement. The use of the word "including" in this Agreement shall be by way of example rather than by limitation.

12I. GOVERNING LAW; SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS. (a) Except as expressly provided in Section 12J, the internal law, and not the conflict of laws principles, of the State of New York shall govern this Agreement as well as the construction, validity and interpretation of this Agreement and the exhibits and schedules hereto.

(b) Solely to the extent permitted by Section 12J hereof, each of the parties hereto hereby irrevocably submit for itself or himself and its or his property to the non-exclusive jurisdiction of any federal or state court located within the State of New York over any Dispute (as hereinafter defined) and each party hereby irrevocably agrees that all claims in respect of such Dispute or any action, suit or proceeding related thereto, solely to the extent expressly permitted by Section 12J hereof, may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any Dispute brought in such court or any defense of inconvenient forum for the maintenance of such Dispute, provided that relief sought in any action, suit or proceeding relating thereto is of the nature expressly permitted by Section 12J hereof to be sought in such court. Each of the parties hereto agrees that an Award or a judgment in any such Dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding of the nature expressly permitted by Section 12J hereof by the delivery or mailing of a copy thereof; in accordance with the provisions of Section 12K.

(d) Nothing in this Section 12I shall affect the rights of the parties to commence any action, suit or proceeding of the nature expressly permitted by Section 12J hereof in any other forum or to serve process in any such action, suit or proceeding in any other manner permitted by law.

12J. ARBITRATION. (a) Any claim, dispute or other disagreement (each, a "DISPUTE") between a Purchaser Indemnified Party, on the one hand, and the Company or any of the Shareholders, on the other hand, arising out of or relating to this Agreement or any of the transactions contemplated hereby shall be finally settled by arbitration in accordance with the terms of this Section 12J; provided that any party shall in any event have the right to seek and obtain equitable relief during the pendency of such Dispute pursuant to Section 12J(b) hereof. In the event of any Dispute, any party may serve written notice of such Dispute on any other party and each party to such Dispute shall undertake in good faith to resolve such Dispute. If the parties cannot agree to resolve such Dispute within 15 days after such written notice, any party to such Dispute may, by further written notice (the "ARBITRATION NOTICE") to the other party, commence an arbitration proceeding by bringing the Dispute to an arbitration panel selected as provided below. The Arbitration Notice shall be filed simultaneously with the International Chamber of Commerce in New York, New York, and shall contain a description of the amount in controversy, the nature of the Dispute and the paragraph(s) of this Agreement to which such Dispute relates. Disputes shall be decided by an arbitration panel comprised of three arbitrators (each of whom shall be a practicing lawyer knowledgeable and experienced in matters of corporate, mergers and acquisitions and securities law), one arbitrator to be selected by the Purchaser Indemnified Party, a second arbitrator to be selected by the Company, and the third arbitrator (the "INDEPENDENT ARBITRATOR"), who will be the Chairman of the arbitration panel, to be appointed by the first two arbitrators. In the event the first two arbitrators fail to agree on the appointment of the Independent Arbitrator within 15 days, the Independent Arbitrator shall be appointed by the International Chamber of Commerce in New York, New York. In the event that any arbitrator shall resign, be unable or otherwise fail to perform his or her duties, each party shall immediately notify the other parties of such resignation, inability or failure, and a replacement shall immediately be selected by the party who selected such arbitrator in the first instance, or, if the arbitrator to be replaced is the Independent Arbitrator, then the parties shall attempt in good faith to appoint a mutually agreeable replacement Independent Arbitrator. If the parties fail to agree on such replacement within 15 days, either party may request that the International Chamber of Commerce in New York, New York appoint such replacement Independent Arbitrator. The arbitration panel shall conduct the arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce then in effect, except to the extent such rules are inconsistent with the provisions of this Section 12J. The parties shall prepare in writing a statement of their positions, together with counterclaims, with supporting facts, data, and affidavits, if any, for the arbitration panel and shall submit such statement to the arbitration panel within 15 days after it is selected, but, in any event, within 60 days after service of the Arbitration Notice. The arbitration panel shall give all parties the opportunity to make an oral presentation to the arbitration panel in the presence of the other party if either party so requests. The parties shall have, for a period of 180 days after service of the Arbitration Notice (the "DISCOVERY PERIOD"), all rights of discovery provided by the New York Civil Practice Law and Rules then obtaining, except, unless otherwise agreed, that all responses to discovery requests shall be served within 10 days of such discovery request, and no discovery request may be served after the date 10 days before the termination of the Discovery Period. Subject to the proviso in the first sentence of this Section 12J(a) and to Section 12J(b) hereof, the arbitration panel shall assume exclusive jurisdiction over the Dispute, may order interim equitable relief (which shall be specifically enforceable as if it were a final Award, as hereinafter defined), and shall be required to make a final binding determination (the "AWARD"). The Award shall not be subject to appeal to or review by any court or administrative body except as set forth in Section 10(a) of the Federal Arbitration Act, codified as 9 U.S.C.A. ss.10(a) (West Supp. 1997). The Award shall determine (i) whether each party's obligations under this Agreement were met and

(ii) what damages or remedies (which may include final equitable relief) are due to the Purchaser Indemnified Party, on the one hand, or the Company or Shareholder on the other hand, under the terms of this Agreement. The agreement to arbitrate contained in this Section 12J shall be specifically enforceable under the prevailing arbitration law, and shall survive termination of this Agreement. Judgment upon the Award rendered by the arbitration panel may be entered in accordance with applicable law in any court having jurisdiction therefor. Each party shall bear its own costs and expenses for arbitration, subject to reimbursement as determined by the arbitration panel in the Award. Arbitration shall, unless the parties otherwise agree in writing, take place in New York, New York.

(b) Nothing contained in this Section 12J shall preclude, or be deemed, construed or interpreted to preclude, any party from seeking interim equitable relief from a court of competent jurisdiction against the other party, where circumstances so require, except that no party shall be entitled to seek a stay of any arbitration proceeding brought hereunder. The parties agree that, upon the application of any of the parties, and whether or not an arbitration proceeding has yet been initiated pursuant to this Section 12J, all courts having jurisdiction are hereby authorized to (i) issue and enforce in any lawful manner such temporary restraining orders, preliminary injunctions and other interim measures of relief as may be necessary to prevent harm to a party's interests or as otherwise may be appropriate pending the conclusion of arbitration proceedings pursuant to this Section 12J, and/or (ii) enter into and enforce in any lawful manner such judgments for permanent equitable relief as may be necessary to prevent harm to a party's interests or as otherwise may be appropriate following the issuance of the Award.

12K. NOTICES. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable express courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to the Purchaser and to the Company at the addresses indicated below:

If to the Purchaser:

Coflexip
23 Avenue de Neuilly
75116 Paris, France
Attention: Chairman
Facsimile No.: 33 1 40 67 60 03

with a copy to:

Coflexip
23 Avenue de Neuilly
75116 Paris, France
Attention: General Counsel
Facsimile No.: 33 1 40 67 60 07

and to:

Nixon, Hargrave, Devans & Doyle LLP

437 Madison Avenue
New York, New York 10021
Attention: Richard F. Langan, Jr.
Facsimile No.: (212) 940-3111

If to the Company:

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Mr. Owen Kratz, President
Facsimile No: (713) 690-2204

with a copy to:

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Mr. Andrew C. Becher, General Counsel
Facsimile No.: (713) 690-2204
If to the Shareholders:

Mr. Owen Kratz
c/o Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Facsimile No: (713) 690-2204

and

First Reserve Partnerships
475 Steamboat Road
Greenwich, Connecticut 06830
Attn: William E. Macaulay
Facsimile No: (203) 661-6729

with a copy to:

Simpson, Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Attn: Robert L. Friedman
Facsimile No: (212) 455-2502

or to such other address or to the attention of such other Person as the recipient party has specified by prior

written notice to the sending party.

12L. FURTHER ASSURANCES. The Company, the Shareholders and the Purchaser each agree to execute and deliver such other documents or agreements as may be reasonably necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby.

12M. INTERPRETATION. The parties acknowledge and agree that: (i) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (ii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iii) the terms and provisions of this Agreement shall be construed fairly as to all parties hereto, regardless of which party was generally responsible for the preparation of this Agreement.

13. CONSENT TO SALE. The Executives, individually and as Trustees, Gordon Ahalt and the Funds hereby consent to the sale of Common Stock provided for herein, and hereby waive any prior rights they may have under all documents to purchase such Common Stock.

14. TERMINATION OF AGREEMENT. This Agreement may be terminated prior to the Closing without liability of any party as follows:

(a) At the election of either Purchaser, the Company or Shareholders, on or after April 10, 1997 if the Closing shall not have occurred by the close of business on such date;

(b) by mutual written consent of the Purchaser, the Company and the Shareholders;

(c) by either the Purchaser, the Company or the Shareholders, if there shall be in effect a final nonappealable Order of a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby;

(d) by the Purchaser if any of the conditions set forth in Section 2 hereof becomes incapable of fulfillment and is not waived by the Purchaser; and

(e) by the Company and the Shareholders, if any of the conditions set forth in Section 3 hereof becomes incapable of fulfillment and is not waived by the Company and the Shareholders, on behalf of the Shareholders.

15. SURVIVAL AFTER TERMINATION. If this Agreement is terminated in accordance with Section 14 and the transactions contemplated hereby are not consummated, this Agreement shall become null and void and of no further force and effect, except (i) for this Section 15, (ii) for the provisions of Section 9 and (iii) that the termination of this Agreement for any cause shall not relieve any party hereto from any liability the benefit of which at the time of termination had already accrued to any other party hereto or which thereafter may accrue in respect of any act or omission of such party prior to such termination it being acknowledged by all parties hereto that for all purposes at the Closing, all documents (including this Agreement) will be deemed to have been executed simultaneously.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

COFLEXIP CAL DIVE INTERNATIONAL, INC.

By: _____
Pierre Marie Valentin, Chairman and Chief Executive Officer

By: _____
Owen Kratz, President

_____
Gordon F. Ahalt

EXECUTIVES

_____
Gerald G. Reuhl

_____
Owen Kratz

_____
S. James Nelson

SHAREHOLDERS

_____
Jon Buck

_____
Rodd Cairns

_____
Randy Drewry

_____
Mike Middleton

_____
Shane Diffley

_____
Scott Naughton

_____
Jimmy Nichols

_____
Hypolite Leger

_____
Jeffrey Davis

_____
Jack Harbin

_____
Jack Lounsbury

Jon Regh

Marty Schwab

Jerald Lowrimore

Michael Ehlers

Keith Freeman

FIRST RESERVE SECURED ENERGY
ASSETS FUND, LIMITED PARTNERSHIP

By: FIRST RESERVE CORPORATION,
as General Partner

By: _____
David H. Kennedy, Managing Director

FIRST RESERVE FUND V, LIMITED
PARTNERSHIP

By: FIRST RESERVE CORPORATION,
as General Partner

By: _____
David H. Kennedy, Managing Director

FIRST RESERVE FUND V-2, LIMITED
PARTNERSHIP

By: FIRST RESERVE CORPORATION,
as General Partner

By: _____
David H. Kennedy, Managing Director

FIRST RESERVE FUND VI, LIMITED
PARTNERSHIP

By: FIRST RESERVE CORPORATION,
as General Partner

By: _____
David H. Kennedy, Managing Director

BUSINESS COOPERATION AGREEMENT

This Business Cooperation Agreement, dated as of April 11, 1997 (this "Agreement"), is between Cal Dive International, Inc., a Minnesota corporation having its principal office at 13430 Northwest Freeway, Suite 350, Houston, Texas 77040-6013 ("Cal Dive"), and Coflexip Stena Offshore Inc., a Texas corporation having its principal office at 7660 Woodway, Suite 390, Houston, Texas 77063 ("CSO").

Whereas Cal Dive and CSO desire to form a joint venture entity to combine the parties' respective abilities to enable the parties, through such entity, to pursue opportunities in the offshore oil and gas industry in the Gulf of Mexico and Caribbean in connection with EPIC Projects (as hereinafter defined) for which the parties would not be able to effectively compete in their individual capacities; and

Whereas the parties wish to set out the terms, conditions, and provisions pursuant to which they will establish and interface with the joint venture entity and each other;

Now, therefore, in consideration of the various covenants and agreements of the parties to and with each other set forth herein, Cal Dive and CSO, intending to be legally bound, agree as follows:

1. DEFINITIONS. The following capitalized terms shall have the meanings ascribed to them below:

"Affiliate" of a Person means any Person who directly or indirectly controls, is under common control with, or is controlled by, such Person, where "control" means the power and ability to direct the management and policies of the controlled Person through ownership of voting shares of the controlled Person or by contract or otherwise.

"Bankruptcy" shall mean (a)the affected Person makes an assignment for the benefit of creditors, commences (as the debtor) a case in bankruptcy, or commences (as the debtor) any proceeding under any other insolvency law; (b) a case in bankruptcy or any proceeding under any other insolvency law is commenced against such Person (as the debtor) and a court having jurisdiction in the premises enters a decree or order for relief against such Person as the debtor in such case or proceeding, and such case or proceeding is continued for sixty (60) days, or such Person consents to or admits the material allegations against it in any such case or proceeding; (e) a trustee, receiver or agent (however named) is appointed or authorized to take charge of substantially all of the property of such Person for the purpose of enforcing a lien against such property or for the purpose of general administration of such property for the benefit of creditors, and such appointment or authorization continues without being stayed or dismissed for a period of sixty (60) days; or (d) any "event of bankruptcy" described in Section 18-304 of the Delaware Limited Liability Company Act, 6 DEL. C. ss. 18-101, ET SEQ., as amended from time to time.

"Board" means the Board of Managers or a comparable body of the Joint Venture Entity or, if the Joint Venture Entity is formed as a limited partnership pursuant to paragraph 2(a) of this Agreement, the Board of Managers of the general partner of the Joint Venture Entity.

"Cal Dive Services" means those services described on Schedule A-1 attached hereto which are to be provided to the Joint Venture Entity by Cal Dive and/or its Affiliates.

"Controlling Interest" means an interest conferring on the Person holding such interest the power and ability to direct the management and policies of the controlled enterprise through ownership of voting shares of

the controlled enterprise or by contract or otherwise. For purposes hereof, no such interest of 5% or less shall be deemed to be a Controlling Interest.

"CSO Services" means those services described on Schedule A-2 attached hereto which are to be provided to the Joint Venture Entity by CSO and/or its Affiliates.

"EPIC Projects" means projects, generally but not necessarily involving engineering, procurement, installation and commissioning, that require at least one Cal Dive Service and one CSO Service where the aggregate contract value of the combined Cal Dive Services and CSO Services involved in the project is at least $25 million, and any such other projects as the parties may agree as being within the intended scope of the Joint Venture Entity.

"Expenses" means any and all notices, actions, suits, proceedings, demands, assessments, judgments, costs, penalties and expenses, including attorneys' and other professionals' fees and disbursements.

"Formation Documents" means a Certificate of Formation, Limited Liability Company Agreement and such other certificates, affidavits, agreements or other documents which are necessary to cause the Joint Venture Entity to be duly formed and qualified to do business in such jurisdictions in which qualification is required based on the business expected to be conducted by the Joint Venture Entity. If the Joint Venture Entity is formed as a limited partnership pursuant to paragraph 2(a) of this Agreement, the Formation Documents shall include a Certificate of Limited Partnership and Limited Partnership Agreement.

"Joint Venture Entity" means the Delaware limited liability company or limited partnership to be formed pursuant to Section 2 of this Agreement.

"Legal Proceeding" means any judicial, civil, criminal, equitable, administrative or arbitral actions, suits, charges, complaints, demands, proceedings (public or private), claims or governmental proceedings.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, deed of trust, charge, security interest, encumbrance or other adverse claim of any kind with respect to such property or asset.

"Losses" means any and all losses, liabilities, obligations, damages, deficiencies, costs, expenses and amounts paid in settlement.

"Member" means Cal Dive, CSO and any other holder of equity interests in the Joint Venture Entity.

"Percentage Interest" means the respective percentage ownership interest of each Member in the Joint Venture Entity and shall initially mean with respect to Cal Dive and CSO the Percentage Interests set forth on Schedule B attached hereto.

"Person" means any individual, corporation, partnership, firm, joint venture, association, limited liability company, trust, unincorporated organization or other entity.

