SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

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

For the Transition period from _____ to _____

Commission File No. 0-22739

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

MINNESOTA	95-3409686
(STATE OR OTHER JURISDICTION OF INCORPORATION OF ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
400 N. SAM HOUSTON PARKWAY E., SUITE 400 HOUSTON, TEXAS (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	77060 (ZIP CODE)

Registrant's telephone number, including area code: (281) 618-0400

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
None	None

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

Common Stock (no par value)
(TITLE OF CLASS)

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 19, 1999 was $154,222,684 based on the last reported sales price of the Common Stock on March 19, 1999, as reported on the NASDAQ/National Market System.

The number of shares of the registrant's Common Stock outstanding as of March 19, 1999 was 14,633,581.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 5, 1999 are incorporated by reference into Part III hereof.

CAL DIVE INTERNATIONAL, INC. ("CDI") INDEX -- FORM 10-K

PART I

PART II

PART I

ITEM 1. BUSINESS

GENERAL

Cal Dive International, Inc. ("CDI" or the "Company") is a leading subsea contractor providing services from the shallowest to the deepest waters in the Gulf of Mexico. Over three decades, CDI has developed a reputation for innovation in underwater construction techniques and equipment. With its diversified fleet of 11 vessels and access to barges under its alliance with Horizon Offshore Inc. ("Horizon"), CDI performs services which cover the life of an offshore natural gas or oil field. Through its subsidiary, Energy Resource Technology, Inc. ("ERT"),it acquires mature offshore properties to provide 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.

In water depths up to 1,000 feet ("OCS"), CDI is a dominant provider of subsea services which include air and SAT diving in support of marine construction activities. Each of the Company's 11 vessels perform these services, six of which support SAT diving. CDI owns a large minority share in Aquatica, Inc., a new shallow water diving company, which grew significantly in 1998. CDI also has a new service beginning in 1999 which involves a methodology for shallow water full field development designed to reduce new field cost and completion time.

Activity in Gulf water depths greater than 1,000 feet (the "Deepwater") involves technological challenges which have required subsea contractors to develop new technology. With a fleet of four Deepwater-capable vessels, CDI has assembled a technically diverse fleet permanently deployed in the Gulf for the delivery of these subsea solutions. CDI has formed alliances with other offshore service and equipment providers which enhance its ability to provide full field and life of field services, including a strategic alliance with Coflexip, a world leader serving the Deepwater market. CDI is also developing a new Deepwater construction vessel, the Q4000 and assisting industry groups to develop new technology to solve challenges of Deepwater projects which can be deployed from its DP vessels.

OFFSHORE Magazine recently affirmed Cal Dive as the number one player in the decommissioning market as CDI was responsible for 24% of the structures removed from the Gulf during the years 1996 through mid-1998. CDI's alliance with Horizon provides access to expanded derrick and heavy lift salvage capabilities. ERT acquires, produces and develops mature properties prior to their decommissioning and as such is one of few companies with the combined attributes of financial strength, reservoir engineering, operations expertise and company-owned salvage assets that is acquiring mature properties in the Gulf of Mexico.

RECENT EVENTS

Excess supplies of crude oil and lower demand internationally drove oil prices to $11 a barrel by late fall of 1998. At the outset of 1999, the state of the world's economies and the actions of our customers, who are cutting budgets and reducing capital expenditures, continues to affect almost all aspects of the oil and gas industry. While losses from customer inability to pay (bad debt expenses) have historically been insignificant, the current downturn could also result in bankruptcy or liquidation of certain of the smaller production companies that operate in the Gulf. Although CDI believes these pressures may not be resolved in 1999, it has developed measured responses to these conditions. For example, CDI has implemented cost reduction and containment initiatives and expects to continue to do so as conditions dictate. Most of Cal Dive's employees and management were with the Company when it experienced cyclical downturns such as those in 1985-6 and 1992. Lessons learned from those times will be applied. However, it is difficult to forecast the

full impact of such a severe cyclical downturn. Some opportunities which CDI plans to pursue in 1999 are described below.

ERT ACQUISITIONS

In 1998, ERT acquired interests in six blocks involving two fields. Early in 1999, ERT completed three additional acquisitions (including its largest acquisition to date) by purchasing interests in seventeen blocks involving seven separate fields. With these acquisitions, ERT as of March 19, 1999 owned interests in 35 offshore leases including 32 platforms, 22 caissons, and 184 wells which currently produce about 21 MMCFD and 755 BOPD and has accumulated a significant backlog of CDI decommissioning work. Given recent oil and gas company down sizing and layoffs, management believes many of its customers are reassessing the cost of retaining marginal properties and expects ERT will benefit from this activity.

SHALLOW WATER FULL-FIELD DEVELOPMENT

CDI believes it has assembled a unique new product/service designed to bring a new field online efficiently and in periods of as little as seventeen weeks. Working with proven designs that meet or exceed industry standards, Cal Dive now stocks or has ready access to the necessary production equipment such as subsea trees, prefabricated facility modules, well controls, and decks to assist in the rapid assembly of a new field. Currently under contract to SOCO Offshore, CDI has completed the staging of a subsea tree and production equipment within the 12 week target and will mobilize the installation spread upon completion of drilling operations on the host facility. This equipment, combined with CDI's years of experience and assets which can complete all phases of the operation should allow clients to minimize contractor interfaces and accurately assess costs for the life of their field.

HORIZON ALLIANCE

In the fourth quarter of 1998, CDI entered into an Alliance agreement that provides access to expanded derrick and heavy lift barge capabilities. Under the agreement, Horizon exclusively contracts Cal Dive for all dive support vessels and barge diving services. In return, Cal Dive has agreed to utilize Horizon pipelay and derrick barges exclusively for large diameter pipelay and salvage lifts beyond current CDI capabilities. In this regard Cal Dive has guaranteed a certain level of barge activity which it expects to use in conjunction with its salvage operations. In the fourth quarter of 1998, Cal Dive vessels and divers were used for over 180 combined days of work in conjunction with Horizon pipelay operations and for 20 days on salvage work.

Q4000 MSV

The Q4000, a sixth generation multi-service Deepwater completion and construction support vessel, is now in the final design stages. Much of 1998 was spent refining the design of this new build vessel to incorporate more unique features. A technology sharing alliance with R& B Falcon allowed the Company to utilize the experiences of operating the UNCLE JOHN and the IOLAIR, two third-generation semi-submersible vessels. CDI is presently in the process of evaluating final cost estimates from a select group of shipyards with final evaluations scheduled for mid-year 1999.

THE INDUSTRY AND CDI

The subsea services industry in the Gulf of Mexico originated in the early 1960s to assist natural gas and oil companies with offshore operations. The industry has grown significantly since the early 1970s as the domestic oil and gas industry has increasingly relied upon offshore fields for new production. Subsea services are required throughout the economic life of an offshore field and include 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.

Terms defined below are helpful to understanding the services CDI performs in support of the phases of offshore field development:

4-POINT: Anchors set (two each) from the fore and aft position of the vessel.

DECOMMISSIONING: The process, supervised by the Minerals Management Service ("MMS"), of plugging the well, capping and burying the pipelines serving the field, removing the platform and clearing the site of all debris.

DIVE SUPPORT VESSEL (DSV): Specially equipped vessel which performs services and acts as an operational base for divers, ROVs and specialized equipment.

DYNAMIC POSITIONING (DP): Computer-directed thruster systems, that use satellite-based positioning combined with other positioning technologies, to ensure the proper counteraction to wind, current and wave forces enabling the vessel to maintain its position without the use of anchors. Two additional DP systems are used to provide the redundancy necessary to support safe deployment of divers where only a single DP system is necessary to support ROV equipment

MOONPOOL: An opening in the center of a vessel through which a SAT diving system or ROV may be deployed, allowing the safest diver or ROV deployment in adverse weather conditions.