"Restricted Period" means the period commencing on the earlier of the formation of the Joint Venture Entity or June 30, 1997 and ending on the date this Agreement terminates.

"Services" means the Cal Dive Services and the CSO Services, collectively.

"Technology" means the proprietary processes, improvements, trade secrets, designs, data, plans, specifications, know-how, computer software, operating experience and other information, whether patented or unpatented, copyrighted or uncopyrighted that is presently owned by Cal Dive or CSO or may be developed by Cal Dive, CSO or the Joint Venture Entity in connection with the transactions contemplated by this Agreement.

"Territory" means the Gulf of Mexico (from both the United States and Mexican territory including adjacent territorial waters and the continental shelf), the Caribbean and such additional geographic areas as Cal Dive and CSO shall mutually agree in writing.

"Transfer" means to encumber, hypothecate or transfer (including a transfer pursuant to a foreclosure sale of any of the assets of a Member or in connection with a liquidation of the assets of a Member in connection with a Bankruptcy), by sale, gift, assignment, pledge, operation of law or otherwise.

2. THE JOINT VENTURE ENTITY.

(a) FORMATION. As soon as practicable after the execution of this Agreement but in any event no later than June 30, 1997, Cal Dive and CSO shall cause the Joint Venture Entity to be formed as a Delaware limited liability company under a name mutually agreed to by the parties and shall cause the Formation Documents to be duly executed and filed as necessary. The Formation Documents shall be governed by Delaware Law without regard to its conflicts of laws principles. The provisions of this Agreement shall be incorporated into the Formation Documents to the extent necessary to make such provisions enforceable. To the extent that it is necessary to form the Joint Venture Entity as a partnership for state or foreign income tax purposes, the parties agree that the Joint Venture Entity will be formed as a Delaware limited partnership in which each of the parties will be limited partners and a newly-formed Delaware limited liability company will be the general partner owning a 1% interest in the Joint Venture Entity. In such event, the governance provisions in this Agreement shall be incorporated into the organizational documents of the general partner and shall control the general partner's management of the Joint Venture Entity.

(b) CAPITAL CONTRIBUTIONS. Cal Dive and CSO shall each contribute to the Joint Venture Entity such capital and/or property as shall be mutually agreed by the parties and described in the Formation Documents, and in consideration therefor the parties shall receive the respective Percentage Interests set forth on Schedule B. The value of the capital and/or property contributed to the Joint Venture Entity by each of Cal Dive and CSO shall have a fair market value (net of any liabilities to which such capital or property is subject which are assumed by the Joint Venture Entity) equal to their respective Percentage Interests multiplied by the fair market value of all capital and/or property contributed to the Joint Venture Entity by Cal Dive and CSO collectively. Except as mutually agreed by the parties and disclosed in the Formation Documents, Cal Dive and CSO shall have good and marketable title to the capital and/or property contributed by each of them to the Joint Venture Entity, and such capital and/or property shall be contributed to the Joint Venture Entity free and clear of all Liens other than, in the case of Cal Dive, Liens in favor of Fleet Capital Corporation ("Fleet") in connection with that certain Loan and Amended and Restated Security Loan Agreement dated as of May 23, 1995 between Cal Dive and Fleet, as the same may hereafter be amended, modified or supplemented from time to time. Cal Dive and CSO may make future contributions to the Joint Venture Entity to the extent agreed in writing between the parties. In the event that the Board determines that additional capital is necessary to operate the Joint Venture Entity and one party contributes additional capital but the other does not, the Percentage Interests of the parties shall be adjusted proportionately based on the additional amount contributed by the party and the agreed value of the capital and property contributed to the Joint Venture Entity prior to such additional contribution.

(c) GOVERNANCE. The Joint Venture Entity shall be governed by the Board. The Board shall initially consist of two members, with one member being appointed by each of Cal Dive and CSO. The Board may increase or decrease its size at any time; provided, the Board shall at all times consist of an even number of members and each of Cal Dive and CSO shall at all times be entitled to appoint an equal number of members to the Board. The Persons appointed as members of the Board shall be officers or employees of Cal Dive, CSO or their Affiliates. A majority of the Board shall constitute a quorum for the conduct of business and the affirmative vote of a majority of the Board members present at a meeting at which a quorum is present shall be required to take action by the Board except as provided below:

(i) A majority of the members of the Board appointed by Cal Dive or CSO shall have the power to authorize and take such actions as are necessary to cause the Joint Venture Entity to enforce any rights it has against CSO or Cal Dive, respectively; and

(ii) Contracts between the Joint Venture Entity and a Person relating to Cal Dive Services and contracts between the Joint Venture Entity and a Person relating to CSO Services, in each case after complying with paragraph 3(c) of this Agreement, may be authorized by a majority of the members of the Board appointed by CSO or Cal Dive, respectively.

(d) TAX TREATMENT. Cal Dive and CSO agree to take all actions, including but not limited to making such elections and including appropriate provisions in the Formation Documents, which are necessary to cause the Joint Venture Entity to be taxed as a partnership for federal, state (where possible) and foreign income tax purposes.

(e) DISTRIBUTION. The Formation Documents shall require that, unless otherwise unanimously agreed by the Members, the Joint Venture Entity must make distributions at such times and in such amounts as shall permit the Members to satisfy their respective tax obligations resulting from income or gain of the Joint Venture Entity allocated to them. The Joint Venture Entity shall make such other distributions as shall be determined from time to time by the Board. All distributions shall be allocated between or among the Members based on the respective Percentage Interests of the Members.

(f) FISCAL YEAR. Cal Dive and CSO agree to take all actions necessary to cause the fiscal year end of the Joint Venture Entity to be December 31st of each year.

(g) DURATION. The duration of the Joint Venture Entity shall be perpetual or for such limited period as the parties may mutually agree; provided, that upon the expiration or termination of this Agreement pursuant to Section 5 hereof and after such period of time as may be required for the Joint Venture Entity to perform or complete contracts entered into or undertaken prior to the expiration or termination of this Agreement, Cal Dive and CSO each agree to execute and file or cause to be filed such documents as are necessary to dissolve the Joint Venture Entity and its general partner, if applicable.

(h) DISSOLUTION. Upon the dissolution of the Joint Venture Entity its assets shall be liquidated and distributed to the Members as provided in the Formation Documents. The Formation Documents shall provide for the distribution in-kind to Cal Dive or CSO, upon their request and provided sufficient assets are available, of any assets contributed to the Joint Venture Entity by Cal Dive or CSO, respectively, as described in the Formation Documents. Assets distributed in-kind shall be treated as a distribution equal to the fair market value of the asset on the date of distribution as determined by an independent appraiser selected the Board having expertise in valuing the type of asset being distributed (an "Independent Appraiser"). If there are not sufficient assets of the Joint Venture Entity to distribute assets in-kind as provided by this paragraph, Cal Dive and CSO

shall each have the option to purchase any assets contributed by them to the Joint Venture Entity pursuant to this Agreement for the fair market value of such assets as of the date of purchase as determined by an Independent Appraiser.

(i) TRANSFER RESTRICTIONS. The parties agree that the purpose for using the Joint Venture Entity to carry out the activities contemplated by this Agreement is to limit the liability of the parties in connection with such activities and to provide the parties with favorable tax treatment for income resulting from such activities. Because of the personal nature of the Services to be provided to the Joint Venture Entity by the parties and the importance to the Joint Venture Entity of its relationship with each of the parties, the parties agree to cause the Formation Documents to contain prohibitions on transfer of interests in the Joint Venture Entity and the general partner, if applicable (collectively, the "Interests"), except in accordance with the following provisions: (i) an option provision pursuant to which the Joint Venture Entity and the non-transferring Member have an option to purchase any Interests for the book value of such Interests upon the Bankruptcy of the holder of such Interests or the occurrence of any event which could result in an involuntary Transfer of such Interests; (ii) a provision granting Coflexip, a French corporation which is an Affiliate of CSO ("Coflexip"), and/or its Affiliates the right to purchase Cal Dive's Interests under certain circumstances as provided in Section 10.2 of that certain Shareholders Agreement dated as of the date hereof among Cal Dive, Coflexip and the other shareholders of Cal Dive; or (iii) a provision permitting a party to Transfer its Interests after complying with the following procedures: (A) a party proposing to Transfer its Interests (the "Transferring Party") must give the other party (the "Non-Transferring Party") written notice of such intention and the price at which it proposes to Transfer its Interests and such other material terms regarding such Transfer as may then be in the possession of the Transferring Party; (B) the parties will negotiate in good faith for a period of up to one year to reach agreement on the terms and conditions of the proposed Transfer (including, without limitation, if necessary, the survival following the Transfer of certain obligations of the Transferring Party under this Agreement) while using their reasonable best efforts during such negotiations to maintain the value of the Joint Venture Entity; (C) if the parties cannot reach agreement within such one-year period, either party may, within ten (10) days following the end of such period, offer to sell such party's Interests to the other party, which offer shall be in writing and shall specifically reference this clause (iii) of this paragraph (2)(i); (D) if such offer is not accepted by the other party within ten (10) days, the offering party shall have the right, exercisable in writing for a period of ten (10) days, to purchase the other party's Interests at the price for which it offered to sell its Interests to the other party (adjusted to take into account the different Percentage Interests of the respective parties); (E) if an offer to sell is accepted or the offering party exercises its right to purchase pursuant to this paragraph, the transaction shall be completed within thirty (30) days of such acceptance or exercise; (F) if no offer to sell is accepted and no party exercises its right to buy, the Non-Transferring Party shall have the right, for a period of ten (10) days following the last applicable time period above (i.e., ten (10) days after the end of the one-year period if no offer is made or thirty (30) days after the end of the one-year period if an offer is made), to terminate this Agreement pursuant to paragraph 5(b); and (G) if this Agreement is not terminated by the Non-Transferring Party pursuant to clause (iii)(F) above, the Transferring Party may Transfer its Interests at a price no less than the price specified in the notice given pursuant to clause (iii)(A) above. The Formation Documents shall require that a party's interest in the general partner of the Joint Venture Entity, if applicable, be Transferred simultaneously with a party's interest in the Joint Venture. Upon a Transfer by a party of its Interests, such party's rights and obligations under this Agreement and the Formation Documents shall cease except for the obligations of such party under the paragraphs referenced in paragraph 5(c) of this Agreement. The Person to whom a party assigns its Interests shall have no rights (i) under this Agreement except to the extent that such rights are assigned to such assignee in compliance with paragraph 6(f) hereof, or (ii) under the Formation Documents, other than to share in profits and losses, receive distributions and receive allocations of income, gain, loss, deduction or credit to the extent assigned, unless such Person is admitted as a Member with the prior written consent of the other Member or Members of the Joint Venture Entity.

(j) DEADLOCK. If the Board has been unable to act for a period of at least six (6) months as a result of a dispute concerning the management of the Joint Venture Entity which has not been resolved pursuant to subparagraph 4(j)(i) hereof, either party may offer to sell such party's Interests to the other party. Any such offer shall be in writing and shall specifically reference this paragraph 2(j). If such offer is not accepted by the other party within fifteen (15) days, the offering party shall have the right, exercisable in writing for a period of fifteen (15) days, to purchase the other party's Interests at the price for which it offered to sell its Interests to the other party (adjusted to take into account the different Percentage Interests of the respective parties). If an offer to sell is accepted or the offering party exercises its right to purchase pursuant to this paragraph, the transaction shall be completed within thirty (30) days of such acceptance or exercise. Upon a Transfer by a party of its Interests pursuant to this paragraph 2(j), such party's rights and obligations under this Agreement and the Formation Documents shall cease except for the obligations of such party under the paragraphs referenced in paragraph 5(c) of this Agreement.

3. OPERATION OF THE JOINT VENTURE ENTITY.

(a) EPIC PROJECTS. The primary purpose of the Joint Venture Entity is to procure contracts to undertake EPIC Projects in the Territory. Unless otherwise negotiated and mutually agreed on a projectby-project basis, the Joint Venture Entity shall bid as the prime contractor for such EPIC Projects and, subject to paragraph 3(c) below, Cal Dive and CSO shall subcontract with the Joint Venture Entity to provide, respectively, the Cal Dive Services and CSO Services required in connection with such EPIC Projects. With respect to each EPIC Project for which the Joint Venture Entity desires to compete, the Joint Venture Entity shall request a bid from Cal Dive for the performance of the Cal Dive Services required by such EPIC Project and shall request a bid from CSO for the performance of the CSO Services required by such EPIC Project. Cal Dive and CSO shall prepare and submit to the Joint Venture Entity bids for the Services based on the amounts regularly charged by them for comparable Services which they provide to their other customers, taking into account the geographic area in which the Services are to be performed, the scope of the Services to be performed and such other relevant pricing factors. Each party shall, upon the written request of the Joint Venture Entity, provide the Joint Venture Entity with information documenting that the amounts included in the bids submitted to the Joint Venture Entity are prepared on the basis set forth above. The Joint Venture Entity may accept such bids or may contract with other Persons pursuant to paragraph 3(c) below.

(b) OTHER PROJECTS. When commercially practicable, the Joint Venture Entity may decide from time to time to seek to enter into contracts to provide Services or engage in other business activities in geographic areas outside the Territory or may seek to enter into contracts for projects within the Territory which are not EPIC Projects. With respect to such projects, Cal Dive shall have the option, but shall not be obligated, to provide the Cal Dive Services required by such projects and CSO shall have the option, but shall not be obligated, to provide the CSO Services required by such projects. The parties contemplate that subcontracts between the Joint Venture Entity and the parties will be entered into in the same manner as provided in paragraph 3(a) above except that the parties are not required to bid for such subcontracts. The Board shall, no less frequently than once every six (6) months, consider opportunities presented by projects outside the Territory having a scope comparable to EPIC Projects and shall solicit input from Cal Dive and CSO regarding any such opportunities. The Joint Venture Entity shall not enter into any projects outside the Territory unless specifically approved by the Board.

(c) CONTRACTING WITH OTHERS. The Joint Venture Entity shall be free to contract with Persons other than Cal Dive and CSO for the performance of Services in connection with EPIC Projects or other projects if either Cal Dive or CSO, as applicable, is not willing to provide the Services on terms and conditions which are as favorable to the Joint Venture Entity as those offered by such other Persons. Prior to contracting with a

Person other than Cal Dive or CSO for the performance of Services, the Joint Venture Entity shall provide Cal Dive or CSO, as the case may be, with the terms and conditions which the Joint Venture Entity is proposing to accept from a third Person (the "Proposed Terms"). The Proposed Terms shall relate only to the Services or the Services shall be separately valued in the Proposed Terms. Cal Dive or CSO shall have the option of performing the Services on the same terms and conditions as the Proposed Terms or upon such other arm's-length terms and conditions as may be mutually agreed to in writing by the Joint Venture Entity and Cal Dive or CSO. If Cal Dive or CSO does not exercise its right to perform the Services in writing within ten (10) days after receiving the Proposed Terms from the Joint Venture Entity, the Joint Venture Entity shall be free to obtain the Services from another Person on terms and conditions which are no more favorable to the Person providing such Services than the Proposed Terms.

(d) INTERNAL CONTRACTING. Notwithstanding paragraph 3(c), the Joint Venture Entity shall not contract with CSO to perform Cal Dive Services and shall not contract with Cal Dive to perform CSO Services. Notwithstanding any provision of this Agreement, the Joint Venture Entity shall have no obligation to contract with Cal Dive or CSO for any Services which it is capable of performing itself. Notwithstanding anything in this Agreement to the contrary, all transactions between the Joint Venture Entity and either party or an Affiliate of either party shall be no less favorable to the Joint Venture Entity than would be the case with unrelated entities in arm's-length transactions. Transactions between the Joint Venture Entity and a party or an Affiliate of a party shall be presumed to be in compliance with the foregoing if such transaction or contract was approved by the Board in accordance with paragraph 2(c) after disclosure of all material facts as to the interest of the party or Affiliate in such transaction.

(e) SERVICES AGREEMENTS. Each of Cal Dive and CSO shall enter into a service agreement with the Joint Venture Entity to provide management, administrative, support and other services to the Joint Venture Entity, in each case covering such services and for the compensation as the parties shall agree. The parties may provide the Joint Venture Entity with additional services at the Joint Venture Entity's request on such terms and conditions as a third party would be willing to provide such services to the Joint Venture Entity.