REMOTELY OPERATED VEHICLE (ROV): Robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks beyond the capability of manned diving operations.

SATURATION (SAT) DIVING: SAT diving, required for work in 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.

SPOT MARKET: Market unique to the Gulf of Mexico characterized by projects generally short in duration and of a turnkey nature. These projects require constant rescheduling and the availability or interchangeability of multiple 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. The Company's growth strategy has consisted of three basic elements: (i) identifying the 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 alliances which fill the market gap. As a result, CDI's revenues have increased by a compound annual growth rate of 60% from $37.5 million in 1995 to $151.9 million in 1998. Similarly, net income has increased by a compound annual growth rate of 108% from $2.7 million in 1995 to $24.1 million in 1998. A more detailed description of the Company's business activities is provided below.

SUBSEA SERVICES

The principal activity of CDI's subsea services involves air and saturation diving in support of pipelay and related marine construction activities. Saturation diving is required for diving operations in water depths beyond 300 feet. CDI believes that it is the largest provider of SAT diving services and operates the largest fleet of SAT diving vessels permanently deployed in the Gulf. Cal Dive's diversified fleet includes one DP MSV, three DP DSVs, two four-point moored saturation DSVs, three other DSVs, two work class ROVs, a DSV Deepwater service barge and a derrick barge. All of CDI's SAT diving vessels have moonpool systems, which allow safe diver deployment in adverse weather conditions. The Company expects delivery in 1999 of a replacement for its smallest DSV, the CAL DIVER IV. 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. In 1998, demand and rates for these services held fairly firm throughout most of the year due to shortages of diving personnel. Since CDI dominates the saturation market where divers receive premium pay, personnel shortages did not curtail its operations.

Ongoing reductions of experienced personnel at CDI's customers have continued a trend of transferring more responsibility to contractors and suppliers. Management believes that a key element of CDI's strategy and success has been its pioneering role in providing turnkey contracting and its ability to attract and retain experienced industry personnel. The Company's highly qualified personnel enable it to compete effectively in the Gulf's unique "spot market" for offshore construction projects and to manage turnkey projects to satisfy customer needs and achieve CDI's targeted profitability. Because of its experience with turnkey contracting and the recognized skill of its personnel, the Company believes it has proven it can capitalize on the demand for outsourcing additional responsibility to contractors.

In February 1998, CDI purchased a significant minority stake in Aquatica, a new shallow water diving company formed by Sonny Freeman, the former Chief Operating Officer of Ceanic Corporation (formerly American Oilfield Divers) which was purchased in 1998 by Stolt Comex Seaway, Inc. In 1998, Aquatica's equity contribution to CDI's pre-tax income was over $2.6 million on a $5.0 million investment. Management believes that its investment in Aquatica permits the Company to benefit from the skills of proven management in this market while allowing Cal Dive to continue to focus on its Deepwater strategy. Dependent upon various preconditions, CDI has agreed to lend an additional $5.0 million to Aquatica and its shareholders have the right to convert their shares into CDI shares at a prescribed ratio which, among other things, must be accretive to CDI's earnings per share.

DEEPWATER TECHNOLOGIES

In 1994, CDI began to assemble a fleet of DP vessels which are required to deliver subsea services in the Deepwater. The Company's Deepwater fleet consists of one semisubmersible DP MSV (the UNCLE JOHN), three DP DSV's (the WITCH QUEEN, the BALMORAL SEA, and the MERLIN), one Deepwater service barge (the SEA SORCERESS), two 4-point moored saturation DSVs (the CAL DIVER I and the CAL DIVER II) and two work class ROVs. The Company intends to continue to expand the capabilities of its diversified fleet through the acquisition of additional vessels and assets. All of CDI's DP vessels (except the MERLIN) can support SAT diving on the Outer Continental Shelf ("OCS") as compared to most competitors' DP vessels which can only support ROV work. CDI's mono-hulled DP vessels provide a flexible work platform to launch ROVs and support subsea construction in adverse weather conditions. Likewise, the Company's MSV UNCLE JOHN has demonstrated the ability to perform certain well completion tasks previously done by more expensive drilling equipment. These vessels, in combination with the ROVs, allow CDI to control key assets involved in Deepwater subsea construction and full field development.

CDI formed its Deepwater Technical Services Group in early 1996 to serve as the focal point for delivering the varied technological disciplines required for Deepwater projects. Services provided by this Group include geotechnical investigation, turnkey field development, installation of umbilicals, controls and flexible pipe, well servicing, decommissioning, subsea wellhead installations and pipeline repair systems and riser installation. In 1998, the Company completed or was awarded 15 Deepwater projects requiring DP vessels. These projects allowed CDI to perform work numerous times at what management believes to be record depths. Work by Company's alliance partners described below are also coordinated through this group.

As part of its strategy in the Deepwater Gulf of Mexico, CDI entered into a number of strategic alliances, including establishment of a joint venture with Coflexip in April 1997 to pursue EPIC projects in the Gulf and the Caribbean. Coflexip, headquartered in Paris, France, is a world leader in the design and manufacture of flexible pipe and umbilicals and is one of the leading subsea construction contractors. In 1998, Coflexip had sales of $1.34 billion and total assets of $1.32 billion at year-end. The Coflexip joint venture has not produced any revenue to date but the Company expects that EPIC projects may develop along with increased Deepwater activity by 2001. However, Coflexip did make two of their DP vessels available to the Company which added $8 million to 1998 revenues.

CDI's other alliances, intended to enhance its ability to offer a complete range of subsea full field development services, are described below:

ALLIANCE	DESCRIPTION	1997/1998 CONTRIBUTIONS
Schlumberger, Ltd.....	Alliance Agreement whereby CDI provides DP vessels and related operating services for well servicing and testing	Downhole equipment played major roles in several complex well intervention jobs
Horizon Offshore, Inc..	Alliance Agreement whereby CDI provides all dive support vessels and barge diving services. CDI uses Horizon barges for platform abandonment and pipelay work	Vessel, diver and pipelay work all occurred in third and fourth quarter 1998

Fugro-McClelland..... Marine Geoscience, Inc.	Performance Contract whereby CDI provides operating services for geoscience services and coring work	Coring work identified the underwater aquifers causing Deepwater sand flow
Shell Offshore Inc.....	Performance Contract whereby CDI provides vessels and related operating services for subsea well intervention and the development of J-lay procedures	Contracted to provide well intervention services over a two-year period
TOPS.....	Preferred Provider Agreement whereby CDI provides marine contracting services in a full field development setting to TOPS in the Deepwater Gulf of Mexico	Marine construction services
Reading & Bates..... Development Co	Alliance Agreement to cooperate on the design of a new build MSV	Construction Estimates in process for the Q4000
Canyon.....	Alliance Agreement where Canyon supports CDI's ROV operations and provides ROV personnel/equipment	Marine construction services
Ambar.....	Alliance Agreement to develop a Deepwater offshore pipeline cleaning system	Development testing in process

CDI is also involved in a number of efforts to provide for technical challenges as the industry moves into the Deepwater. In 1998, the design of CDI's new build, the Q4000, was refined to include new Deepwater features. CDI is also involved in seeking solutions to other unique Deepwater issues. In 1998 a number of wells were lost to shallow sand flow, a geological phenomenon unique to the Deepwater Gulf. CDI is involved with DeepStar, the consortium of 22 oil companies having significant interest in the Deepwater Gulf in designing a hammer to drive a 36" caisson 2,000 feet into the ocean floor in order to provide a drilling conduit through the aquifer. A second major issue is that of hydrates, the waxy substance which impedes pipeline flow as the high paraffin content of the oil interacts with the extreme cold of the Deepwater. This situation presently limits offsets and step out wells as flowline insulation costs escalate to non-economic levels. CDI and alliance partner Ambar are developing an extended reach method of cleaning hydrates from the pipeline. In each case CDI's goal is to develop new Deepwater products which can be deployed from our fleet of DP vessels.