(f) TERMS OF CONTRACTS. The subcontracts between each of Cal Dive and CSO and the Joint Venture Entity which relate to the performance of Services by Cal Dive or CSO for the Joint Venture Entity shall be governed by the terms and conditions of the prime contract between the Joint Venture Entity and the customer of the Joint Venture Entity (including the terms regarding indemnification and governing law); provided, that if Cal Dive or CSO contracts with the Joint Venture Entity pursuant to paragraph 3(c) hereof, Cal Dive or CSO, as the case may be, may elect to have the subcontract governed by the terms and conditions of the Proposed Terms to the extent that they differ from the terms and conditions of the prime contract.

(g) INSURANCE OF JOINT VENTURE ENTITY. The Joint Venture Entity shall carry, with a reasonably satisfactory insurance company or companies, insurance coverage at its expense with such limits as are customary in the industry in which it conducts business.

4. COVENANTS OF CAL DIVE AND CSO.

(a) RESTRICTION ON THE PERFORMANCE OF SERVICES. Each of Cal Dive and CSO acknowledges that the following restrictions are essential to permit the Joint Venture Entity to function as intended by the parties and to prevent the parties from usurping opportunities intended to be pursued by the Joint Venture Entity. During the Restricted Period, each of Cal Dive and CSO agrees that it will not (i) perform Services within the

Territory or contract to perform Services within the Territory, in each case in connection with any EPIC Project, (ii) permit any of its Affiliates or Persons in which it owns a Controlling Interest to perform such Services within the territory in connection with any EPIC Project, or (iii) except for such relationships as they exist as of the date hereof, become a shareholder, partner, member, owner, principal, consultant or agent of any Person engaged in performing any Services that are already performed by the other party within the Territory (whether or not in connection with an EPIC Project); provided, that (A) Cal Dive, its Affiliates and Persons in which it owns a Controlling Interest are permitted to perform Cal Dive Services for the Joint Venture Entity in connection with EPIC Projects, (B) CSO, its Affiliates and Persons in which it owns a Controlling Interest are permitted to perform CSO Services for the Joint Venture Entity in connection with EPIC Projects, (C) Cal Dive and CSO may complete the performance of any Services within the Territory which they are obligated to perform under contracts existing prior to the Restricted Period, and (D) Cal Dive and CSO will not be prohibited from bidding for and performing services within the Territory under subcontracting arrangements in connection with any EPIC Project where the Joint Venture Entity, despite the reasonable best efforts of the Joint Venture Entity and the parties, was unsuccessful in obtaining a contract for such EPIC Project, did not have the opportunity to bid for such EPIC Project, elected not to bid for such EPIC Project, or under such other circumstances as the parties may agree, provided that in each such case the party seeking to bid for such subcontracting arrangements first notifies the other party of its intention to do so and such other party consents in writing thereto within fifteen (15) days after receipt of such notice, which consent shall not be unreasonably withheld, conditioned or delayed. The foregoing restriction is specifically not intended to restrict the performance, or contracting for the performance, of Services outside the Territory or to restrict Cal Dive or CSO from performing or contracting to perform Services within the Territory other than in connection with EPIC Projects.

(b) RESTRICTION ON ACTIVITIES IN THE NORTH SEA AND BRAZIL. Cal Dive agrees that if it becomes aware of any activities involving Services in the North Sea or Brazil that it will present such opportunities to and discuss such opportunities with CSO prior to taking any actions in pursuit of such opportunities.

(c) COOPERATION. When Cal Dive is engaged in any project where it is required to provide CSO Services, Cal Dive shall offer CSO the opportunity to provide such CSO Services in connection with such project. When CSO is engaged in any project where it is required to provide Cal Dive Services, CSO shall offer Cal Dive the opportunity to provide such Cal Dive Services in connection with such project. When a party (the "Offeror") is required to provide the other party (the "Offeree") with the opportunity to provide Services pursuant to this paragraph 4(c). The Offeree shall provide the Services to the Offeror at arm's-length rates determined as follows: the Offeror shall provide the Offeree with the most favorable (to the Offeror) terms and conditions which the Offeror is able to obtain from another provider (which terms and conditions relate only to the Services to be offered to the Offeree or which separately value such Services), and the Offeree shall have the option of providing the Services on the same terms and conditions as those forwarded to the Offeree with the offer or upon such other arm's-length terms and conditions as may be mutually agreed to in writing by the Offeror and the Offeree. If the Offeree does not exercise its right to provide the Services in writing within ten (10) days after receiving the offer, the Offeror shall be free to obtain the Services from another Person on terms and conditions which are no more favorable to the Person providing such Services than the terms and conditions offered to the Offeree.

(D) TECHNOLOGY.

(i) Technology owned by a party prior to this Agreement or developed by a party in connection with this Agreement shall remain the sole and exclusive property of such party unless sold or otherwise transferred for consideration to the Joint Venture Entity. Without limiting the generality of the foregoing, any Technology developed by a party in connection with providing Services to the Joint Venture Entity shall be the sole and exclusive property of such party, and the Joint Venture Entity shall have no interest therein.

(ii) Technology developed independently by the Joint Venture Entity shall be the sole and exclusive property of the Joint Venture Entity and neither party shall have any interest therein.

(iii) Technology developed in connection with this Agreement jointly by the parties or by one or both parties and the Joint Venture shall, to the extent possible, be assigned to the party making the most substantial contribution to the development of such Technology; provided, however, the party to whom such Technology is assigned shall grant a perpetual, royalty-free, non-exclusive license to use such Technology to the Joint Venture Entity if it independently made a material contribution to the development of the Technology and to the other party if it made such a contribution. The parties and the Joint Venture Entity shall make such assignments and execute and deliver such other documents as. shall be necessary to implement the provisions of this subparagraph.

(iv) This paragraph 4(d) shall be subject to the terms of any License Agreement or any other contract between the Joint Venture Entity and either party or between the parties, and in the event of any conflict between the terms of such License Agreement or other contract and this Agreement, the terms of such License Agreement or other contract shall control.

(v) Upon the request by either party, the other party shall execute and deliver, and shall cooperate to cause the Joint Venture Entity to execute and deliver, a secrecy agreement restricting the release of Technology between themselves and/or third parties in connection with the business activities contemplated by this Agreement.

(e) CONFIDENTIALITY. Except as otherwise agreed by the parties in writing, the parties agree that, at all times during the term of this Agreement and for a five-year period following termination or expiration hereof, either party receiving information (the "Receiving Party") from the other party shall keep completely confidential, shall not publish or otherwise disclose and shall not use, directly or indirectly, for any purpose any information furnished to it by the other party (the "Disclosing Party") pursuant to this Agreement or otherwise relating to any transaction contemplated hereby, except to the extent that the Receiving Party can establish by competent proof that such information:

(i) was already known to the Receiving Party, other than under an obligation of confidentiality, at the time of disclosure by the Disclosing Party;

(ii) was part of the public domain at the time of its disclosure by the Disclosing Party;

(iii) became part of the public domain after its disclosure by the Disclosing Party, other than through any act or omission of the Receiving Party in breach of this Agreement;

(iv) was disclosed to the Receiving Party by a third party who had no obligation not to disclose such information to others; or

(v) has been disclosed by the Disclosing Party to any third party without an obligation not to disclose such information to others.

The parties agree to take such actions and execute such documents as are necessary to cause the Joint Venture Entity to comply with this provision as a Receiving Party. Each Receiving Party may disclose the Disclosing Party's information to the extent that such disclosure is reasonably necessary in pursuing or defending litigation, or complying with applicable law or governmental or stock exchange (including The Nasdaq Stock Market)

regulations; provided, however, that, if a Receiving Party intends to make any such disclosure, it shall (i) give reasonable advance written notice to the Disclosing Party of such intention so that the Disclosing Party may seek an appropriate protective order, and (ii) not disclose any information pending conclusion of any legal proceedings regarding such protective order. In the event that disclosure is required after the conclusion of any proceedings, the Receiving Party shall disclose only such Confidential Information as is specifically required by the terms of such law, order, regulation or requirement and shall use its best efforts to obtain from the party to whom the information is disclosed written assurance that confidential treatment will be accorded to such information. Furthermore, nothing in this paragraph shall be construed to preclude either party or the Joint Venture Entity from disclosing such information to third parties as may be necessary in connection with the transactions contemplated by this Agreement; provided, however, that the Receiving Party or the Joint Venture Entity shall in each case obtain from the proposed third-party recipient a written confidentiality undertaking containing confidentiality obligations no less onerous than those set forth in this paragraph. The parties shall, when appropriate, cause their respective officers, directors, employees, agents and other personnel to execute and deliver confidentiality agreements to ensure compliance with the confidentiality obligations contained herein.

(f) NON-SOLICITATION. During the term of this Agreement and for a three-year period following termination or expiration hereof, neither party nor the Joint Venture Entity shall, directly or indirectly, without the written consent of the applicable party: (i) hire or solicit any employee of a party or encourage any such employee to leave such employment, or (ii) solicit, induce or influence any customer, supplier, lender, lessor or any other person or entity which has a business relationship with a party to discontinue or reduce the extent of such relationship with such party.

(g) INDEPENDENT CONTRACTOR. Each party shall be responsible for its obligations under this Agreement and under any resulting contract to which it is a party as contemplated by this Agreement, but shall not otherwise have any obligation or liability with respect to unrelated business activities of the other party, it being agreed that each party is an independent contractor and that neither party, its agents, or employees are, or shall be, either actual or constructive servants, agents or employees of the other party. This Agreement shall not be deemed to create a partnership between Cal Dive and CSO.

(h) PRESS RELEASES. Neither party nor their Affiliates shall make publicly available any press release, promotional material or similar public statement naming or otherwise identifying the other party or any of its Affiliates without such other party's prior consent, which consent will not be unreasonably withheld, conditioned or delayed. Each party and any of their respective Affiliates shall provide the other party, as early as reasonably practicable, drafts of all press releases that include references to such other party or any of its Affiliates, and shall consider and use reasonable efforts to incorporate into all such press releases any comments provided by such other party in a reasonably timely manner. The parties agree to take such actions as are necessary to cause the Joint Venture Entity to comply with this paragraph.

(i) FORCE MAJEURE. THE failure or delay of either party hereto to perform any obligation under this Agreement solely by reason of acts of God, acts of government (except as otherwise enumerated herein), riots, wars, embargoes, strikes, lockouts, accidents in transportation, port congestion or other causes beyond its control ("FORCE MAJEURE") shall not be deemed to be a breach of this Agreement; provided, however, that the Party so prevented from complying herewith shall have used reasonable diligence to avoid such event of FORCE MAJEURE and mitigate its effects, and shall continue to take all actions within its power to comply as fully as possible with the terms of this Agreement. Except where the nature of the event shall prevent it from doing so, the party suffering such FORCE MAJEURE shall notify the other party in writing within fourteen (14) days after the occurrence of such event of FORCE MAJEURE and shall in every instance, to the extent reasonable and lawful under the circumstances, use its best efforts to remove or remedy such cause with all reasonable dispatch.

In the event of any conflict between the terms of this paragraph 4(i) and the terms of any "force majeure" provision contained in any contract to which the Joint Venture Entity is a party, the terms of the "force majeure" provision contained in such other contract shall control.

(j) DISPUTE RESOLUTION.

(i) The parties shall attempt in good faith to resolve any Dispute as defined in paragraph 6(k) or any disagreement concerning the management of the Joint Venture Entity (a "Management Disagreement") promptly by negotiation between executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Any party may give the other party written notice of any Dispute or Management Disagreement not resolved in the normal course of business (the "Initial Notice"), which notice shall include (A) a statement of such party's position and a summary of arguments supporting that position; and (B) the name and title of the executive who will represent that party and of any other person who will accompany the executive to a meeting to discuss the matter. Within five (5) business days after delivery of the Initial Notice, the receiving party shall provide the other party with a notice containing comparable information. Within ten (10) days after delivery of the Initial Notice, the executives of both parties shall meet at a mutually acceptable time and place, and shall meet thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute or Management Disagreement. All reasonable requests for information made by one party to the other party will be honored.

(ii) If a Dispute (but not a Management Disagreement) is not resolved within thirty (30) days after the date of the Initial Notice, the executives will select an independent Person (the "Mediator") who is not a present or former officer, director, employee or agent of either party to act as a mediator to resolve such Dispute. Within five (5) business days after the Mediator is appointed, the executives and the Mediator shall meet at a mutually acceptable time and place to discuss the Dispute, and both parties shall promptly provide the Mediator with such information as the Mediator shall reasonably request. The Mediator shall investigate the Dispute and submit a proposed solution to the executives within thirty (30) days after being appointed as the Mediator. If such proposed solution is not acceptable to either party, such party may commence arbitration proceedings pursuant to paragraph 6(k) hereof.

(iii) All discussions, negotiations and information provided pursuant to this paragraph 4(j) are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and State Rules of Evidence.

(k) FURTHER ASSURANCES. Cal Dive and CSO each agree to execute and deliver such other documents or agreements and take such other actions as may be necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby. Without limiting the generality of the foregoing, each of Cal Dive and CSO agree to use commercially reasonable efforts to promote the business of the Joint Venture Entity in connection with EPIC Projects within the territory.

(l) WAIVER OF CONFLICTS. Each of the parties hereto, for itself, its Affiliates and on behalf of the Joint Venture Entity, hereby waive any claim or cause of action against the other party or its Affiliates and any member of the Board appointed by the other party as a result of any breach of any duty to the Joint Venture Entity by any such Person as a result of a conflict of interest between the Joint Venture Entity and the party or its Affiliates other than the breach of a duty expressly imposed pursuant to this Agreement or another agreement between such party and the Joint Venture Entity. Except as provided in paragraph 4(a), neither party nor their Affiliates shall be prohibited from competing with the Joint Venture Entity in any respect or be obligated to reserve any business opportunity for the Joint Venture Entity. The Formation Documents shall contain provisions exculpating Board

members from liability for any breach of a fiduciary duty other than for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law or for any transaction from which such member derived an improper personal benefit.

5. TERM; TERMINATION; SURVIVAL; DEFAULT.

(a) TERM; EXTENSION. The initial term of this Agreement shall be for a period of ten years from the date of the formation of the Joint Venture Entity. Either Cal Dive or CSO may extend the term of this Agreement for successive five year periods following the initial term or any subsequent extended term by giving notice to the other party prior to the end of the initial or extended term of its intention to extend the term of the Agreement for an additional five years; provided, no party may extend the Agreement if the other party has given written notice at least one year prior to the end of the initial or any extended term that it objects to the extension of this Agreement.

(b) TERMINATION. This Agreement may be terminated in accordance with paragraphs (2)(g) and 2(h) prior to the expiration of the initial or any extended term:

(i) by mutual written consent of Cal Dive and CSO;

(ii)by either party upon the Bankruptcy of the other party or of any Person directly or indirectly holding a Controlling Interest in the other party;

(iii) by either party if any Person (other than the parties hereto) who does not have a Controlling Interest in the other party as of the date of this Agreement acquires, directly or indirectly, a Controlling Interest in the other party; provided, the party exercising this right must do so within three (3) months after receiving notice of the occurrence of such event from the other party;

(iv) by a Non-Transferring Party pursuant to clause (iii)(F) of paragraph 2(i);

(v) by either party if the Board has been unable to act for a period of twelve (12) months as a result Of a dispute concerning the management of the Joint Venture Entity which has not been resolved pursuant to subparagraph 4(j)(i) and neither party has acquired the Interests of the other pursuant to paragraph 2(j); or

(vi) by either Cal Dive or CSO upon a default by the other party as described in paragraph 5(d).

(c) SURVIVAL. The parties agree that this paragraph 5(c) and paragraphs 4(d), (e), (f), (i), (j), (k) and (m) and paragraphs 6(a), (e), (j) and (k) shall survive the termination or expiration of this Agreement.

(d) DEFAULT. In the event that either party fails, other than as provided in paragraph 4(i), for any reason to meet any of its obligations under this Agreement or in connection with any contract to provide Services entered into with the Joint Venture Entity or the non-defaulting party, the other party may give written notice to the defaulting party of such default.