ABANDONMENT SOLUTIONS

The Company has established a leading position in the decommissioning of facilities in the shallow water Gulf of Mexico. According to OFFSHORE MAGAZINE, CDI performed 24% of all structure removal projects in the Gulf from January 1, 1996 through June 30, 1998. The Company expects the demand for decommissioning services to increase due to the significant number of platforms that must be removed in accordance with government regulations. Over 75% of the 4,200 platforms in the Gulf of Mexico are over ten years old and there are approximately 20,000 wells that must ultimately be plugged and abandoned. Since 1989, Cal Dive

has undertaken a wide variety of decommissioning assignments, most on a turnkey basis.

When the structure to be removed exceeds the capacity of CDI's equipment, the Company can utilize its 1998 alliance with Horizon. Horizon operates three derrick barges, the PACIFIC HORIZON, ATLANTIC HORIZON and PHOENIX HORIZON, that have lift capacities ranging up to 800 tons. As a result, CDI should no longer have to subcontract those projects where the lift exceeds the 200-ton capacity of the CAL DIVE BARGE-I.

CDI 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. CDI has assembled and recently expanded its team of personnel experienced in geology, geophysics, reservoir, drilling and production engineering, facilities management and lease operations to allow ERT to maximize production at these properties until they are decommissioned. Mature properties are generally those properties where decommissioning costs are significant relative to the value of remaining natural gas and oil reserves. CDI seeks to acquire properties that it can operate to enhance remaining production, control operating expenses and manage the cost and timing of the decommissioning. Management believes that CDI is one of the few companies which combines financial strength, reservoir engineering, operations expertise and the availability of company-owned salvage assets that is acquiring mature properties in the Gulf of Mexico. These attributes result in significant strategic and cost advantages. Since acquiring its initial property in late 1992, the Company has increased estimated proved reserves to approximately 30.4 Bcfe of natural gas and oil at March 19, 1999.

CUSTOMERS

The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms. 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 1998 it provided subsea services to approximately 100 customers. Chevron USA, Inc. accounted for 11% of consolidated revenues in 1998. J. Ray McDermott, S.A. accounted for 19% and 24% of consolidated revenues in the years 1997 and 1996, respectively. In addition, Shell Oil Co. accounted for 11% of consolidated revenues in 1997. The Company's projects are typically of short duration and are generally awarded shortly before mobilization. Accordingly, backlog is not a meaningful indicator of future activities.

COMPETITION

The subsea services industry is highly competitive. Competition has historically been based on factors such as the location and type of equipment available, the ability to deploy such equipment, the safety and quality of service in recent years and price. While price is a factor, the ability to acquire specialized vessels, to attract and retain skilled personnel, and to demonstrate a good safety record are important competitive factors. CDI's competitors in the shallower waters of the Gulf include Stolt Comex Seaway, Inc. (formerly Ceanic Corporation), Torch, Inc., Global Industries Ltd. and 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. and Stolt Comex Seaway, Ltd. Other large foreign based subsea contractors, including, DSND, ASA and Rockwater, Ltd., may perform services in the Gulf. Of those competitors, Oceaneering has recently introduced the OCEAN INTERVENTION I and has announced plans to have a second vessel (OCEAN INTERVENTION II) in the marketplace late in 1999. SCS now has the CONDOR in the Gulf with the PUMA a possible arrival later

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

TRAINING, SAFETY AND QUALITY ASSURANCE

CDI 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 CDI's safety programs are among the best in the industry.

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 United States Coast Guard ("USCG"), the Environmental Protection Agency, Minerals Management Service ("MMS") and the U.S. Customs Service ("USCS") as well as private industry organizations such as the American Bureau of Shipping ("ABS").

CDI supports and voluntarily complies with the Association of American Diving Contractor Standards. The USCG sets safety standards and is authorized to investigate vessel and diving accidents and recommend improved safety standards, and the USCS is authorized to inspect vessels at will. CDI 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 for the conduct of its business.

In addition, CDI 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 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 $3.0 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. 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. 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 prohibiting the burning of liquid hydrocarbons 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, and the MMS has recently proposed, but not yet enacted, regulations that would allow it to expel unsafe operators from existing OCS platforms and bar them from obtaining future leases. Any such suspension or termination or ban 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 addition, the MMS recently issued a final rule amending its regulations regarding costs for gas transportation which are deductible for royalty valuation purposes when gas is sold offlease. Among other matters, for purposes of computing royalty owed, the rule disallows as deductions certain costs, such as aggregator/marketer fees and transportation imbalance charges and associated penalties.

Historically, the transportation and sale for resale of natural gas in interstate commerce has 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" no later than January 1, 1993.

Sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation remain subject to extensive federal and state regulation. Several major regulatory changes have been implemented by Congress and the FERC from 1985 to the present that affect the economics of natural gas production, transportation and sales. In addition, the FERC continues to promulgate revisions to various aspects of the rules and regulations affecting those segments of the natural gas industry, most notably interstate natural gas transmission companies that remain subject to the FERC's jurisdiction. These initiatives may also affect the intrastate transportation of gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry. The ultimate impact of the complex rules and regulations issued by the FERC since 1985 cannot be predicted. In addition, many aspects of these regulatory developments have not become final but are still pending judicial and FERC final decisions.

The Company cannot predict what further action the FERC will take on these matters, however, the Company does not believe that it will be affected by any action taken materially differently than other companies with which it competes.

Additional proposals and proceedings before various federal and state regulatory agencies and the courts could affect the oil and gas industry. 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.

The Company has assessed what computer software will require modification or replacement so that its computer systems will properly utilize dates beyond December 31, 1999. The Company has purchased, and has implemented, a new project management accounting system which is Year 2000 compliant. This system, which fully integrates all of its modules, provides project managers and accounting personnel with up-to-date information enabling them to better control jobs in addition to providing benefits in inventory control and planned vessel maintenance. CDI's vessel computer DP systems are partially dependent on government satellites and the government has not yet confirmed that they have solved Year 2000 data problems. If necessary, the vessels could operate for sometime safely on redundant systems other than satellite information. Accordingly, the Company believes that the Year 2000 issue will be resolved in a timely manner and presently does not believe that the cost to become Year 2000 compliant will have a material adverse effect on the Company's consolidated financial statements. The foregoing statements are intended to be and are hereby designated "Year 2000 Readiness Disclosure" within the meaning of the Year 2000 Information Readiness and Disclosure Act.

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 that are often complex and costly to comply with, and that carry substantial administrative, civil and possibly criminal penalties for failure to comply. Aside from possible liability for damages and costs associated with releases of hazardous materials including oil into the environment, such laws and regulations may impose liability on the Company for the conduct of or conditions caused by others, or by acts of the Company that were in compliance with all applicable laws at the time such acts were performed.

The Oil Pollution Act of 1990, as amended ("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 an onshore facility, vessel or pipeline, or the lessee or permittee of the area in which an offshore facility is located. OPA imposes liability on each responsible party for oil spill removal costs and for other public and private damages from oil spills. Failure to comply with OPA may result in the assessment of civil and criminal penalties. OPA establishes liability limits of up to $350.0 million for onshore facilities, all removal costs plus up to $75.0 million for offshore facilities, and the greater of $500,000 or $600 per gross ton for vessels other than tank vessels. The liability limits are not applicable, however, 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 fails to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA. Management of the Company is currently unaware of any oil spills for which the Company has been designated as a responsible party under OPA that will have a material adverse impact on the Company or its operations.

OPA also imposes ongoing requirements on a responsible party including preparation of an oil spill contingency plan and proof of financial responsibility to cover a majority of the costs in a potential spill. The Company believes it has appropriate spill contingency plans in place. Vessels subject to OPA other than tank vessels are subject to financial responsibility limits of the greater of $500,000 or $600 per gross ton, while offshore facilities are subject to financial responsibility limits of not less than $35.0 million, with that limit potentially increasing up to $150.0 million if a formal risk assessment indicates that a greater amount is required. The MMS has promulgated regulations implementing these financial responsibility requirements for

covered offshore facilities. Under the MMS regulations, the amount of financial responsibility required for an offshore facility is increased above the minimum amounts of the "worst case" oil spill volume calculated for the facility exceeds certain limits established in the regulations. The Company believes that it currently has established adequate proof of financial responsibility for its vessels and onshore and offshore facilities and that it satisfies the MMS requirements for financial responsibility under OPA and the proposed regulations.

OPA also requires owners and operators of vessels over 300 gross tons to provide the USCG 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 USCG for all of the Company's vessels.

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 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 releases of petroleum and other hazardous substances 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. Offshore facilities and vessels operated by the Company have facility and vessel response plans to deal with potential spills of oil or its derivatives.

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 action could have a material adverse effect on the Company's financial condition and the results of operations. As of this date, the Company believes it is not the subject of any civil or criminal enforcement actions under OCSLA.

The Comprehensive Environmental Response, Compensation, and Liability Act ("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, and 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.

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. However, changes in the environmental laws and regulations,

or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities to the Company and thus there can be no assurance that the Company will not incur significant environmental compliance costs in the future.

EMPLOYEES

CDI relies on the high quality of its workforce and has successfully hired, trained, and retained skilled managers and divers. As of December 31, 1998 the Company had 478 employees, 127 of which were salaried. As of that date the Company also utilized approximately 105 non-US citizens to crew its foreign flag vessels under a crewing contract with C-MAR Services (UK), Ltd. of Aberdeen, Scotland. 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 and foreign crew members is good.

Of the Company's employees, approximately 225 persons own shares of Common Stock and 43 other employees hold options to acquire Common Stock under the Company's 1995 Long Term Incentive Plan, as amended.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD LOOKING INFORMATION

Shareholders should carefully consider the following risk factors in addition to the other information contained in this Annual Report. This Annual Report on Form 10-K includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts, included in this Annual Report that relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, projected or anticipated benefits from acquisitions made by or to be made by CDI or projections involving anticipated revenues, earnings, or other aspects of operating results are forward-looking statements. The words "expect," "believe," "anticipate," "project," "estimate," and similar expressions are intended to identify forward-looking statements. The Company cautions readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements and the projections upon which the statements are based, including but not limited to those discussed below. As noted elsewhere, all phases of CDI's operations are subject to a number of uncertainties, risks and other influences, many of which are outside the control of CDI, and any one or a combination of which could materially affect the results of CDI's operations and the accuracy of forward-looking statements made by CDI. The following discussion outlines certain factors that could affect CDI's consolidated results of operations for 1999 and beyond and cause them to differ materially from those that may be set forth in forward-looking statements made by or on behalf of the Company.

LOW OIL AND NATURAL GAS PRICES AND CYCLICALITY OF THE OIL AND GAS INDUSTRY

The Company's business is substantially dependent upon the condition of the oil and gas industry and, in particular, the willingness of oil and gas companies to make capital expenditures on exploration, drilling and production operations offshore. The level of capital expenditures is generally dependent on the prevailing view of future oil and gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including worldwide economic activity, interest rates and the cost of capital, environmental regulation, tax policies, coordination by the Organization of Petroleum Exporting Countries ("OPEC"), the cost of exploring for and producing oil and gas, the sale and expiration dates of offshore leases in the United States and overseas, the discovery rate of new oil and gas reserves in offshore areas and technological advances. Oil

and gas prices and the level of offshore drilling and production activity have recently dropped significantly. There can be no assurance that activity levels will increase any time soon. A sustained period of low hydrocarbon prices would likely have a material adverse effect on the Company's financial position and results of operations.

VESSEL OPERATING RISKS AND LIMITATION OF INSURANCE COVERAGE

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. Damage arising from such an occurrence may result in lawsuits asserting large claims. CDI maintains such insurance protection as it deems prudent, including Jones Act employee coverage (the maritime equivalent of workers compensation) and 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 CDI may be subject. A successful claim for which CDI is not fully insured could have a material adverse effect on the Company. Moreover, no assurance can be given that CDI will be able to maintain adequate insurance in the future at rates that it considers reasonable. As construction activity moves into deeper water in the Gulf of Mexico, construction projects tend to be larger and more complex than shallow water projects. As a result, the Company's revenues and profits are increasingly dependent on its larger vessels. While the Company currently insures its vessels against property loss due to a catastrophic marine disaster, mechanical failure or collision, the loss of any of the Company's large vessels as a result of such event could result in a substantial loss of revenues, increased costs and other liabilities and could have a material adverse effect on the Company's operating performance.

SEASONALITY AND ADVERSE WEATHER RISKS

Marine operations conducted in the Gulf of Mexico are seasonal and depend, in part, on weather conditions. Historically, CDI has enjoyed its highest vessel utilization rates during the summer and fall 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. During certain periods of the year, CDI typically bears the risk of delays caused by adverse weather conditions. Accordingly, the results of any one quarter are not necessarily indicative of annual results or continuing trends.

CONTRACT BIDDING AND ALLIANCE RISKS

A majority of CDI's projects are currently performed on a qualified turnkey basis. The revenue, cost and gross profit realized on a contract can vary from the estimated amount because of changes in offshore job conditions, variations in labor and equipment productivity from the original estimates and performance of others such as alliance partners. These variations and risks inherent in the marine construction industry may result in CDI experiencing reduced profitability or losses on projects. Although CDI has entered into a number of strategic alliances, there can be no assurance that CDI will be able to enter into such alliances in the future, that these alliances will be successful or that contracts resulting from these alliances will not result in unforeseen operational difficulties.

UNCERTAINTY OF ESTIMATES OF NATURAL GAS AND OIL RESERVES

This Annual Report 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, 1998 by Miller & Lents, which report relies upon various assumptions, including assumptions required by 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 the Company's proved reserves.

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, but not limited to, uncontrollable flows of oil, natural gas, brine or well fluids into the environment, blowouts, cratering, mechanical difficulties, fires, explosions, pollution and other risks, any of which could result in substantial losses to the Company. In accordance with industry practice, CDI maintains insurance against some, but not all, of the risks described above.

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 companies relocate or acquire vessels for operations in the Gulf of Mexico, levels of competition may increase and the Company's business could be adversely affected.

CUSTOMER CONCENTRATION

CDI's customers consist primarily of major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction companies. During 1997, the Company derived approximately 19% of its consolidated revenues from one customer and 11% from another. CDI derived 11% of its consolidated revenue in 1998 from another customer. While CDI 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 CDI's operating performance. While losses from customer inability to pay (bad debt expenses) have historically been insignificant, the current downturn in commodity prices could result in bankruptcy or liquidation of certain of the smaller production companies that operate in the Gulf.

DEPENDENCE ON KEY PERSONNEL AND RETENTION OF EMPLOYEES

CDI's success depends on the continued active participation of key management personnel. The loss of key people could adversely affect CDI's operations. The Company has two-year employment and non-compete agreements with twelve of its senior officers. CDI believes that its success and continued growth is also dependent upon its ability to employ and retain skilled personnel. While the Company believes that its wage rates are competitive and that its relationship with its workforce is good, a significant increase in the wages paid by other employers could result in a reduction in the Company's workforce, increases in the wage rates paid by the Company, or both. If either of these events occur for any significant period of time, the Company's profitability could be diminished and the growth potential of the Company could be impaired.

REGULATORY AND ENVIRONMENTAL MATTERS

CDI's subsea construction, inspection, maintenance and decommissioning operations and its natural gas

and oil production from offshore properties (including decommissioning of such 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 CDI. Significant fines and penalties may be imposed for non-compliance.