(i) Subject to the resolution thereof pursuant to subparagraph 4(j)(i) if such default results in a dispute hereunder, if the defaulting party does not cure any such default within sixty (60) days following the giving of notice as provided in paragraph 5(d), then, until such default is cured or a good faith effort to cure such fault has commenced, the other party shall have the following rights:

(A) to cure any such default without prejudice to its rights against the defaulting party for full indemnification therefrom (including interest at a rate equal to two percent (2%) above the prime rate in effect from time to time during the duration of such default as reported in the Wall Street Journal); and

(B) to recover any and all monies to which the non-defaulting party is entitled as provided above out of the defaulting party's share of profits from any project or the Joint Venture Entity.

(ii) Subject to the resolution thereof pursuant to subparagraph 4(j)(i) if such default results in a dispute hereunder, if such default is not cured within sixty (60) days following the giving of notice as provided in paragraph 5(d) or, if such default could not reasonably be cured within sixty (60) days the defaulting party has not taken or is not continuing to take actions which are reasonably necessary to cure the default as promptly as practicable, the non-defaulting party shall have the right to terminate this Agreement, without prejudice to its rights against the defaulting party under this Agreement or otherwise at law.

6. MISCELLANEOUS.

(a) EXPENSES. Each of Cal Dive and CSO will pay all of their respective expenses, including attorneys' fees and the fees of any consultants, incurred in connection with the negotiation of this Agreement, the performance of their respective obligations hereunder and the consummation of the transactions contemplated hereby; provided, however, that the Joint Venture Entity shall be responsible for all expenses incurred in connection with its formation and the preparation of the Formation Documents.

(b) REMEDIES. Each of the parties hereto shall have all rights and remedies set forth in this Agreement (including, without limitation, paragraph 6(e)). All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law or any other agreement or contract to which such person is a party. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without the requirement of posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Subject to paragraph 6(k) and without limiting the generality of the foregoing, the parties specifically agree that any breach or threatened breach of paragraphs 4(a) through 4(c) would cause irreparable injury to the non-breaching party or the Joint Venture Entity and that money damages would not provide an adequate remedy to the non-breaching party or the Joint Venture Entity, and that the non-breaching party or the Joint Venture Entity, as the case may be, shall accordingly have the right and remedy (i) to obtain an injunction prohibiting the breaching party from violating or threatening to violate such provisions, (ii) to have such provisions specifically enforced by any court of competent jurisdiction, and (iii) to require the breaching party to account for and pay over to the Joint Venture Entity or the non-breaching party all compensation, profits, monies, accruals, increments or other benefits derived or received by such party as the result of any transactions constituting a breach of such provisions.

(c) ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement (including the schedules hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a

waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

(d) THIRD PARTY BENEFICIARY. The Joint Venture Entity is, upon its formation, intended to be a third party beneficiary of this Agreement and shall be entitled to enforce the obligations of the parties to this Agreement to the same extent as if it were a party hereto.

(e) INDEMNIFICATION.

(i) Cal Dive hereby agrees to indemnify and hold harmless CSO and its directors, officers, employees, Affiliates, agents, successors and assigns from and against (A) any and all Losses based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of Cal Dive under this Agreement or the enforcement of this Agreement (including, without limitation, this paragraph 6(e)), and (B) any and all Expenses incident to the foregoing.

(ii) CSO agrees to indemnify and hold harmless Cal Dive and its directors, officers, employees, Affiliates, agents, successors and assigns from and against (A) any and all Losses based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of CSO under this Agreement or the enforcement of this Agreement (including, without limitation, this paragraph 6(e)), and

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

(iii) In the event that any Legal Proceedings shall be instituted or asserted by any Person in respect of which payment may be sought under this paragraph 6(e), the indemnified party shall reasonably and promptly cause written notice of the assertion of any Legal Proceeding of which it has knowledge which is covered by the indemnities under this paragraph 6(e) to be forwarded to the indemnifying party; provided, however, that the failure of the indemnified party to give such reasonable and prompt notice shall not release, waive or otherwise offset the indemnifying party's obligations hereunder with respect thereto except to the extent that the indemnifying party can demonstrate actual loss and prejudice as a result of such failure. The indemnifying party shall have the right, at its sole option and expense, to be represented by counsel of its choice, which must be reasonably satisfactory to the indemnified party, and to defend against, negotiate, settle or otherwise deal with any Legal Proceeding which relates to any Losses or Expenses indemnified against hereunder; PROVIDED, HOWEVER, that (i) prior to assuming control of such defense, the indemnifying party shall verify in writing to the indemnified party that the indemnifying party will be fully responsible (with no reservation of any rights) for all liabilities and obligations relating to such claim for indemnification and that it will provide full indemnification with respect thereto and (ii) no settlement shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld, conditioned or delayed. If the indemnifying party elects to defend against, negotiate, settle or otherwise deal with any Legal Proceeding which relates to any Losses indemnified against hereunder, it shall within thirty (30) days (or sooner, if the nature of the Legal Proceeding so requires) notify the indemnified party of its intent to do so. If the indemnifying party elects not to defend against, negotiate, settle or otherwise deal with any Legal Proceeding which relates to any Losses and Expenses indemnified against hereunder, fails to notify the indemnified party of its election as herein provided or contests its obligation to indemnify the indemnified party for such Losses and Expenses under this Agreement, the indemnified party may defend against, negotiate, settle or otherwise deal with such Legal Proceeding. If the indemnified party defends any Legal Proceeding, then the indemnifying party shall reimburse the indemnified party for the Expenses of defending such Legal Proceeding upon submission of periodic bills. The indemnified party may not settle any Legal Proceeding without the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld, conditioned or delayed. If the indemnifying party shall assume the defense of any Legal Proceeding, the indemnified party may participate, at its own expense, in the defense of

such Legal Proceeding; PROVIDED, HOWEVER, such indemnified party shall be entitled to participate in any such defense with separate counsel at the expense of the indemnifying party if (i) so requested by the indemnifying party to participate or (ii) in the reasonable opinion of counsel to the indemnified party, a conflict or potential conflict exists between the indemnified party and the indemnifying party that would make such separate representation advisable. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such Legal Proceeding.

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

(f) SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind, and inure to the benefit of the respective successors and permitted assigns of the parties hereto whether so expressed or not. Neither party shall transfer or assign this Agreement or any of their rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party hereto. Any attempted transfer or assignment of this Agreement or any rights or obligations hereunder in violation of this provision shall be void AB INITIO.

(g) SEVERABILITY_. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(h) COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Agreement.

(i) SECTION HEADINGS: INTERPRETATION. The section headings of this Agreement are inserted for convenience only, do not constitute a part of this Agreement and are to be given no effect in the construction or interpretation of this Agreement. The use of the word "including" in this Agreement shall be by way of example rather than by limitation.

(j) GOVERNING LAW: SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(i) Except as expressly provided in paragraph 6(k), the internal law, and not the conflicts of law principles, of the State of Delaware shall govern this Agreement as well as the construction, validity and interpretation of this Agreement and the exhibits and schedules hereto.

(ii) Solely to the extent permitted by paragraph 6(k) hereof, each of the parties hereto hereby irrevocably submit for itself and its property to the non-exclusive jurisdiction of any federal or state court located within the State of New York over any Dispute and each party hereby irrevocably agrees that all claims in respect of such Dispute or any action, suit or proceeding related thereto, solely to the extent expressly permitted by

paragraph 6(k) hereof, may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any Dispute brought in such court or any defense of inconvenient forum for the maintenance of such Dispute, provided that relief sought in any action, suit or proceeding relating thereto is of the nature expressly permitted by paragraph 6(k) hereof to be sought in such court. Each of the parties hereto agrees that an Award or a judgment in any such Dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(iii) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding of the nature expressly permitted by paragraph 6(k) hereof by the delivery or mailing of a copy thereof in accordance with the provisions of paragraph 6(1).

(iv) Nothing in this paragraph (6j) shall affect the rights of the parties to commence any action, suit or proceeding of the nature expressly permitted by paragraph 6(k) hereof in any other forum or to serve process in any such action, suit or proceeding in any other manner permitted by law.

(k) ARBITRATION.

(i) Any claim, dispute or other disagreement other than a Management Disagreement (each, a "Dispute") between Cal Dive and CSO or between Cal Dive or CSO, on the one hand, and the Joint Venture Entity, on the other hand, arising out of or relating to this Agreement, any contract between either party and the Joint Venture Entity or the Formation Documents, or any of the transactions contemplated hereby or thereby, shall be finally settled by arbitration in accordance with the terms of this subparagraph 6(k)(i); provided that any party shall in any event have the right to seek and obtain equitable relief during the pendency of such Dispute pursuant to subparagraph 6(k)(ii) hereof. In the event of any Dispute, any party may serve written notice of such Dispute on any other party and each party to such Dispute shall undertake in good faith to resolve such Dispute. If the parties cannot agree to resolve such Dispute within 15 days after such written notice, any party to such Dispute may, by further written notice (the "Arbitration Notice") to the other party, commence an arbitration proceeding by bringing the Dispute to an arbitration panel selected as provided below. The Arbitration Notice shall be filed simultaneously with the International Chamber of Commerce in New York, New York, and shall contain a description of the amount in controversy, the nature of the Dispute and the paragraph(s) of this Agreement to which such Dispute relates. Disputes shall be decided by an arbitration panel comprised of three arbitrators (each of whom shall be a practicing lawyer knowledgeable and experienced in matters of commercial and construction law), one arbitrator to be selected by Cal Dive, a second arbitrator to be selected by CSO, and the third arbitrator (the "Independent Arbitrator"), who will be the Chairman of the arbitration panel, to be appointed by the first two arbitrators. In the event the first two arbitrators fail to agree on the appointment of the Independent Arbitrator within 15 days, the Independent Arbitrator shall be appointed by the International Chamber of Commerce in New York, New York. In the event that any arbitrator shall resign, be unable or otherwise fail to perform his or her duties, each party shall immediately notify the other parties of such resignation, inability or failure, and a replacement shall immediately be selected by the party who selected such arbitrator in the first instance, or, if the arbitrator to be replaced is the Independent Arbitrator, then the parties shall attempt in good faith to appoint a mutually agreeable replacement Independent Arbitrator. If the parties fail to agree on such replacement within 15 days, either party may request that the International Chamber of Commerce in New York, New York appoint such replacement Independent Arbitrator. The arbitration panel shall conduct the arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce then in effect, except to the extent such rules are inconsistent with the provisions of this subparagraph 6(k)(i). The parties shall prepare in writing a statement of their positions, together with counterclaims, with supporting facts, data, and affidavits, if any, for the arbitration panel and shall submit such statement to the arbitration panel

within 15 days after it is selected, but, in any event, within 60 days after service of the Arbitration Notice. The arbitration panel shall give all parties the opportunity to make an oral presentation to the arbitration panel in the presence of the other party if either party so requests. The parties shall have, for a period of 180 days after service of the Arbitration Notice (the "Discovery Period"), all rights of discovery provided by the New York Civil Practice Law and Rules then obtaining, except, unless otherwise agreed, that all responses to discovery requests shall be served within 10 days of such discovery request, and no discovery request may be served after the date 10 days before the termination of the Discovery Period. Subject to the proviso in the first sentence of this subparagraph 6(k)(i) and to subparagraph 6(k)(ii) hereof, the arbitration panel shall assume exclusive jurisdiction over the Dispute, may order interim equitable relief (which shall be specifically enforceable as if it were a final Award, as hereinafter defined), and shall be required to make a final binding determination (the "Award"). The Award shall not be subject to appeal to or review by any court or administrative body except as set forth in Section 10(a) of the Federal Arbitration Act, codified as 9 U.S.C.A. ss.10(a) (West Supp. 1997). The Award shall determine (A) whether each party's obligations under this Agreement were met and (B) what damages or remedies (which may include final equitable relief) are due to the respective parties under the terms of this Agreement. The agreement to arbitrate contained in this paragraph 6(k) shall be specifically enforceable under the prevailing arbitration law, and shall survive termination of this Agreement. Judgment upon the Award rendered by the arbitration panel may be entered in accordance with applicable law in any court having jurisdiction therefor. Each party shall bear its own costs and expenses for arbitration, subject to reimbursement as determined by the arbitration panel in the Award. Arbitration shall, unless the parties otherwise agree in writing, take place in New York, New York.

(ii) Nothing contained in this paragraph 6(k) shall preclude, or be deemed, construed or interpreted to preclude, any party from seeking interim equitable relief from a court of competent jurisdiction against the other party, where circumstances so require, except that no party shall be entitled to seek a stay of any arbitration proceeding brought hereunder. The parties agree that, upon the application of any of the parties, and whether or not an arbitration proceeding has yet been initiated pursuant to this paragraph 6(k), all courts having jurisdiction are hereby authorized to (A) issue and enforce in any lawful manner such temporary restraining orders, preliminary injunctions and other interim measures of relief as may be necessary to prevent harm to a party's interests or as otherwise may be appropriate pending the conclusion of arbitration proceedings pursuant to this paragraph 6(k), and/or (B) enter into and enforce in any lawful manner such judgments for permanent equitable relief as may be necessary to prevent harm to a party's interests or as otherwise may be appropriate following the issuance of the Award.

(l) NOTICES. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable express courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to Cal Dive or CSO at the addresses indicated below:

If to Cal Dive:

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Mr. Owen Kratz, President
Facsimile No: 713/690-2204

with a copy to:

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Andrew C. Becher, Esq., General Counsel
Facsimile No: 713/690-2204

If to CSO:

Coflexip Stena Offshore Inc.
7660 Woodway
Suite 390
Houston, Texas 77063
Attention: Kevin Peterson
Facsimile No.: 713/789-7367

with a copy to:

Coflexip
23 Avenue de Neuilly
75116 Paris, France
Attention: General Counsel
Facsimile No.: 33 1 40 67 60 07

and to:

Nixon, Hargrave, Devans & Doyle LLP
437 Madison Avenue
New York, New York 10021
Attention: Richard F. Langan, Jr.
Facsimile No.: (212) 940-3111

or to such other address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Such notices, demands and other communications shall be sent to the Joint Venture Entity at the principal address of the Joint Venture Entity when it is formed or to such other address or to the attention of such other Person as the Joint Venture Entity has specified by prior written notice to the sending party. When any notice, demand or other communication is sent by one party to the Joint Venture Entity a copy of such notice, demand or other communication shall also be sent to the other party in the manner required by this paragraph.

(m) "INTERPRETATION" The parties acknowledge and agree that: (i) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (ii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iii) the terms and provisions of this Agreement shall be construed fairly as to all parties hereto, regardless of which party was generally responsible for the preparation of this Agreement.

(N) "CONFLICT WITH FORMATION DOCUMENTS." In the event that there is a conflict between the terms of this Agreement and the terms of any Formation Document which has been executed by both parties hereto, the terms of such Formation Document shall control; otherwise, the terms of this Agreement shall control.

IN WITNESS WHEREOF each party has executed this Agreement as of the day and year first above written.

COFLEXIP STENA OFFSHORE INC. By:

/s/ KEVIN PETERSON
Kevin Peterson, President

CAL DIVE INTERNATIONAL, INC.

/s/ OWEN KRATZ
Owen Kratz, President

SCHEDULE A-1

CAL DIVE SERVICES

1. ROV operation
2. Diving
3. Coiled Tubing
4. Flexible lay operations with deck load requirements up to 600 MT
5. Riser installation
6. Well servicing
7. DP DSV's and related services
8. 4 Point DSV's (when applicable)

SCHEDULE A-2

CSO SERVICES

1. Flexible lay operations in excess of Joint Venture Entity vessel capabilities (including risers)
2. Product sales, manufacture and supply of
   - Umbilicals
   - Flex hose
   - Flex pipe
3. ROV manufacture and sale
4. EPIC project design and engineering and project management
5. Reeled hard pipe lay (including risers installed in connection with lay operations, excluding coiled tubing)
6. DP DSV in excess of Cal Dive and Joint Venture Entity capability to provide

SCHEDULE B

PERCENTAGE INTERESTS

If the Joint Venture Entity is a Limited Liability Company:
Cal Dive:
CSO: 49%

If the Joint Venture Entity is a Limited Partnership:

CAL DIVE: 50.49%
CSO: 48.51%
GENERAL PARTNER: 1%

Cal Dive's Interest in the General Partner: 51%
CSO's Interest in the General Partner: 49%

PROPOSED 1995

ANNUAL INCENTIVE COMPENSATION PROGRAM

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By now, you should all be familiar with Cal Dive's MISSION TRIANGLE.