ANTI-TAKEOVER CONSIDERATIONS

The Board of Directors of CDI 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, CDI's Articles of Incorporation divide the Company's Board of Directors into three classes. Except for a transaction involving Coflexip (which is specifically excluded), CDI also is subject to certain anti-takeover provisions of the Minnesota Business Corporations Act ("MBCA"). In addition, CDI is a party to a Shareholders Agreement that provides Coflexip with a right of first refusal in connection with certain acquisition proposals for CDI and has employment contracts with twelve (12) of its officers which require cash payments in the event of a "change of control". 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 CDI, 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.

ITEM 2. PROPERTIES

MARINE VESSELS AND EQUIPMENT

GENERAL

The Company owns a fleet of 11 vessels and two ROVs. The size of the Company's fleet and its capabilities have increased in recent years with the addition of the WITCH QUEEN, BALMORAL SEA, UNCLE JOHN, SEA SORCERESS and MERLIN.

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. Six of CDI's vessels have the permanent capability to provide SAT diving services. Four of CDI's vessels have DP capabilities specifically designed to respond to the Deepwater market.

NEW VESSELS

In 1998, the design of CDI's new MSV, the Q4000 was refined to include more features. It is a sixth generation, multi-service vessel which is a newer version of the MSV UNCLE JOHN'S column stabilized, semisubmersible design and is unique due to the absence of lower hull cross bracing which decreases vessel weight and increases operating efficiency. Variable deck load of 4,000 tons and a large deck area would make the vessel particularly well suited for large offshore construction projects in Deepwater. High transit speed would allow it to move rapidly from one location to another while operability (thruster power and motion characteristics) would provide for well intervention in an extremely cost effective manner. Management expects that there would be a derrick similar to that installed on the MSV UNCLE JOHN for well completion and well servicing projects. Final evaluation is scheduled for mid-1999 but there is no assurance that the Q4000 will be constructed.

The DSV SEA SORCERESS began a contract in the third quarter of 1998 to assist a large new field development project offshore of Newfoundland, Canada. This contract was cancelled in early 1999. Due to the cancellation, it is expected this vessel may remain idle for some time. The vessel was purchased as a candidate to convert to DP and target Deepwater heavy construction projects. Long lead time components such as the thrusters have been purchased and the engineering completed so the Company believes the conversion can be completed in a six to nine month time frame. However, this $30 to $35 million capital expenditure will not be undertaken until commodity prices and market conditions improve.

In early 1998, CDI contracted to have a replacement vessel built for its utility boat CAL DIVER IV as part of its ongoing program to upgrade the quality of its fleet. The original CAL DIVER IV was sold to Aquatica, Inc. in January 1999. The new vessel is 120 feet long, 32 feet wide, has 1,440 feet of clear deck space, a 60 ton deck load capacity and galley accommodations for 24 people. It will be capable of 10 knots cruising speed and is expected to be delivered in mid-1999.

CAL DIVE INTERNATIONAL, INC.
LISTING OF VESSELS, BARGES AND ROVS
AS OF DECEMBER 31, 1998

	DATE PLACED IN SERVICE BY CDI	LENGTH (FEET)	CLEAR DECK SPACE (SQ. FEET)	DECK LOAD (TONS)	ACCOMMO-DATIONS	MOONPOOL LAUNCH/ SAT DIVING	CRANE	CLASSIFI-CATION (3)
DP MSV:								
Uncle John	11/96	254	11,863	460	102	X	2 x 100-ton	DNV
DP DSVs:								
Balmoral Sea(1)	9/94	259	3,443	250	60	X	30-ton	DNV
Witch Queen	1/95	278	5,600	500	62	X	50-ton	DNV
Merlin	12/97	198	955	308	42		A-Frame	ABS
DSVs:								
Cal Diver I	7/84	196	2,400	220	40	X	20-ton	ABS
Cal Diver II	6/85	166	2,816	300	32	X	A-Frame	ABS
Cal Diver III	8/87	115	1,320	105	18	--	--	ABS
Cal Diver IV(2)	1999	120	1,440	60	24	--	--	ABS
Cal Diver V	9/91	168	2,324	490	30	--	A-Frame	ABS
Other:								
Sea Sorceress	8/97	374	8,600	10,000	50	X	--	DNV
Cal Dive Barge I	8/90	150	NA	200	26	--	200-ton	ABS
ROVs x 2	4/97	25	--	--	--		--	--
Mobile SAT System	2/99	--	--	--	--	X	--	ABS

(1) This vessel was 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.

(2) Delivery of this vessel is expected in mid-1999.

(3) Under government regulations and CDI'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. CDI 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 United States Coast Guard ("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.

CDI 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 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.

SUMMARY OF NATURAL GAS AND OIL RESERVE DATA

The table below sets forth information, as of December 31, 1998, with respect to the Company's estimated net proved reserves and the present value of estimated future net cash flows at such date, based on estimates by Miller & Lents.

	TOTAL PROVED(1) (DOLLARS IN THOUSANDS)
Estimated Proved Reserves:	
Natural Gas (MMcf).....	22,434
Oil and Condensate (MBbls).....	70
Standardized measure of discounted future net cash flows(2).....	$10,156

(1) Seventeen (17) blocks purchased in 1999 described below are not included in the above December 31, 1998 summary. As a result of this purchase, ERT's Estimated Proven Reserves have increased approximately 32% to 29,300 MMCF of natural gas and 152 MBbls of oil and the standardized measure of discounted future net cash flow has increased to $22,779.

(2) 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 March 19, 1999, the Company owned an interest in 145 gross (125 net) natural gas wells and 45 gross (25 net) oil wells located in federal offshore waters in the Gulf of Mexico.

FACILITIES

CDI is headquartered at 400 N. Sam Houston Parkway E., in Houston, Texas. The Company's subsea and marine services operations are based in Morgan City, Louisiana. All of CDI's facilities are leased.

PROPERTY AND FACILITIES SUMMARY

LOCATION	FUNCTION	SIZE
Houston, Texas.....	Corporate and ERT Headquarters	37,800 square feet
	Project Management	
	Sales Office	
Morgan City, Louisiana.....	Operations/Docking	28.5 acres
	Warehouse	30,000 square feet
	Offices	4,500 square feet

The Company also has sales offices in Lafayette and New Orleans, Louisiana.

ITEM 3. LEGAL PROCEEDINGS.

CDI'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. CDI 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 CDI considers financially prudent. CDI'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 CDI 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 CDI is underinsured or uninsured could have a material adverse effect on the Company.

CDI 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. In addition, the Company from time to time incurs other claims, such as contract disputes, in the normal course of business. 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.

ITEM 4. SUBMISSION OF MAKERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM (UNNUMBERED). EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information as of December 31, 1998 with respect to the executive officers and certain other senior officers of the Company:

NAME	AGE	POSITION WITH THE COMPANY
Owen Kratz	44	Chairman and Chief Executive Officer
Martin R. Ferron	42	President and Chief Operating Officer
S. James Nelson, Jr.	56	Executive Vice President and Chief Financial Officer
Andrew C. Becher	53	Senior Vice President, General Counsel and Secretary
Louis L. Tapscott	61	Senior Vice President -- Business Development
Kenneth Duell	47	Senior Vice President -- Integrated Services
Lyle K. Kuntz	46	President, ERT

OWEN KRATZ has served as the Company's Chairman since May of 1998, 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.

MARTIN R. FERRON became President in February of 1999 and has served as Chief Operating Officer since January 1998. Mr. Ferron has almost twenty years of experience in the oilfield industry, seven of which were in senior management positions with international operations of McDermott Marine Construction and Oceaneering International Services Limited. Mr. Ferron has a Civil Engineering degree from the City University in London, a Masters Degree in Marine Technology from Strathclyde University in Glasgow, and an MBA from Aberdeen University, Scotland and is a Chartered Civil Engineer.

S. JAMES NELSON, JR., has served as Executive Vice President and Chief Financial Officer 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, General Counsel and Secretary of the Company since January 1996. Mr. Becher served as outside general counsel for the Company from 1990 to 1996, while a partner with the national law firm Robins, Kaplan, Miller & Ciresi. From 1987 to 1990, Mr. Becher served as Senior Vice President of Dain Raucher, Inc., a regional investment banking firm. From 1976 to 1987, he was a partner specializing in mergers and acquisitions with the law firm of Briggs and Morgan.

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.

KENNETH DUELL joined Cal Dive in November of 1994 and was appointed Senior Vice President -- Integrated Services in 1997. From 1989 to 1994, he was employed by ABB Soimi, Milan, Italy, in connection with a modular refining systems 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.

LYLE 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.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

CDI's Common Stock is traded in the U.S. on the Nasdaq National Market ("Nasdaq"). The Common Stock is quoted through Nasdaq under the symbol "CDIS." The following table represents for the periods indicated, the high and low sales price per share of the Company's Common Stock:

	HIGH	LOW
Fiscal Year 1997		
Third quarter(1)	$ 37.75	$ 19.75
Fourth quarter	37.875	22.25
Fiscal Year 1998		
First quarter	$ 33.00	$ 23.25
Second quarter	40.00	27.50
Third quarter	28.50	11.125
Fourth quarter	23.50	10.625

(1) CDI completed its initial public offering on July 7, 1997 and trading information in the third quarter of 1997 is reported only after that date.

As of March 19, 1999 there were approximately 2,640 holders of record of Common Stock.

CDI 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. Certain of CDI's financing arrangements restrict the payment of cash dividends under certain circumstances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources".

In February and March of 1998, 35,000 shares of the Company's common stock were issued in connection with the exercise of employee stock options pursuant to s.4(2) of the Securities Act of 1933.

ITEM 6. SELECTED FINANCIAL DATA

The financial data presented below for each of the five years ended December 31, 1998, should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net Revenues	$ 38,032	$ 37,524	$ 76,122	$109,386	$151,887
Gross Profit	10,961	8,849	22,086	33,685	49,209
Net Income	4,034	2,674	8,435	14,482	24,125
Net Income Per Share:					
Basic	0.48	0.24	0.76	1.12	1.66
Diluted	0.46	0.24	0.75	1.09	1.61
Total Assets	28,633	44,859	83,056	125,600	164,235
Working Capital	6,052	4,033	13,409	28,927	45,916
Long-Term Debt	3,766	5,300	25,000	--	--
Shareholders' Equity	10,394	22,408	30,844	89,369	113,643

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. CDI's construction services generally follow successful drilling activities by six to eighteen months on the Continental Shelf and twelve to twenty-four in the Deepwater arena. The level of drilling activity is related to both short and long-term trends in natural gas and oil prices. Recently commodity prices have declined significantly resulting in the utilization of offshore mobile rigs dropping to approximately 70% in contrast to almost full utilization in 1997 and the first half of 1998. Should this period of low oil and gas prices persist, demand for the Company's services could be negatively impacted in 1999.

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 tend to reduce the number of mature properties available for sale, these higher prices contributed to improved operating results for the Company in 1996 and 1997. In contrast, lower natural gas prices, as experienced in 1998, contributed to lower operating results for ERT in 1998 and has increased the number of mature properties available for sale such that the Company has completed three transactions involving interests in 17 offshore blocks early in 1999. Salvage operations consist of platform decommissioning, removal and abandonment and P&A services performed by the Company's salvage assets, i.e., a 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 twelve months after lease expiration and also require remediation of the seabed at the well site to its original state. The Company contracts and manages, on a turnkey basis, all aspects of the decommissioning and abandonment of fields of all sizes using third party heavy lift derrick barges if necessary. The Company has entered into an alliance with Horizon Offshore gaining

access to expanded derrick barge and pipelay capacity. In this regard Cal Dive has guaranteed a certain level of barge activity which it expects to use in conjunction with CDI salvage operations.

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.

	1996				1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. Natural Gas Prices(1)	$3.16	$2.37	$2.15	$2.81	$2.67	$2.13	$2.46	$2.88	$2.18	$2.26	$2.03	$1.92
ERT Gas Production (MMCF)	970	918	1,169	1,253	1,519	1,213	1,381	1,252	1,489	1,163	803	1,080
Rigs Under Contract in the Gulf of Mexico(2)	149	156	161	164	165	169	168	169	170	167	149	137
Platform Installations(3)	12	35	31	30	16	21	29	39	18	16	21	20
Platform Removals(3)	11	11	25	30	3	21	31	28	3	15	24	8
Average Company Vessel Utilization Rate(4)												
Dynamic Positioned	81%	71%	82%	92%	60%	79%	92%	94%	75%	64%	85%	80%
Saturation DSV	55%	73%	82%	88%	58%	77%	81%	77%	88%	79%	70%	83%
Surface Diving	62%	77%	85%	74%	53%	80%	90%	81%	33%	58%	72%	76%
Derrick Barge	16%	57%	91%	65%	22%	78%	99%	89%	28%	73%	70%	70%

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

(2) Average monthly 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 more than 50% (up 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, CDI 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. Due to this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

RESULTS OF OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 1998 TO YEAR ENDED DECEMBER 31, 1997

REVENUES. Consolidated revenues of $151.9 million in 1998 were 39% more than the $109.4 million earned during 1997 with the Subsea operations contributing all of the increase while natural gas and oil production revenues declined $3.9 million. All of the increase was due to increased demand for services provided by CDI's DP vessels, particularly the UNCLE JOHN, WITCH QUEEN and BALMORAL SEA which together contributed 62% of the increase. In addition, new vessels (SEA SORCERESS and MERLIN) contributed $10.3 million of the increase. The charter of two Coflexip Stena Offshore vessels, the MARIANOS during the first quarter and the CONSTRUCTOR in the second, added $8.0 million to the 1998 revenues.

Natural gas and oil production was $12.6 million in 1998 as compared to $16.5 million in 1997. The decrease was due to a decline in production from 5.7 BCFE (billion of cubic feet equivalent) during 1997 to 4.9 BCFE in 1998 and a decline in average gas prices from $2.57/Mcf for 1997 to $2.12/Mcf during 1998. The decline in production is a result of five wells going off line in the second quarter and remedial work being delayed into the fourth quarter by a lack of equipment and then by weather.

GROSS PROFIT. Gross profit increased by $15.5 million, or 46%, from $33.7 million in 1997 to $49.2 million in 1998 with the UNCLE JOHN, WITCH QUEEN and BALMORAL SEA making up the majority of the increase. The remaining increase was due to improved demand for the two saturation diving vessels and the vessels which work in the shallow Gulf of Mexico (from the shore to 300 feet of water). Subsea and salvage margins increased from 27% in 1997 to 33% during 1998 due mainly to outstanding offshore performance and demand for the DP vessels.

Natural gas and oil production gross profit was $3.5 million in 1998 as compared to $8.4 million in the prior year. The decrease was due to the aforementioned declines in average natural gas prices and production during 1998 as compared to 1997 and to expensive efforts to re-establish production in the second half of the year.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased $4.6 million to $15.8 million in 1998 as compared to 1997. The $15.8 million includes a $4.5 million provision principally for 1998 incentive compensation compared to $2.9 million provided in 1997. The remainder of the increase is due to the addition of new personnel to support the Company's Deepwater strategy, growth in it base business and to the cost of a supply chain management consulting project. Selling and administrative costs were 10% of revenues in 1998, a level identical to that in 1997.

OTHER INCOME AND EXPENSES. The Company recorded $2.6 million in 1998 reflecting its share of earnings of Aquatica, Inc. Net interest income and other of $1.1 million for 1998 compares to $208,000 of net interest expense and other for 1997. This improvement was due to the Company remaining debt free since completion of its initial public offering of common stock in July, 1997.