The concept inherent in the MISSION TRIANGLE is that our corporate goals of Profitability and Client Satisfaction are attainable only through a team effort and commitment to safety, planning, professionalism and quality. What also needs to be understood is that in the long-term you cannot have profitability without satisfied clients and conversely, you will not have the means of satisfying those clients unless the company is generating sufficient levels of profit.

Cal Dive's 1995 Incentive Compensation Program is designed to provide financial rewards to certain key individuals for their contribution towards achieving our corporate goals of Profitability and Client Satisfaction. Every individual who is eligible for Incentive Compensation should consider himself responsible for insuring that the company achieve these goals. Anyone who does not fully understand how they might contribute to this should visit with Jerry Reuhl about this issue.

PROJECT ENGINEERING GROUP

The Project Engineering Group was formed in May 1992 to take a lead role in all phases of a project's life, from bidding through planning and execution, on to final invoice. The performance of this group is key to achieving our corporate goals of Profitability and Client Satisfaction.

Each Project Engineer's incentive compensation opportunity will be based on the following:

1) Attaining a "subsea division" gross profit level of $9,225,000 (the goal) will result in an opportunity equal to 10% of the Project Engineer's base salary.

2) A bonus pool will be established equal to (a) 5% of the first one million dollars in excess of the goal, plus (b) 10% of any subsea division gross profits in excess of the goal plus $1 million dollars.

Discretionary bonuses may be paid to members of the Project Engineering staff at the discretion of the V. P. of Project Engineering. The remainder of the bonus pool will be available as an incentive compensation opportunity for the Project Engineers, (the V. P. of Project Engineering will be considered a Project Engineer for bonus calculation purposes, including Paragraph #1 above), in direct proportion to the ratio of the participants base salaries.

Each participants opportunity will be awarded based as follows:

1) 50% of the total opportunity will be awarded based on achieving the financial goals.

2) From 0 to 50% of the total opportunity will be awarded based on a subjective evaluation by the Company's executive management on the individual's efforts, contribution, and success in developing client satisfaction.

Any portion of the opportunity that is not awarded will be accrued for and added to the appropriate groups opportunity for the following years Incentive Compensation Program.

If the company purchases or otherwise acquires new assets with the expectation of increasing the gross profit of the subsea division, the gross profit levels in 1, 2(a) and 2(b) above will be adjusted upward to allow for a reasonable return to the company before the bonus opportunity kicks in. This adjustment will be based on the economics presented to the Board of Directors as justification for the new equipment or service, and will be made by the executive management of the Company. As you will notice, this year's goal has been increased by $1,225,000 over the 1994 goal to reflect the addition of our new D.P. vessel for six months. (The 1996 plan will reflect a goal based on a full year of operation.)

For your information, we are providing the following select data on the subsea division:

Year	Gross Profit	1995 Goal $9,225,000	1995 Budget $9,400,000
1994	$8,867,227		
1993	$9,156,212		
1992	$4,335,600		
1991	$9,437,000		
1990	$8,624,000		

ACCOUNT MANAGER GROUP

The Account Manager Group was formed in 1986 to spearhead the Company's marketing effort. Its current goal is to achieve the corporate goals of Profitability and Client Satisfaction by implementing the strategies and directions established by management. The efforts of this group are critical in achieving our Corporate Goals.

Each Account Manager's incentive compensation opportunity will be based on the following:

1) Attaining a "subsea division" gross profit level of $9,225,000 (the goal) will result in an opportunity equal to 10% of the Account Manager's base salary.

2) A bonus pool will be established equal to (a) 5% of the first one million dollars in excess of the goal, plus (b) 10% of any subsea division gross profits in excess of the goal plus $1 million dollars.

Discretionary bonuses may be paid to members of the Account Manager staff at the discretion of the Marketing and Sales Coordinator. The remainder of the bonus pool will be available as an incentive compensation opportunity for the Account Managers, (the Marketing and Sales Coordinator will be considered an Account Manager for bonus calculation purposes, including Paragraph #1 above), in direct proportion to the ratio of the participants base salaries.

Each participant's opportunity will be awarded based as follows:

1) 1/3 of the total opportunity will be awarded based on achieving the financial goals.

2) From 0 to 1/3 of the total opportunity will be awarded based on a subjective evaluation by the Company's executive management on the individual's efforts, contribution, and success in developing client satisfaction.

3) From 0 to 1/3 of the total opportunity will be awarded based on a subjective evaluation by the Company's executive management on the individual's efforts and success in following and implementing the strategies and directions established by management.

Any portion of the opportunity that is not awarded will be accrued for and added to the appropriate groups opportunity for the following years Incentive Compensation Program.

If the company purchases or otherwise acquires new assets with the expectation of increasing the gross profit of the subsea division, the gross profit levels in 1, 2(a) and 2(b) above will be adjusted upward to allow for a reasonable return to the company before the bonus opportunity kicks in. This adjustment will be based on the economics presented to the Board of Directors as justification for the new equipment or service, and will be made by the Executive management of the Company. As you will notice, this year's goal has been increased by $1,225,000 over the 1994 goal to reflect the addition of our new D.P. vessel for six months. (The 1996 plan will reflect a goal based on a full year of operation.)

For your information, we are providing the following select data on the subsea division:

Year	Gross Profit	1995 Goal $9,225,000	1995 Budget $9,400,000
1994	$8,867,227		
1993	$9,156,212		
1992	$4,335,600		
1991	$9,437,000		
1990	$8,624,000		

OPERATIONS AND ADMINISTRATION

The operations and administrative staff perform functions that are critical to every facet of accomplishing the Corporate goals of profitability and client satisfaction.

Each participant in this plan will have an incentive compensation opportunity expressed in terms of a percentage of his or her base salary as follows:

		INCENTIVE OPPORTUNITY AS A % OF BASE SALARY
Incentive Compensation for the Three Senior Executives	To be determined by the Executive Compensation Committee	
M. Middleton (will have same bonus opportunity as the V.P. of Project Engineering)		
P. Leger	Controller	25%
B. Murray	Executive V.P. Quality Management	25%
OPERATIONS:		
G. Lowrimore	Shop Manager	15%
K. Freeman	Marine Manager	15%
B. Hamby	Operations Manager	8%
E. Weber	Operations Manager	8%
N. Offerdahl	Operations Manager	8%
J. Reedy	Safety Officer	8%
M. Ehlers	Sr. Saturation Technician	12%
B. Partain	Vessel	8%
ACCOUNTING:		
K. Vincent	Assistant Controller	15%
G. Quintanilla	Staff Accountant	8%
J. Polito	Billings	6%
A. Foreman	Billings	6%
C. Stevens	Purchasing Agent	6%
B. Verrett	Purchasing Agent	6%
O. Basa	Purchasing Agent	6%

This opportunity will commence once the company has achieved a Net Income After Tax of $1,800,000 (50% of Incentive opportunity will be available) prorated to $2,800,000 (100% of bonus opportunity will be available), excluding results of Energy Resource Technology. (All Net Income After Tax determinations include accrued charges for payouts under The 1995

Net Income After Tax determinations include accrued charges for payouts under The 1995 Incentive Compensation Plan.)

Each participant's opportunity will be awarded based as follows:

1) 50% of the available opportunity will be awarded based on achieving the financial goals.

2) From 0 to 50% of the available opportunity will be awarded based on a subjective evaluation by the Company's executive management on the individual's efforts, contribution, and success in developing client satisfaction.

Any portion of the opportunity that is not awarded will be accrued for and added to the appropriate groups opportunity for the following years Incentive Compensation Program.

GENERAL CONDITIONS TO ALL PLANS

ELIGIBILITY FOR PARTICIPATION

Participants must be on the payroll no later than June 30, 1995. Participants who are not on the payroll as of January 1, 1995 will have their opportunity pro-rated by their months of service.

Incentive compensation awards will be granted to those participants who have met the performance criteria set forth in this policy and are on the payroll December 31, 1995, for incentive compensation authorized under this plan. This plan is not to be construed in any way as a guarantee of employment or an employment contract.

METHOD OF PAYMENT

Earned incentive compensation will be paid in cash within two weeks of the completed year end audit.

CLARIFICATION/INTERPRETATION/MODIFICATION OF THE PLAN

The Cal Dive Board of Directors shall have the right and the sole authority at any time and without restriction to clarify, interpret, and/or modify this plan by action of the Board.

EMPLOYMENT AGREEMENT

This Agreement is made this 11th day of April, 1997, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and Gerald G. Reuhl (Employee), an individual residing at 10507 Laneview Drive, Houston, Texas 77070.

WHEREAS, Employee has extensive executive management skills and experience in the oil service industry, including valuable marketing, financial, technical and other experience, knowledge and ability and has been acting as the Chairman and Chief Executive Officer for the Company; and

WHEREAS, the Company wishes to continue to employ Employee as Chairman and Chief Executive Officer of the Company and Employee is willing to accept such continued employment upon the terms and conditions set forth in this Agreement;

WHEREAS, the execution and delivery of this Agreement by the Company and Employee is a condition to the purchase of shares of the Company's Common Stock by Coflexip (the "Purchaser") from the Company and certain shareholders of the Company, including, among others, Employee, pursuant to a Purchase Agreement dated as of the date hereof among the Company, the Purchaser and such shareholders;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the parties hereto agree as follows:

SECTION 1. TERM OF EMPLOYMENT AND EMPLOYMENT DUTIES.

(a) Employee agrees to be employed by the Company on the terms and conditions contained herein, for a period commencing on the date hereof and terminating on April 30, 1999 (the "Employment Term") subject to earlier termination pursuant to the provisions of Section 7 hereof. During the Employment Term, Employee shall devote all of his time, energy and skill during regular business hours to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests.

(b) Employee's duties shall include acting as Chairman and Chief Executive Officer for the Company with all responsibilities assigned to that office from time to time by the Board of Directors (the "Board") and shall have the normal duties, responsibilities and authority of such positions as consistent with the Company's Amended and Restated By-Laws subject to the power of the Board to expand or limit such duties. Employee shall also serve in various executive positions with subsidiaries of the Company as requested by the Board from time to time.

(c) During the Employment Term, (i) Employee services shall be rendered on a full time basis, (ii) Employee shall have no other employment and no substantial outside business activities and (iii) the headquarters for the performance of Employee's services shall be the principal executive or operating offices of the Company, subject to travel for such reasonable lengths of time as the performance of his duties in the business of the Company may require.

SECTION 2. COMPENSATION.

(a) SALARY. During the Employment Term, as compensation for his services and covenants and agreements hereunder, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 1999 at the rate of One Hundred Forty-Six Thousand Dollars ($146,000) per annum, payable in equal semi-monthly installments in accordance with the Company's regular payroll practices for its principal executives, prorated for any partial employment and subject to normal increases as approved by the Board.

(b) INCENTIVE BONUS. During the Employment Term, in addition to the to the annual salary payable

to Employee pursuant to paragraph (a) above, Employee shall be entitled to an annual incentive bonus (the "Incentive Bonus"), payable not later than three months after the close of each fiscal year of the Company, commencing with the fiscal year ending December 31, 1997, as established annually or from time to time by the Board .

(c) REIMBURSEMENT OF EXPENSES. During the Employment Term, Employee will be reimbursed by the Company for his reasonable business expenses incurred in connection with the performance of his duties hereunder, including, without limitation, a home fax line, car mileage, cell phone and business calls and other expenses consistent with Company policy from time to time.

SECTION 3. BENEFITS.

During the Employment Term, Employee shall be entitled to participate in any medical/dental, life insurance, accidental death, long term disability insurance plan and 401(k) or other insurance and retirement plans which has been or which may be adopted by the Company (as long as such plan is not discontinued) for the general and overall benefit of executive employees of the Company, according to the participation or eligibility requirements of each such plan. During the Employment Term, Employee shall enjoy such vacation, holiday and similar rights and privileges as are enjoyed generally by the Company's principal executives.

SECTION 4. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION

(a) During the period commencing with the date of this Agreement and ending on (i) the fifth anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by the Employee or termination by the Company for

"Cause" (as defined in Section 7 (a) hereof) and (ii) the date which is 18 months following the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in subparagraph 4 (a) (i) above, Employee covenants and agrees with the Company that Employee shall not disclose or use any Confidential Information (as defined below) of which Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by Employee's performance of duties assigned to Employee by the Company. Employee shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is or has been used, developed or obtained, either prior to or following the date of this Agreement, by the Company in connection with its businesses, including but not limited to (i) products or services, (ii) fees, costs and pricing structures, (iii) designs, (iv) analysis, (v) drawings, photographs and reports, (vi) computer software, including operating systems, applications and program listings, (vii) flow charts, manuals and documentation, (viii) data bases, (ix) accounting and business methods, (x) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xi) customers and clients and customer or client lists, (xii) other copyrightable works, (xiii) all technology and trade secrets, and (xiv) all similar and related information in whatever form. Confidential Information shall not include any information that has been published in a form generally available to the public prior to the date Employee proposes to disclose or use such information other than as a result of disclosure by Employee in violation of this Agreement. Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

SECTION 5. NON-COMPETITION AND NON-SOLICITATION.

(a) Employee acknowledges and agrees with the Company that his services to the Company are unique in nature and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity competing with the Company or engaged in a similar business. Employee accordingly covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the

later to occur of:

(i) April 30, 2002 and (ii) (A) the second anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by the Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of the Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(a) (ii) (A).

Employee shall not, directly or indirectly, either for himself or for any other individual, corporation, partnership, joint venture of other entity, participate in any business (including without limitation any division, group or franchise of a larger organization) which engages or which proposes to engage in the business of providing diving services in the Gulf of Mexico or any other business actively engaged in by the Company on the date of termination of Employee's employment in the area or areas where the Company is conducting such business; PROVIDED that until such time as the Company waives in writing any rights it may have to enforce the terms of this Section 5 (the "Waiver), during the period commencing on the date of the termination of the Employee's employment with the Company and ending on the date on which either the noncompetition provisions contained in this Section 5 terminate or the Waiver is delivered to Employee, whichever is earlier, the Company will pay to Employee an amount equal to Employee's base salary as of the date his employment was terminated (which will be paid over time in accordance with the salary payment schedule in effect from time to time for senior executives of the Company) and during such time period executive shall be entitled to all insurance benefits received by other senior executives of the Company. For purposes of this Agreement, the term "participate in" shall include without limitation having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise) but not ownership of 2% or less of the capital stock of a public company.

(b) Employee covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of (i) April 30, 2002 and (ii) (A) the second anniversary of the date of termination of Employee's employment with the Company if such termination arises as a result of voluntary termination by the Company or for "Cause", or (B) the date which is 18 months following the termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(b) (ii) (A) above, Employee shall not, directly or indirectly, for himself or for any other individual, corporation, partnership, joint venture or other entity, (x) make any offer of employment, solicit or hire any supervisor, employee of the Company or its affiliates or induce or attempt to induce any employee of the Company or its affiliates to leave their employ or in any way interfere with the relationship between the Company or its affiliates and any of their employees or (y) induce or attempt to induce any supplier, licensee, licensor, franchisee, or other business relation of the Company or its affiliates to cease doing business with them or in any way interfere with the relationship between the Company or its affiliates and any customer or business relation.

(c) Employee's Confidentiality and Noncompete Agreement with the Company dated July 27, 1990, as amended by Amendment No. 1 dated January 12, 1995, is hereby canceled and replaced in its entirety by this Agreement.

SECTION 6. COMPANY'S OWNERSHIP OF INTELLECTUAL PROPERTY.

(a) In the event that Employee as part of his activities on behalf of the Company generates, authors or contributes to any invention, design, new development, device, product, method or process (whether or not patentable or reduced to practice or comprising Confidential Information), any copyrightable work (whether or not comprising Confidential Information) or any other form of Confidential Information relating directly or indirectly to the Company's business as prior hereto, now or hereinafter conducted (collectively, "Intellectual Property"), Employee acknowledges that such Intellectual Property is the exclusive property of the Company and hereby assigns all right, title and interest in and to such Intellectual Property to the Company. Any copyrightable work prepared in whole or in part by Employee shall be deemed "a work made for hire" under Section 201(b) of the 1976

Copyright Act, and the Company shall own all of the rights comprised in the copyright therein. Employee shall promptly and fully disclose all Intellectual Property to the Company and shall cooperate with the Company to protect the Company's interest in and rights to such Intellectual Property, including without limitation providing reasonable assistance in securing patent protection and copyright registrations and executing all documents as reasonably requested by the Company, whether such requests occur prior to or after termination of Employee's employment with the Company.