INCOME TAXES. Income taxes were $13 million in 1998 as compared to $7.8 million for the prior year. The increase was due to the Company's increased profitability as the effective tax rate remained 35% in both years. Roughly 35% of the 1998 tax provision was deferred due mainly to increased depreciation in addition to the Company's Deepwater research and development efforts.

NET INCOME. Net income increased 67% to $24.1 million in 1998 as compared to $14.5 million in 1997 as a result of factors described above. Diluted earnings per share increased 48% (19 percentage points less than the net income increase) in 1998, as compared to 1997, due to the impact on weighted average common

shares outstanding of the new shares issued in the July 1997 IPO.

COMPARISON OF YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

REVENUES. Consolidated revenues of $109.4 million in 1997 were 44% more than the $76.1 million reported during 1996 due primarily to the addition of DP vessels, improved demand for traditional subsea services and increased natural gas and oil production. Revenues from DP vessels increased 89% to $47.6 million in 1997 as compared to prior year due to the full year operations of the

BALMORAL SEA and UNCLE JOHN (vessels placed in service in April and October, 1996, respectively). This increase, combined with stronger market conditions for surface diving and supply boats offset the impact of seven vessels being out of service for a combined 40 weeks during the first two quarters of 1997 for regulatory inspections, preventative maintenance and/or vessel upgrades. In addition, six weeks of downtime were experienced during the third quarter of 1997 due to a lightning strike on the WITCH QUEEN and an electrical fire on the CAL DIVER II. During 1996 only two CDI vessels were out of service for any significant length of time.

Revenue from natural gas and oil production was $16.5 million for the year ended 1997 from 13 properties as compared to $12.3 million in 1996 from nine properties. The 1997 revenue benefited from prior year well enhancement efforts. Average gas sales prices improved slightly in 1997 compared to 1996.

GROSS PROFIT. Gross profit increased by $11.6 million, or 53%, from $22.1 million in 1996 to $33.7 million in 1997. The addition of the UNCLE JOHN and BALMORAL SEA to the Company's fleet were responsible for over half of the increase. The remaining increase was due to improved demand for traditional subsea services and increased natural gas and oil production. Subsea margins were unchanged between 1997 and 1996 despite the Company encountering difficulties on a large construction project in the third quarter of 1997 and the unusually active 1997 regulatory inspection and maintenance program which resulted in Subsea repair costs of $6.3 million as compared to $3.4 million in 1996.

Natural gas and oil production gross profit was $8.4 million for the year ended December 31, 1997 as compared to $5.0 million for the prior year. The increase was due mainly to the acquisition of five blocks during the second half of 1996 and the gain recorded on the sale of two properties during the second quarter of 1997.

SELLING & ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 35% to $11.2 million in 1997 as compared to 1996. The increase was due mainly to the addition of new personnel to support the Company's Deepwater strategy and growth in its base business and to higher levels of Subsea bonuses. The remainder of the increase was due to the ERT incentive compensation program whereby key management personnel share in the improved earnings of the natural gas and oil production segment. Selling and administrative expenses were 10% of 1997 revenues, an improvement from 11% in 1996.

NET INTEREST. Net interest expense decreased by $622,000 (from $745,000 in 1996 to $123,000 in 1997) due mainly to the Company retiring all debt in July 1997 with the proceeds received from the IPO. Borrowings under the Revolving Credit Agreement averaged $10.4 million during 1997 as compared to $13.0 million during 1996.

INCOME TAXES. Income taxes were $7.8 million for 1997 as compared to $4.6 million for the prior year. The increase was due to the Company's increased profitability. Higher depreciation related to the newly acquired DP vessels resulted in a reduction of the amount of cash taxes paid (as a percentage of pre-tax income) in 1997 compared to 1996 and also a corresponding increase in the deferred tax liability.

NET INCOME. Net income increased 72% to $14.5 million for the year ended December 31, 1997 as compared to $8.4 million in 1996 as a result of factors described above.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically funded its operating activities principally from internally generated cash flow, even during industry-depressed years such as 1992 and 1998. An initial public offering of common stock was completed on July 7, 1997, with the sale of 2,875,000 shares generating net proceeds to the Company of approximately $39.5 million, net of underwriting discounts and issuance costs. The proceeds were used to fund capital expenditures during 1997, and to repay all outstanding long-term indebtedness. As of December 31, 1998, the Company had $45.9 million of working capital (including $32.8 million of cash on hand) and no debt outstanding after funding the equity investment in Aquatica and $14.9 million of capital expenditures in 1998, which includes ERT's purchase of six blocks offshore. Subsequent to year end CDI's cash on hand increased to $42 million at January 31, 1999. Additionally, CDI has approximately $40 million available under a Revolving Credit Agreement.

OPERATING ACTIVITIES. Net cash provided by operating activities was $35.7 million in 1998, as compared to $22.3 million provided in 1997. This increase is primarily the result of increased profitability of the Company and a decline in the level of funding required to fund accounts receivable increases ($5.8 million required in 1997 compared to $900,000 returned in 1998). Other current assets increased $4.2 million at December 31, 1998 as compared to December 31, 1997 due mainly to the purchases of materials and supplies for the new Full Field Development program.

The Company experienced improved collections of its accounts receivable during 1998 as compared to the prior year. Total accounts receivable decreased $900,000 at December 31, 1998 as compared to December 31, 1997 while revenues grew 39% in 1998 compared to 1997. The Company's average number of days to bill and collect its trade receivables decreased by 10 days in 1998 as compared to 1997. While losses from customer inability to pay (bad debt expenses) have historically been insignificant, the current downturn in commodity prices could result in bankruptcy or liquidation of certain of the smaller production companies that operate in the Gulf.

Net cash provided by operating activities was $22.3 million in 1997, as compared to $7.6 million provided in 1996. This increase was primarily the result of increased profitability and a decline in the level of funding required to fund accounts receivable increases ($5.8 million required in 1997 compared to $15.3 million in 1996). In addition, depreciation and amortization increased as a result of vessel and natural gas and oil properties acquisitions.

INVESTING ACTIVITIES. Capital expenditures have consisted principally of strategic asset acquisitions, the assembly of a fleet of DP vessels, including the WITCH QUEEN, BALMORAL SEA, UNCLE JOHN, SEA SORCERESS and MERLIN, improvements to existing vessels and the acquisition of offshore natural gas and oil properties. The Company incurred $14.9 million of capital expenditures during 1998. In January 1998, ERT acquired interests in six blocks involving two separate fields from Sonat Exploration Company for $1.0 million and assumption of Sonat's pro rata share of the related decommissioning liability. The remaining balance includes costs associated with placing the MERLIN in service and additions to the SEA SORCERESS in preparation for the Terra Nova project as well as the cost of new steel and equipment added to the WITCH QUEEN, BALMORAL SEA and CAL DIVER V during 1998 drydock inspections.

In February 1998, the Company purchased a significant minority equity investment in Aquatica, Inc. (a surface diving company) for $5.0 million, in addition to a commitment to lend additional funds of $5.0 million to allow Aquatica to purchase vessels and fund other growth opportunities. Dependent upon various preconditions, as defined, the shareholders of Aquatica have the right to convert their shares into Cal Dive shares at a ratio based on a formula which, among other things, values their interest in Aquatica and must be accretive to Cal Dive shareholders.

The Company incurred $28.9 million of capital expenditures during 1997. During the third quarter, the Company acquired a 374 foot by 104 foot ice-strengthened vessel (the SEA SORCERESS) as a DP conversion candidate. During the fourth quarter, the Company acquired a 198 foot by 40 foot DP vessel (the MERLIN) purpose built for long term ROV, survey and coring support. The remaining capital expenditures included the acquisition of two work class ROVs from Coflexip, the costs associated with installation of a derrick on the UNCLE JOHN and the cash portion of the fourth quarter natural gas and oil properties acquisition discussed below. During 1997, the Company had seven vessels out of service for either regulatory inspection or upgrade programs compared to only two during 1996.