(b) In accordance with Minnesota Statutes, Chapter 181, Section 181.78, Employee is hereby advised that no provision of this Agreement is intended to assign any of Employee's rights in an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on the Employee's own time, and which does not relate directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development, or which does not result from any work performed by the Employee for the Company.

(c) As requested by the Company from time to time and upon the termination of Employee's employment with the Company for any reason, Employee shall promptly deliver to the Company all copies and embodiments, in whatever form, of all Confidential Information or Intellectual Property in Employee's possession or within his control (including, but not limited to, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information or Intellectual Property) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company.

SECTION 7. TERMINATION OF AGREEMENT.

(a) TERMINATION FOR "CAUSE". This Agreement may be terminated by the Company at any time during the Employment Term for "Cause", in which event Employee shall have no further rights under this Agreement. For purposes of the preceding sentence, "Cause" shall mean: (i) any breach or threatened breach by Employee of any of his agreements contained in Section 4, 5 or 6 hereof; (ii) repeated or willful neglect by Employee in performing any duty or carrying out any responsibility assigned or delegated to him pursuant to Section 1(b) hereof, which neglect shall not have permanently ceased within ten (10) business days after written notice to Employee thereof; or (iii) the commission by Employee of any criminal act involving moral turpitude or a felony which results in an arrest or indictment, or the commission by Employee, based on reasonable proof, of any act of fraud or embezzlement involving the Company or its customers or suppliers. In the event that the Company elects to terminate this Agreement for Cause, it will give Employee written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(b) TERMINATION UPON DEATH. This Agreement shall terminate automatically upon the death of Employee during the Employment Term. In such event, the Company shall be obligated to pay to Employee's estate, or to such person or persons as he may designate in writing to the Company, (i) through the last day of the fiscal year in which Employee's death shall have occurred, the salary (payable in the same manner as described in Section 2(a) hereof) to which Employee would have been entitled under Section 2(a) hereof had such death not occurred, and (ii) as soon as reasonably practicable after Employee's death, any accrued but, as of the date of such death, unpaid Incentive Bonus (or, if such death shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof).

(c) TERMINATION UPON DISABILITY. This Agreement may be terminated by the Company at any time during the Employment Term in the event that Employee shall have been unable, because of "Disability" (as hereinafter defined), to perform his principal duties for the Company for a cumulative period of six (6) months within any eighteen (18) month period. Prior to Employee's termination for Disability as provided herein, he shall remain eligible to receive the compensation and benefits set forth in Section 2 and Section 3 hereof. Upon such termination, Employee shall be entitled to receive as soon as reasonably practicable thereafter, any accrued, but as of the date of such termination, unpaid Incentive Bonus (or, if such termination shall have occurred after the first

three (3) months of the Company's fiscal year, any prorated portion thereof). For purposes of this Section 7(c), "Disability" shall mean any physical or mental condition of Employee which shall substantially impair his ability to perform his principal duties hereunder. In the event that the Company elects to terminate this Agreement by reason of Disability under this Section 7(c), it will give written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(d) EFFECT OF TERMINATION. In the event that this Employee is terminated pursuant to any paragraph of this Section 7, Employee shall thereafter have no further rights under this Agreement, except for those explicitly set forth in the particular paragraph of this Section 7 which served as the Company's basis for such termination. Notwithstanding any such termination, the covenants and agreements of Employee contained in Sections 4, 5 (a) (so long as payments under Section 5(a) are continued as therein described), 5 (b) and 6 hereof shall survive and remain in full force and effect.

SECTION 8. NOTICES.

All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand, sent to the recipient by reputable express courier service (charge prepaid), or mailed by first class, registered mail, return receipt requested, postage and registry fees prepaid and addressed as follows:

If to the Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Andrew C. Becher, General Counsel

Addresses may be changed by notice in writing signed by the addressee.

SECTION 9. GENERAL PROVISIONS.

(a) COMPANY SUBSIDIARIES. For purposes of this Agreement, the term "Company" shall all subsidiaries of the Company.

(b) SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdictions if such invalid, illegal or unenforceable provision had never been contained herein. The parties agree that a court of competent jurisdiction making a determination of the invalidity or unenforceability of any term or provision of Sections 4, 5 and 6 of this Agreement shall have the power to reduce the scope, duration or area of any such term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision in Sections 4, 5, 6 with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

(d) COMPLETE AGREEMENT. This Agreement, embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, agreements or representations

by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(e) COUNTERPARTS. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(f) SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and Employee and their respective successors and assigns; provided that the rights and obligations of Employee under this Agreement shall not be assignable without the prior written consent of the Company.

(g) GOVERNING LAW. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto shall be governed by the internal law, and not the law of conflicts, of the State of Texas.

(h) REMEDIES. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including reasonable attorneys fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that Employee's breach of any term or provision of this Agreement shall materially and irreparably harm the Company, that money damages shall accordingly not be an adequate remedy for any breach of the provisions of this Agreement and that any party in its sole discretion and in addition to any other remedies it may have at law or in equity may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

(i) AMENDMENT AND WAIVER. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Employee.

IN WITNESS, WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

CAL DIVE INTERNATIONAL, INC. EMPLOYEE

By_____ _____
Title:

EMPLOYMENT AGREEMENT

This Agreement is made this 11th day of April, 1997, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and Owen Kratz (Employee) an individual residing at 2503 Crescent Shores, La Porte, Texas 77571.

WHEREAS, Employee has extensive executive management skills and experience in the oil service industry, including valuable marketing, financial, technical and other experience, knowledge and ability and has been acting as President for the Company; and

WHEREAS, the Company wishes to continue to employ Employee as President and Chief Operating Officer and Employee is willing to accept such employment upon the terms and conditions set forth in this Agreement;

WHEREAS, the execution and delivery of this Agreement by the Company and Employee is a condition to the purchase of shares of the Company's Common Stock by Coflexip (the "Purchaser") from the Company and certain shareholders of the Company, including, among others, Employee, pursuant to a Purchase Agreement dated as of the date hereof among the Company, the Purchaser and such shareholders;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the parties hereto agree as follows:

SECTION 1. TERM OF EMPLOYMENT AND EMPLOYMENT DUTIES.

(a) Employee agrees to be employed by the Company on the terms and conditions contained herein, for a period commencing on the date hereof and terminating on April 30, 1999 (the "Employment Term") subject to earlier termination pursuant to the provisions of Section 7 hereof. During the Employment Term, Employee shall devote all of his time, energy and skill during regular business hours to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests.

(b) During the employment term, Employee's duties shall include acting as President and Chief Operating Officer of the Company with all responsibilities assigned to that office from time to time by the Board of Directors of the Company (the "Board") and shall have the normal duties, responsibilities and authority of such positions as consistent with the Company's Amended and Restated By-Laws, subject to the power of the Board to expand or limit such duties. Employee shall also serve in various senior executive positions with subsidiaries of the Company as requested by the Board from time to time.

(c) During the Employment Term, (i) Employee services shall be rendered on a full time basis, (ii) Employee shall have no other employment and no substantial outside business activities and (iii) the headquarters for the performance of Employee's services shall be the principal executive or operating offices of the Company, subject to travel for such reasonable lengths of time as the performance of his duties in the business of the Company may require.

SECTION 2. COMPENSATION.

(a) SALARY. During the Employment Term, as compensation for his services and covenants and agreements hereunder, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 1999 at the rate of One Hundred Sixty-Three Thousand Two Hundred Dollars ($163,200) per annum, payable in equal semi-monthly installments in accordance with the Company's regular payroll practices for its

principal executives, prorated for any partial employment and subject to normal increases as approved by the Board.

(b) INCENTIVE BONUS. During the Employment Term, in addition to the annual salary payable to Employee pursuant to paragraph (a) above, Employee shall be entitled to an annual incentive bonus (the "Incentive Bonus"), payable not later than three months after the close of each fiscal year of the Company, commencing with the fiscal year ending December 31, 1997, as established annually or from time to time by the Board.

(c) REIMBURSEMENT OF EXPENSES. During the Employment Term, Employee will be reimbursed by the Company for his reasonable business expenses incurred in connection with the performance of his duties hereunder, including, without limitation, a home fax line, car mileage, cell phone and business calls and other expenses consistent with Company policy from time to time.

(d) STOCK OPTIONS. The Company hereby agrees to grant to Employee a total of 250,000 stock options, each of which shall entitle Employee to purchase one share of Common Stock of the Company (the "Common Stock") at an exercise price of $9.46 per share (the "Options"). Subject to Employee's continued employment with the Company, one fifth of the Options shall vest and become exercisable on the first anniversary of the date of his Agreement and on each of the four succeeding anniversaries of such date. In addition, the Options shall be subject to such further terms and conditions as may be contained in any stock option plan hereafter adopted by the Board for the benefit of employees and/or directors of the Company.

SECTION 3. BENEFITS.

During the Employment Term, Employee shall be entitled to participate in any medical/dental, life insurance, accidental death, long term disability

insurance plan and 401(k) or other insurance and retirement plans which has been or which may be adopted by the Company (as long as such plan is not discontinued) for the general and overall benefit of executive employees of the Company, according to the participation or eligibility requirements of each such plan. During the Employment Term, Employee shall enjoy such vacation, holiday and similar rights and privileges as are enjoyed generally by the Company's principal executives.

SECTION 4. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION

(a) During the period commencing with the date of this Agreement and ending on (i) the fifth anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by the Employee or termination by the Company for "Cause" (as defined in Section 7 (a) hereof) and (ii) the date which is 18 months following the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in subparagraph 4 (a) (i) above, Employee covenants and agrees with the Company that Employee shall not disclose or use any Confidential Information (as defined below) of which Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by Employee's performance of duties assigned to Employee by the Company. Employee shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is or has been used, developed or obtained, either prior to or following the date of this Agreement, by the Company in connection with its businesses, including but not limited to (i) products or services, (ii) fees, costs and pricing structures, (iii) designs, (iv) analysis, (v) drawings, photographs and reports, (vi) computer software, including operating systems, applications and program listings, (vii) flow charts, manuals and documentation, (viii) data bases, (ix) accounting and business methods, (x) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice,

(xi) customers and clients and customer or client lists, (xii) other copyrightable works, (xiii) all technology and trade secrets, and (xiv) all similar and related information in whatever form. Confidential Information shall not include any information that has been published in a form generally available to the public prior to the date Employee proposes to disclose or use such information other than as a result of disclosure by Employee in violation of this Agreement. Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

SECTION 5. NON-COMPETITION, NON-SOLICITATION AND TERMINATION OF PRIOR AGREEMENTS.

(a) Employee acknowledges and agrees with the Company that his services to the Company are unique in nature and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity competing with the Company or engaged in a similar business. Employee accordingly covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of:

(i) April 30, 2002 and (ii) (A) the second anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by the Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of the Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(a) (ii) (A).

Employee shall not, directly or indirectly, either for himself or for any other individual, corporation, partnership, joint venture of other entity, participate in any business (including without limitation any division, group or franchise of a larger organization) which engages or which proposes to engage in the business of providing diving services in the Gulf of Mexico or any other business actively engaged in by the Company on the date of termination of Employee's employment in the area or areas where the Company is conducting such business; PROVIDED that until such time as the Company waives in writing any rights it may have to enforce the terms of this Section 5 (the "Waiver), during the period commencing on the date of the termination of the Employee's employment with the Company and ending on the date on which either the noncompetition provisions contained in this Section 5 terminate or the Waiver is delivered to Employee, whichever is earlier, the Company will pay to Employee an amount equal to Employee's base salary as of the date his employment was terminated (which will be paid over time in accordance with the salary payment schedule in effect from time to time for senior executives of the Company) and during such time period executive shall be entitled to all insurance benefits received by other senior executives of the Company. For purposes of this Agreement, the term "participate in" shall include without limitation having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise) but not ownership of 2% or less of the capital stock of a public company.

(b) Employee covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of (i) April 30, 2002 and (ii) (A) the second anniversary of the date of termination of Employee's employment with the Company if such termination arises as a result of voluntary termination by the Company or for "Cause", or (B) the date which is 18 months following the termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(b) (ii) (A) above, Employee shall not, directly or indirectly, for himself or for any other individual, corporation, partnership, joint venture or other entity, (x) make any offer of employment, solicit or hire any supervisor, employee of the Company or its affiliates or induce or attempt to induce any employee of the Company or its affiliates to leave their employ or in any way interfere with the relationship between the Company or its affiliates and any of their employees or (y) induce or attempt to induce any supplier, licensee, licensor,

franchisee, or other business relation of the Company or its affiliates to cease doing business with them or in any way interfere with the relationship between the Company or its affiliates and any customer or business relation.

(c) Each of (i) Employee's Confidentiality and Noncompete Agreement with the Company dated July 27, 1990, as amended by Amendment No. 1 dated January 12, 1995 and Amendment No. 2 dated January 25, 1995, (ii) Employee's Side Agreement dated as of January 12, 1995 (the "Side Agreement") with the Company, the Funds, the Executives (each as defined in the Purchase Agreement) and certain other employee shareholders of the Company, and (iii) Employee's Stock Purchase Warrant dated January 12, 1995 granted to Employee by the Company and consented to by the Funds pursuant to and in accordance with paragraph 2 of the Side Agreement is hereby canceled and of no further force and effect and replaced in its entirety by this Agreement.

SECTION 6. COMPANY'S OWNERSHIP OF INTELLECTUAL PROPERTY.

(a) In the event that Employee as part of his activities on behalf of the Company generates, authors or contributes to any invention, design, new development, device, product, method or process (whether or not patentable or reduced to practice or comprising Confidential Information), any copyrightable work (whether or not comprising Confidential Information) or any other form of Confidential Information relating directly or indirectly to the Company's business as prior hereto, now or hereinafter conducted (collectively, "Intellectual Property"), Employee acknowledges that such Intellectual Property is the exclusive property of the Company and hereby assigns all right, title and interest in and to such Intellectual Property to the Company. Any copyrightable work prepared in whole or in part by Employee shall be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company shall own all of the rights comprised in the copyright therein. Employee shall promptly and fully disclose all Intellectual Property to the Company and shall cooperate with the Company to protect the Company's interest in and rights to such Intellectual Property, including without limitation providing reasonable assistance in securing patent protection and copyright registrations and executing all documents as reasonably requested by the Company, whether such requests occur prior to or after termination of Employee's employment with the Company.

(b) In accordance with Minnesota Statutes, Chapter 181, Section 181.78, Employee is hereby advised that no provision of this Agreement is intended to assign any of Employee's rights in an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on the Employee's own time, and which does not relate directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development, or which does not result from any work performed by the Employee for the Company.

(c) As requested by the Company from time to time and upon the termination of Employee's employment with the Company for any reason, Employee shall promptly deliver to the Company all copies and embodiments, in whatever form, of all Confidential Information or Intellectual Property in Employee's possession or within his control (including, but not limited to, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information or Intellectual Property) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company.

SECTION 7. TERMINATION OF AGREEMENT.

(a) TERMINATION FOR "CAUSE". This Agreement may be terminated by the Company at any time during the Employment Term for "Cause", in which event Employee shall have no further rights under this Agreement. For purposes of the preceding sentence, "Cause" shall mean: (i) any breach or threatened breach by Employee of any of his agreements contained in Section 4, 5 or 6 hereof; (ii) repeated or willful neglect by

Employee in performing any duty or carrying out any responsibility assigned or delegated to him pursuant to Section 1(b) hereof, which neglect shall not have permanently ceased within ten (10) business days after written notice to Employee thereof; or (iii) the commission by Employee of any criminal act involving moral turpitude or a felony which results in an arrest or indictment, or the commission by Employee, based on reasonable proof, of any act of fraud or embezzlement involving the Company or its customers or suppliers. In the event that the Company elects to terminate this Agreement for Cause, it will give Employee written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(b) TERMINATION UPON DEATH. This Agreement shall terminate automatically upon the death of Employee during the Employment Term. In such event, the Company shall be obligated to pay to Employee's estate, or to such person or persons as he may designate in writing to the Company, (i) through the last day of the fiscal year in which Employee's death shall have occurred, the salary (payable in the same manner as described in Section 2(a) hereof) to which Employee would have been entitled under Section 2(a) hereof had such death not occurred, and (ii) as soon as reasonably practicable after Employee's death, any accrued but, as of the date of such death, unpaid Incentive Bonus (or, if such death shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof).

(c) TERMINATION UPON DISABILITY. This Agreement may be terminated by the Company at any time during the Employment Term in the event that Employee shall have been unable, because of "Disability" (as hereinafter defined), to perform his principal duties for the Company for a cumulative period of six (6) months within any eighteen (18) month period. Prior to Employee's termination for Disability as provided herein, he shall remain eligible to receive the compensation and benefits set forth in Section 2 and Section 3 hereof. Upon such termination, Employee shall be entitled to receive as soon as reasonably practicable thereafter, any accrued, but as of the date of such termination, unpaid Incentive Bonus (or, if such termination shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof). For purposes of this Section 7(c), "Disability" shall mean any physical or mental condition of Employee which shall substantially impair his ability to perform his principal duties hereunder. In the event that the Company elects to terminate this Agreement by reason of Disability under this Section 7(c), it will give written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(d) EFFECT OF TERMINATION. In the event that this Employee is terminated pursuant to any paragraph of this Section 7, Employee shall thereafter have no further rights under this Agreement, except for those explicitly set forth in the particular paragraph of this Section 7 which served as the Company's basis for such termination. In the event that during the Employment Term Employee (i) is terminated by the Company without "Cause" or (ii) voluntary resigns from his employment with the Company and as a director of the Company, the Company shall be obligated to purchase as promptly as reasonably practicable after such termination or resignation date, as applicable, up to a number of shares of Common Stock owned by Employee having an aggregate fair market value (based on the average daily trading price of the Common Stock over the thirty (30) day period immediately preceding such termination or resignation date, as applicable, if the initial public offering of the Company under the Securities Act of 1993, as amended, shall then have been completed or, if such initial public offering shall not then have been completed, based on a valuation of the Common Stock by Simmons & Co. International) equal to $2.3 million. Notwithstanding any termination of Employee's employment with the Company, the covenants and agreements of Employee contained in Sections 4, 5 (a) (so long as payments under Section 5(a) are continued as therein described), 5 (b) and 6 hereof shall survive and remain in full force and effect.

SECTION 8. NOTICES.

All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand, sent to the recipient by reputable express courier service

(charge prepaid), or mailed by first class, registered mail, return receipt requested, postage and registry fees prepaid and addressed as follows:

If to the Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Andrew C. Becher, General Counsel

Addresses may be changed by notice in writing signed by the addressee.

SECTION 9. GENERAL PROVISIONS.

(a) COMPANY SUBSIDIARIES. For purposes of this Agreement, the term "Company" shall include all subsidiaries of the Company.

(b) SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdictions if such invalid, illegal or unenforceable provision had never been contained herein. The parties agree that a court of competent jurisdiction making a determination of the invalidity or unenforceability of any term or provision of Sections 4, 5 and 6 of this Agreement shall have the power to reduce the scope, duration or area of any such term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision in Sections 4, 5, 6 with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

(d) COMPLETE AGREEMENT. This Agreement, embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(e) COUNTERPARTS. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(f) SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and Employee and their respective successors and assigns; provided that the rights and obligations of Employee under this Agreement shall not be assignable without the prior written consent of the Company.

(g) GOVERNING LAW. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto shall be governed by the internal law, and not the law of conflicts, of the State of Texas.

(h) REMEDIES. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including reasonable attorneys fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that Employee's breach of any term or provision of this Agreement shall materially and irreparably harm the Company, that money damages shall accordingly not be an adequate remedy for any breach of the provisions of this Agreement and that any party in its sole discretion and in addition to any other remedies it may have at law or in equity may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

(i) AMENDMENT AND WAIVER. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Employee.

IN WITNESS, WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

CAL DIVE INTERNATIONAL, INC. EMPLOYEE

By
Title: Owen Kratz

EMPLOYMENT AGREEMENT

This Agreement is made this day of April, 1997, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and S. James Nelson (Employee), an individual residing at 1518 Washington Avenue, Unit A, Houston, Texas 77007.

WHEREAS, Employee has extensive executive management skills and experience in the oil service industry, including valuable marketing, financial, technical and other experience, knowledge and ability and has been acting as Executive Vice President Finance and Administration and Chief Financial Officer.

WHEREAS, the Company wishes to continue to employ Employee as Executive Vice President Finance and Administration and Chief Financial Officer of the Company and Employee is willing to accept such continued employment upon the terms and conditions set forth in this Agreement;

WHEREAS, the execution and delivery of this Agreement by the Company and Employee is a condition to the purchase of shares of the Company's Common Stock by Coflexip (the "Purchaser") from the Company and certain shareholders of the Company, including, among others, Employee, pursuant to a Purchase Agreement dated as of the date hereof among the Company, the Purchaser and such shareholders;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the parties hereto agree as follows:

SECTION 1. TERM OF EMPLOYMENT AND EMPLOYMENT DUTIES.

(a) Employee agrees to be employed by the Company on the terms and conditions contained herein, for a period commencing on the date hereof and terminating on April 30, 1999 (the "Employment Term") subject to earlier termination pursuant to the provisions of Section 7 hereof. During the Employment Term, Employee shall devote all of his time, energy and skill during regular business hours to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests.

(b) Employee's duties shall include acting as Executive Vice President Finance and Administration and Chief Financial Officer of the Company with all responsibilities assigned to that office from time to time by the Chief Executive Officer and the Board of Directors.

(c) During the Employment Term, (i) Employee services shall be rendered on a full time basis, (ii) Employee shall have no other employment and no substantial outside business activities and (iii) the headquarters for the performance of Employee's services shall be the principal executive or operating offices of the Company, subject to travel for such reasonable lengths of time as the performance of his duties in the business of the Company may require.

SECTION 2. COMPENSATION.

(a) SALARY. During the Employment Term, as Compensation for his services and covenants and agreements hereunder, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 1999 at the rate of One Hundred Twenty-Eight Thousand Three Hundred Dollars ($128,300) per annum, payable in equal semi-monthly installments in accordance with the Company's regular payroll practices for its principal executives, prorated for any partial employment and subject to normal increases as approved by the Board of Directors.

(b) INCENTIVE BONUS. During the Employment Term, in addition to the to the annual salary payable to Employee pursuant to paragraph (a) above, Employee shall be entitled to an annual incentive bonus (the "Incentive Bonus"), payable not later than three months after the close of each fiscal year of the Company, commencing with the fiscal year ending December 31, 1997, as established annually or from time to time by the Board .

(c) REIMBURSEMENT OF EXPENSES. During the Employment Term, Employee will be reimbursed by the Company for his reasonable business expenses incurred in connection with the performance of his duties hereunder, including, without limitation, a home fax line, car mileage, cell phone and business calls and other expenses consistent with Company policy from time to time.

SECTION 3. BENEFITS.

During the Employment Term, Employee shall be entitled to participate in any medical/dental, life insurance, accidental death, long term disability insurance plan and 401(k) or other insurance and retirement plans which has been or which may be adopted by the Company (as long as such plan is not discontinued) for the general and overall benefit of executive employees of the Company, according to the participation or eligibility requirements of each such plan. During the Employment Term, Employee shall enjoy such vacation, holiday and similar rights and privileges as are enjoyed generally by the Company's principal executives.

SECTION 4. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION

(a) During the period commencing with the date of this Agreement and ending on (i) the fifth anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by the Employee or termination by the Company for "Cause" (as defined in Section 7 (a) hereof) and (ii) the date which is 18 months following the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in

subparagraph 4 (a) (i) above, Employee covenants and agrees with the Company that Employee shall not disclose or use any Confidential Information (as defined below) of which Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by Employee's performance of duties assigned to Employee by the Company. Employee shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is or has been used, developed or obtained, either prior to or following the date of this Agreement, by the Company in connection with its businesses, including but not limited to (i) products or services, (ii) fees, costs and pricing structures, (iii) designs, (iv) analysis, (v) drawings, photographs and reports, (vi) computer software, including operating systems, applications and program listings, (vii) flow charts, manuals and documentation, (viii) data bases, (ix) accounting and business methods, (x) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xi) customers and clients and customer or client lists, (xii) other copyrightable works, (xiii) all technology and trade secrets, and (xiv) all similar and related information in whatever form. Confidential Information shall not include any information that has been published in a form generally available to the public prior to the date Employee proposes to disclose or use such information other than as a result of disclosure by Employee in violation of this Agreement. Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

SECTION 5. NON-COMPETITION AND NON-SOLICITATION.

(a) Employee acknowledges and agrees with the Company that his services to the Company are unique in nature and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity competing with the Company or engaged in a similar business. Employee accordingly covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of:

(i) April 30, 2002 and (ii) (A) the second anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by the Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of the Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(a) (ii) (A).

Employee shall not, directly or indirectly, either for himself or for any other individual, corporation, partnership, joint venture of other entity, participate in any business (including without limitation any division, group or franchise of a larger organization) which engages or which proposes to engage in the business of providing diving services in the Gulf of Mexico or any other business actively engaged in by the Company on the date of termination of Employee's employment in the area or areas where the Company is conducting such business; PROVIDED that until such time as the Company waives in writing any rights it may have to enforce the terms of this Section 5 (the "Waiver), during the period commencing on the date of the termination of the Employee's employment with the Company and ending on the date on which either the noncompetition provisions contained in this Section 5 terminate or the Waiver is delivered to Employee, whichever is earlier, the Company will pay to Employee an amount equal to Employee's base salary as of the date his employment was terminated (which will be paid over time in accordance with the salary payment schedule in effect from time to time for senior executives of the Company) and during such time period executive shall be entitled to all insurance benefits received by other senior executives of the Company. For purposes of this Agreement, the term "participate in" shall include without limitation having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise) but not ownership of 2% or less of the capital stock of a public company.

(b) Employee covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of (i) April 30, 2002 and (ii) (A) the second anniversary of the date of termination of Employee's employment with the Company if such termination arises as a result of voluntary termination by the Company or for "Cause", or (B) the date which is 18 months following the termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(b) (ii) (A) above, Employee shall not, directly or indirectly, for himself or for any other individual, corporation, partnership, joint venture or other entity, (x) make any offer of employment, solicit or hire any supervisor, employee of the Company or its affiliates or induce or attempt to induce any employee of the Company or its affiliates to leave their employ or in any way interfere with the relationship between the Company or its affiliates and any of their employees or (y) induce or attempt to induce any supplier, licensee, licensor, franchisee, or other business relation of the Company or its affiliates to cease doing business with them or in any way interfere with the relationship between the Company or its affiliates and any customer or business relation.

(c) Employee's Confidentiality and Noncompete Agreement with the Company dated July 27, 1990, as amended by Amendment No. 1 dated January 12, 1995, is hereby canceled and replaced in its entirety by this Agreement.

SECTION 6. COMPANY'S OWNERSHIP OF INTELLECTUAL PROPERTY.

(a) In the event that Employee as part of his activities on behalf of the Company generates, authors or contributes to any invention, design, new development, device, product, method or process (whether or

not patentable or reduced to practice or comprising Confidential Information), any copyrightable work (whether or not comprising Confidential Information) or any other form of Confidential Information relating directly or indirectly to the Company's business as prior hereto, now or hereinafter conducted (collectively, "Intellectual Property"), Employee acknowledges that such Intellectual Property is the exclusive property of the Company and hereby assigns all right, title and interest in and to such Intellectual Property to the Company. Any copyrightable work prepared in whole or in part by Employee shall be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company shall own all of the rights comprised in the copyright therein. Employee shall promptly and fully disclose all Intellectual Property to the Company and shall cooperate with the Company to protect the Company's interest in and rights to such Intellectual Property, including without limitation providing reasonable assistance in securing patent protection and copyright registrations and executing all documents as reasonably requested by the Company, whether such requests occur prior to or after termination of Employee's employment with the Company.

(b) In accordance with Minnesota Statutes, Chapter 181, Section 181.78, Employee is hereby advised that no provision of this Agreement is intended to assign any of Employee's rights in an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on the Employee's own time, and which does not relate directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development, or which does not result from any work performed by the Employee for the Company.

(c) As requested by the Company from time to time and upon the termination of Employee's employment with the Company for any reason, Employee shall promptly deliver to the Company all copies and embodiments, in whatever form, of all Confidential Information or Intellectual Property in Employee's possession or within his control (including, but not limited to, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information or Intellectual Property) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company.

SECTION 7. TERMINATION OF AGREEMENT.

(a) TERMINATION FOR "CAUSE". This Agreement may be terminated by the Company at any time during the Employment Term for "Cause", in which event Employee shall have no further rights under this Agreement. For purposes of the preceding sentence, "Cause" shall mean: (i) any breach or threatened breach by Employee of any of his agreements contained in Section 4, 5 or 6 hereof; (ii) repeated or willful neglect by Employee in performing any duty or carrying out any responsibility assigned or delegated to him pursuant to Section 1(b) hereof, which neglect shall not have permanently ceased within ten (10) business days after written notice to Employee thereof; or (iii) the commission by Employee of any criminal act involving moral turpitude or a felony which results in an arrest or indictment, or the commission by Employee, based on reasonable proof, of any act of fraud or embezzlement involving the Company or its customers or suppliers. In the event that the Company elects to terminate this Agreement for Cause, it will give Employee written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(b) TERMINATION UPON DEATH. This Agreement shall terminate automatically upon the death of Employee during the Employment Term. In such event, the Company shall be obligated to pay to Employee's estate, or to such person or persons as he may designate in writing to the Company, (i) through the last day of the fiscal year in which Employee's death shall have occurred, the salary (payable in the same manner as described in Section 2(a) hereof) to which Employee would have been entitled under Section 2(a) hereof had such death not occurred, and (ii) as soon as reasonably practicable after Employee's death, any accrued but, as of the date of such death, unpaid Incentive Bonus (or, if such death shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof).

(c) TERMINATION UPON DISABILITY. This Agreement may be terminated by the Company at any time during the Employment Term in the event that Employee shall have been unable, because of "Disability" (as hereinafter defined), to perform his principal duties for the Company for a cumulative period of six (6) months within any eighteen (18) month period. Prior to Employee's termination for Disability as provided herein, he shall remain eligible to receive the compensation and benefits set forth in Section 2 and Section 3 hereof. Upon such termination, Employee shall be entitled to receive as soon as reasonably practicable thereafter, any accrued, but as of the date of such termination, unpaid Incentive Bonus (or, if such termination shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof). For purposes of this Section 7(c), "Disability" shall mean any physical or mental condition of Employee which shall substantially impair his ability to perform his principal duties hereunder. In the event that the Company elects to terminate this Agreement by reason of Disability under this Section 7(c), it will give written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(d) EFFECT OF TERMINATION. In the event that this Employee is terminated pursuant to any paragraph of this Section 7, Employee shall thereafter have no further rights under this Agreement, except for those explicitly set forth in the particular paragraph of this Section 7 which served as the Company's basis for such termination. Notwithstanding any such termination, the covenants and agreements of Employee contained in Sections 4, 5 (a) (so long as payments under Section 5(a) are continued as therein described), 5 (b) and 6 hereof shall survive and remain in full force and effect.

SECTION 8. NOTICES.

All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand, sent to the recipient by reputable express courier service (charge prepaid), or mailed by first class, registered mail, return receipt requested, postage and registry fees prepaid and addressed as follows:

If to the Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
13430 Northwest Freeway
Suite 350
Houston, Texas 77040
Attention: Andrew C. Becher, General Counsel

Addresses may be changed by notice in writing signed by the addressee.

SECTION 9. GENERAL PROVISIONS.

(a) COMPANY SUBSIDIARIES. For purposes of this Agreement, the term "Company" shall all subsidiaries of the Company.

(b) SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity,

illegality or unenforceability shall not affect any other provisions of any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdictions if such invalid, illegal or unenforceable provision had never been contained herein. The parties agree that a court of competent jurisdiction making a determination of the invalidity or unenforceability of any term or provision of Sections 4, 5 and 6 of this Agreement shall have the power to reduce the scope, duration or area of any such term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision in Sections 4, 5, 6 with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

(d) COMPLETE AGREEMENT. This Agreement, embodies the complete agreement and among the parties and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(e) COUNTERPARTS. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(f) SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and Employee and their respective successors and assigns; provided that the rights and obligations of Employee under this Agreement shall not be assignable without the prior written consent of the Company.

(g) GOVERNING LAW. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto shall be governed by the internal law, and not the law of conflicts, of the State of Texas.

(h) REMEDIES. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including reasonable attorneys fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that Employee's breach of any term or provision of this Agreement shall materially and irreparably harm the Company, that money damages shall accordingly not be an adequate remedy for any breach of the provisions of this Agreement and that any party in its sole discretion and in addition to any other remedies it may have at law or in equity may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

(i) AMENDMENT AND WAIVER. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Employee.

IN WITNESS, WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

CAL DIVE INTERNATIONAL, INC. EMPLOYEE

By_____ _____

Title:

1997 LONG TERM INCENTIVE PLAN
OF
CAL DIVE INTERNATIONAL, INC.

- ---

On November 2, 1995, the Cal Dive Board approved the 1995 LONG TERM INCENTIVE PLAN OF CAL DIVE INTERNATIONAL, INC. (Attachment 1) which was subsequently approved by the Shareholders of the Company.

The Plan provided for issuance of up to 600,000 shares of Common Stock of the Company, representing approximately 5% of the then issued and outstanding Common Stock of the Company.

As of this date, awards for 476,500 shares at a strike price of $4.50 per share are issued (Attachment 2) pursuant to a standard "Award Agreement" (Attachment 3).

Whereas the 1997 Amended and Restated Shareholders Agreement dated as of April 10, 1997, contemplates a "Stock Option Plan" providing for the granting to employees or Directors rights to purchase in the aggregate, when combined with all other outstanding options or other rights to purchase Common Stock from the Company, up to 10% (as adjusted for any subsequent stock splits, stock dividends, recapitalizations or similar events) of the issued and outstanding Common Stock of the Company; and

Whereas the 1995 Long Term Incentive Plan allows (pursuant to Article 10) for the modification of the Plan by the Board (subject to subsequent Shareholder approval);

Management hereby recommends the following changes to the Plan be adopted:

1) Amend "Participant" to read "means an employee OR DIRECTOR . . ."

2) Amend Article 4 to read:

COMMON STOCK AVAILABLE FOR AWARDS: There shall be available for Awards granted wholly or partly in Common Stock (including rights or options which may be exercised for or settled in Common Stock) during the term of this Plan, up to (but not to exceed) 10% of the issued and outstanding Common Stock (as adjusted for any subsequent stock splits, stock dividends, recapitalizations, or similar events). This 10% will be calculated in the aggregate, when combined with all other outstanding options or other rights to purchase Common Stock. The Board of Directors and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file required documents with governmental authorities and stock exchanges and transaction reporting systems to make shares of Common Stock available for issuance pursuant to Awards. Common Stock related to Awards that are forfeited or terminated, expire unexercised or if settled in a manner such that all or some of the shares covered by an Award are not issued to a Participant, or are exchanged for Awards that do not involve Common Stock, shall immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such procedures concerning the counting of shares against the Plan maximum as it may deem appropriate under Rule 16b-3.

Furthermore, Management hereby recommends that Awards be made as follows, using the Award Agreement (Attachment 4) based on an exercise price of $9.50 per share, pro rata annual vesting for five (5) years:

Lou Tapscott	70,000
Lynn Smith	5,000
Ken Duell	25,000
George Friedel	25,000
Chris Hale	15,000
Stanley Kellogg	25,000
Jack Lounsbury	10,000
John Odusch	10,000
TOTAL	185,000

As a result of these awards, the Company responsibility under all Awards will equal 661,500 shares with a total issued and outstanding 11,627,801 shares or + 5.7%.

ATTACHMENT 1
1995 LONG TERM INCENTIVE PLAN
OF
CAL DIVE INTERNATIONAL, INC.

1. OBJECTIVES. The 1995 Long Term Incentive Plan of Cal Dive International, Inc. (the "Plan") is designed to retain key executives and other selected employees and reward them for making major contributions to the success of Cal Dive International, Inc., a Minnesota corporation and its Subsidiaries (the "Company"). These objectives are to be accomplished by making awards under the Plan and thereby providing Participants (as hereinafter defined) with a proprietary interest in the growth and performance of the Company and its Subsidiaries.

2. DEFINITIONS. As used herein, the terms set forth below shall have the following respective meanings:

"Award" means the grant of any form of stock option, stock appreciation right, stock award or cash award, whether granted singly, in combination or in tandem, to a Participant pursuant to any applicable terms, conditions and limitations as the Committee or the Board may establish in order to fulfill the objectives of the Plan.

"Award Agreement" means a written agreement between the Company and a Participant that sets forth the terms, conditions and limitations applicable to an Award.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means such Compensation Committee of the Board as is designated by the Board to administer the Plan. The Committee shall be constituted to permit the Plan to comply with Rule 16b-3.

"Common Stock" means the Common Stock of the Company.

"Director" means an individual serving as a member of the Board.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Fair Market Value" means, as of a particular date, but subject to the provisions of other Company agreements binding the Participant from time to time (such as the Company's Amended and Restated Shareholders Agreement) which shall take precedence, (i) if the shares of Common Stock are listed on a national securities exchange, the mean between the highest and lowest sales price per share of Common Stock on the consolidated transaction reporting system for the principal such national securities exchange on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (ii) if the shares of Common Stock are not so listed but are quoted on the Nasdaq National Market, the mean between the highest and lowest sales price per share of Common Stock on the Nasdaq

National Market on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported (iii) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by Nasdaq, or, if not reported by Nasdaq, by the National Quotation Bureau, Inc. or (iv) if none of the foregoing apply, as determined in the discretion of the Company's Board from time to time.

"Participant" means an employee of the Company or any of its Subsidiaries to whom an Award has been made under this Plan.

"Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act, or any successor rule.

"Subsidiary" means any corporation of which the Company directly or indirectly owns shares representing more than 50% of the voting power of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation.

3. ELIGIBILITY. Employees of the Company and its Subsidiaries eligible for an Award under this Plan are those who hold positions of responsibility and whose performance, in the judgment of the Committee, can have a significant effect on the success of the Company and its Subsidiaries.

4. COMMON STOCK AVAILABLE FOR AWARDS. There shall be available for Awards granted wholly or partly in Common Stock (including rights or options which may be exercised for or settled in Common Stock) during the term of this Plan an aggregate of 600,000 (representing approximately five percent (5% in November, 1995) of issued and outstanding shares after a ten for one stock split) shares of Common Stock. The Board of Directors and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file required documents with governmental authorities and stock exchanges and transaction reporting systems to make shares of Common Stock available for issuance pursuant to Awards. Common Stock related to Awards that are forfeited or terminated, expire unexercised or if settled in a manner such that all or some of the shares covered by an Award are not issued to a Participant, or are exchanged for Awards that do not involve Common Stock, shall immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such procedures concerning the counting of shares against the Plan maximum as it may deem appropriate under Rule 16b-3.

5. ADMINISTRATION. Except for approval of Awards and Participants as described in Section 6, this Plan shall be administered by the Committee, which shall have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. The Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions contained in an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is either (i) not adverse to the Participant holding such

Award or (ii) consented to by such Participant. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable to carry it into effect. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. No member of the Committee shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

6. AWARDS. The Committee shall determine, subject to Board approval of each Participant, the type or types of Awards to be made to each Participant under this Plan. Each Award made hereunder shall be embodied in an Award Agreement, which shall contain terms, conditions and limitations as shall be determined by the Committee in its sole discretion and shall be signed by the Participant and by the Chief Executive Officer, or Chief Financial Officer for and on behalf of the Company. Awards may consist of those listed in this Paragraph 6 and may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights (i) under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity, or (ii) made to any Company or Subsidiary employee by the Company or any Subsidiary. An Award may provide for the granting or issuance of additional, replacement or alternative Awards upon the occurrence of specified events, including the exercise of the original Award.

(a) STOCK OPTION. An Award may consist of a right to purchase a specified number of shares of Common Stock at a specified price that is not less than the Fair Market Value of the Common Stock on the date of grant. A stock option may be in the form of an incentive stock option ("ISO") which, in addition to being subject to applicable terms, conditions and limitations established by the Committee, complies with Section 422 of the Code and may, at the discretion of the Committee, be converted at any time to a Stock Appreciation Right as specified in the Participant's Stock Option Agreement.

(b) STOCK APPRECIATION RIGHT. An award may consist of a right to receive a payment, in cash or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the stock appreciation right ("SAR") is exercised over a specified "Exercise Price" as set forth in the applicable Award Agreement.

(c) STOCK AWARD. An Award may consist of Common Stock or may be denominated in units of Common Stock. All or part of any stock award may be subject to conditions established by the Committee, and set forth in the Award Agreement, which may include, but are not limited to, continuous service with the Company and its Subsidiaries, accelerated vesting based upon events such as a change in control of the Company, achievement of specific business objectives, increases in specified indices, attaining specified growth rates and other comparable measurements of performance and the right of the Committee to convert the Award to a Stock Appreciation Right. Such Awards may be based on Fair Market Value or other specified valuations. The certificates evidencing shares of Common Stock issued in connection with a stock award shall contain appropriate legends and restrictions describing the terms and conditions of the restrictions applicable thereto.

(d) CASH AWARD. An award may be denominated in cash with the amount of the eventual payment subject to future service and such other restrictions and conditions as may be established by the Committee, and set forth in the Award Agreement, including, but not limited to the same conditions for a Stock Award.

7. PAYMENT OF AWARDS.

(a) GENERAL. Payment of Awards may be made in the form of cash or Common Stock or combinations thereof and may include such restrictions as the Committee shall determine, including in the case of Common Stock, restrictions on transfer and forfeiture provisions. As used herein, "Restricted Stock" means Common Stock that is restricted or subject to forfeiture provisions.

(b) DEFERRAL. With the approval of the Committee, payments may be deferred, either in the form of installments or a future lump sum payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards in accordance with procedures established by the Committee. Any deferred payment, whether elected by the Participant or specified by the Award Agreement or by the Committee, may be forfeited if and to the extent that the Award Agreement so provides.

(c) DIVIDENDS AND INTEREST. Dividends or dividend equivalent rights may be extended to and made part of any Award denominated in Common Stock or units of Common Stock, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents for deferred payment denominated in Common Stock or units of Common Stock.

(d) SUBSTITUTION OF AWARDS. At the discretion of the Committee, a Participant may be offered an election to substitute an Award for another Award or Awards of the same or different type.

8. STOCK OPTION EXERCISE. The price at which shares of Common Stock may be purchased under a stock option shall be paid in full at the time of exercise in cash or, if permitted by the Committee, by means of tendering Common Stock or surrendering another Award, including Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for tendering Common Stock or other Awards to exercise a stock option as it deems appropriate. If permitted by the Committee, payment may be made by successive exercises by the Participant. The Committee may provide for loans from the Company to permit the exercise or purchase of Awards and may provide for procedures to permit the exercise or purchase of Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award. Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of a stock option, a number of the shares issued upon the exercise of the stock option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee.

9. TAX WITHHOLDING. The Company shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made.

10. AMENDMENT, MODIFICATION, SUSPENSION OR TERMINATION. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law except that (i) no amendment or alteration that would impair the rights of any participant under any Award previously granted to such Participant shall be made without such Participant's consent and (ii) no amendment or alteration shall be effective prior to approval by the Company's stockholders to the extent such approval is then required pursuant to Rule 16b-3 in order to preserve the applicability of any exemption provided by such rule to any Award then outstanding (unless the holder of such Award consents) or to the extent stockholder approval is otherwise required by applicable legal requirements.

11. TERMINATION OF EMPLOYMENT. Continuous employment shall be a condition to exercise of all Awards granted under this Plan. All Awards shall automatically be void on the termination of employment of a Participant (for any reason including death or disability) and such Participant shall thereafter have no rights relative to such Award.

12. ASSIGNABILITY. Unless otherwise determined by the Committee and provided in the Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this Paragraph 12 shall be null and void.

13. ADJUSTMENTS.

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, changes of control or other changes in the capital stock of the Company or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock or declaration of a dividend payable in shares of Common Stock or recapitalizations or

reclassification or other transaction involving an increase or reduction in the number of outstanding shares of Common Stock, the Committee may adjust proportionally (i) the number of shares of Common Stock reserved under this Plan and covered by outstanding Awards denominated in Common Stock or units of Common Stock; (ii) the exercise or other price in respect of such Awards; and (iii) the appropriate Fair Market Value and other price determinations for such Awards. In the event of any consolidation or merger of the Company with another corporation or entity or the adoption by the Company of a plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Committee shall make such adjustments or other provisions as it may deem equitable, including adjustments to avoid fractional shares, to give proper effect to such event. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, change of control or liquidation, the Committee shall be authorized to issue or assume stock options, regardless of whether in a transaction to which Section 424(a) of the Code applies, by means of substitution of new options for previously issued options or an assumption of previously issued options, or to make provision for the acceleration of the exercisability of, or lapse of restrictions with respect to, Awards and the termination of unexercised options in connection with such transaction.

14. RESTRICTIONS. No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. It is the intent of the Company that this Plan comply with Rule 16b-3 with respect to persons subject to Section 16 of the Exchange Act unless otherwise provided herein or in an Award Agreement, that any ambiguities or inconsistencies in the construction of this Plan be interpreted to give effect to such intention, and that if any provision of this Plan is found not to be in compliance with rule 16b-3, such provision shall be null and void to the extent required to permit this Plan to comply with Rule 16b-3. Certificates evidencing shares of Common Stock delivered under this Plan may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed and any applicable federal and state securities law. The Committee may cause a legend or legends to be placed upon any such certificates to make appropriate reference to such restrictions.

15. UNFUNDED PLAN. Insofar as it provides for Awards of Common Stock, cash or rights thereto, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company nor the Board nor the committee be deemed to be a trustee of any cash, Common Stock or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to a grant of cash, Common Stock or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

16. GOVERNING LAW. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Minnesota.

17. EFFECTIVE DATE OF PLAN. This Plan shall be effective as of the date (the "Effective Date") it is approved by the Board of Directors of the Company. Notwithstanding the foregoing, the adoption of this Plan is expressly conditioned upon the approval by the holders of a majority of shares of Common Stock present, or represented, and entitled to vote at a meeting of the Company's stockholders held on or before November 3, 1995. If the stockholders of the Company should fail to approve this Plan prior to such date, this Plan shall terminate and cease to be of any further force or effect and all grants of Awards hereunder shall be null and void.

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated March 7, 1997 (except with respect to the matters discussed in Note 12, as to which the date is April 30, 1997) on our audits of the consolidated balance sheets and statements of operations, shareholders' equity and cash flows as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996 and to all references to our firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP
Houston, Texas
April 30, 1997

EXHIBIT 23.3

[MILLER AND LENTS,LTD. LETTERHEAD]

May 1, 1997

Cal Dive International, Inc.
13430 N.W. Freeway, Suite 350
Houston, TX 77040

Re: Cal Dive International, Inc.
Securities and Exchange Commission Form S-1

Gentlemen:

The firm of Miller and Lents, Ltd. consents to the naming of it as experts and to the incorporation by reference of its report dated April 24, 1997 concerning the Oil and Gas Reserves and Future Net Revenues as of December 31, 1996 attributable to Energy Resource Technology, Inc. in the Registration Statement of Cal Dive International Inc. on Securities and Exchange Commission Form S-1 to be filed with the Securities and Exchange Commission.

Miller and Lents, Ltd. has no interests in Cal Dive International, Inc. or in any of its affiliated companies or subsidiaries and is not to receive any such interest as payment for such report and has no director, officer, or employee employed or otherwise connected with Cal Dive International, Inc. We are not employed by Cal Dive International, Inc. on a contingent basis.

Very truly yours,

MILLER AND LENTS, LTD.

By: /s/ MILLER AND LENTZ LTD