During the fourth quarter of 1998, the Company sold two offshore natural gas and oil properties for approximately $600,000 and during the second quarter of 1997, the Company sold two offshore natural gas and oil properties for approximately $1.0 million. These transactions were structured as Section 1031 "Like Kind" exchanges for tax purposes. Accordingly, the cash received was restricted to use for subsequent acquisitions of additional natural gas and oil properties.

Since 1993, including the transactions closed subsequent to year end, the Company has invested $28 million to acquire 35 offshore natural gas and oil leases. 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 Minerals Management Service requires operators in the Gulf of Mexico to post an areawide bond of $3 million. Beginning in 1998 the MMS allowed the Company to utilize an insurance carrier to provide such bonding. In addition, 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, 1998 included $2.4 million of cash deposits restricted for abandonment obligations. In addition, the Company had also issued letters of credit totaling $26,000 at December 31, 1998 in lieu of cash deposits in connection with property acquisitions. In January 1999 and March 1999, the Company acquired, in three separate transactions, interests in 17 blocks (including 94 wells) and assumed the responsibility to decommission the properties in full compliance with all governmental regulations. The decommissioning obligations assumed in these transactions were such that a cash outlay was not required. The Company has had, and anticipates having additional discussions with third parties regarding possible acquisitions (including natural gas and oil properties and vessels). However, the Company can give no assurance that any such transaction can be completed.

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. The Revolving Credit Agreement, as amended, currently provides for a $40.0 million revolving line of credit. 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 only one financial covenant (a fixed charge coverage ratio) and a limitation that debt not exceed $60 million. Interest on borrowings under the Revolving Credit Agreement is equal to Prime with incentive pricing thereafter pursuant to a formula based upon EBITDA (as defined therein). No borrowings were outstanding at December 31, 1998. 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.

The only financing activity in 1998 represents the exercise of stock options. During the first two quarters of 1997, the Company repaid $5 million, net of its borrowings under its Revolving Credit Agreement with Fleet Capital Corporation and in the third quarter repaid the remaining $20 million outstanding with proceeds from the initial public offering of common stock. Also, during the second quarter the Company completed a

transaction with Coflexip whereby Coflexip agreed to accept treasury shares as payment for two ROVs added in February.

CAPITAL COMMITMENTS. In connection with its business strategy, management expects the Company to acquire or build additional vessels, acquire other assets such as ROVs, as well as seek to buy additional natural gas and oil properties. The Company has purchased the thrusters and completed engineering for the conversion of the SEA SORCERESS to full DP, however, this $30 to $35 million capital expenditure will not be undertaken until commodity prices and market conditions improve. The Company has also announced that it is considering building a new Deepwater construction vessel, the Q4000. 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. Other than building, converting or buying DP vessels, management believes existing cash balances, 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.

YEAR 2000 READINESS DISCLOSURE

The Company has assessed what computer software will require modification or replacement so that its computer systems will properly utilize dates beyond December 31, 1999. The Company has purchased, and has implemented, a new project management accounting system which is Year 2000 compliant. This system, which fully integrates all of its modules, provides project managers and accounting personnel with up-to-date information enabling them to better control jobs in addition to providing benefits in inventory control and planned vessel maintenance. CDI's vessel computer DP systems are partially dependent on government satellites and the government has not yet confirmed that they have solved Year 2000 data problems. If necessary, the vessels could operate for sometime safely on redundant systems other than satellite information. Accordingly, the Company believes that the Year 2000 issue will be resolved in a timely manner and presently does not believe that the cost to become Year 2000 compliant will have a material adverse effect on the Company's consolidated financial statements. The foregoing statements are intended to be and are hereby designated "Year 2000 Readiness Disclosure" within the meaning of the Year 2000 Information Readiness and Disclosure Act.

ITEM 7A. QUANTITIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable because, at December 31, 1998, the Company was not engaged in any transactions requiring disclosure under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

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 subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for the three years in the period ended December 31, 1998. 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 subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
February 11, 1999

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS -- DECEMBER 31, 1998 AND 1997
(IN THOUSANDS)

	DECEMBER 31,	
	1998	1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,843	$ 13,025
Accounts receivable --		
Trade, net of revenue allowance on gross amounts billed of $1,335 and $1,822	20,350	23,856
Unbilled revenue	10,703	8,134
Other current assets	9,190	4,947
Total current assets	73,086	49,962
PROPERTY AND EQUIPMENT	107,421	89,499
Less -- Accumulated depreciation	(28,262)	(20,021)
	79,159	69,478
OTHER ASSETS:		
Cash deposits restricted for salvage operations	2,408	5,670
Investment in Aquatica, Inc.	7,656	--
Other assets, net	1,926	490
	$ 164,235	$ 125,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 15,949	$ 12,919
Accrued liabilities	10,020	7,514
Income taxes payable	1,201	602
Total current liabilities	27,170	21,035
LONG-TERM DEBT	--	--
DEFERRED INCOME TAXES	13,539	8,745
DECOMMISSIONING LIABILITIES	9,883	6,451
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par, 60,000 shares authorized, 21,402 and 21,345 shares issued and outstanding	52,981	52,832
Retained earnings	64,413	40,288
Treasury stock, 6,820 shares, at cost	(3,751)	(3,751)
Total shareholders' equity	113,643	89,369
	$ 164,235	$ 125,600

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
NET REVENUES:			
Subsea and salvage	$ 139,310	$ 92,860	$ 63,870
Natural gas and oil production	12,577	16,526	12,252
	151,887	109,386	76,122
COST OF SALES:			
Subsea and salvage	93,607	67,538	46,766
Natural gas and oil production	9,071	8,163	7,270
Gross profit	49,209	33,685	22,086
SELLING AND ADMINISTRATIVE EXPENSES:			
Selling expenses	1,224	1,429	1,157
Administrative expenses	14,577	9,767	7,134
Total selling and administrative expenses	15,801	11,196	8,291
INCOME FROM OPERATIONS	33,408	22,489	13,795
Equity in earnings of Aquatica, Inc.	2,633	--	--
Net interest (income) expense and other	(1,103)	208	781
INCOME BEFORE INCOME TAXES	37,144	22,281	13,014
Provision for income taxes	13,019	7,799	4,579
NET INCOME	$ 24,125	$ 14,482	$ 8,435
NET INCOME PER SHARE:			
Basic	$ 1.66	$ 1.12	$ 0.76
Diluted	1.61	1.09	0.75
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	14,549	12,883	11,099
Diluted	14,964	13,313	11,286

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS)

	COMMON STOCK		RETAINED	TREASURY STOCK		TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	EARNINGS	SHARES	AMOUNT	EQUITY
BALANCE, DECEMBER 31, 1995	18,448	$ 9,093	$ 17,371	(7,349)	$ (4,055)	$ 22,409
NET INCOME	--	--	8,435	--	--	8,435
BALANCE, DECEMBER 31, 1996	18,448	9,093	25,806	(7,349)	(4,055)	30,844
NET INCOME	--	--	14,482	--	--	14,482
ACTIVITY IN COMPANY STOCK PLANS	22	327	--	--	--	327
SALE OF TREASURY STOCK, NET	--	4,055	--	529	304	4,359
SALE OF COMMON STOCK, NET	2,875	39,357	--	--	--	39,357
BALANCE, DECEMBER 31, 1997	21,345	52,832	40,288	(6,820)	(3,751)	89,369
NET INCOME	--	--	24,125	--	--	24,125
ACTIVITY IN COMPANY STOCK PLANS, NET	57	149	--	--	--	149
BALANCE, DECEMBER 31, 1998	21,402	$ 52,981	$ 64,413	(6,820)	$ (3,751)	$113,643

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 24,125	$ 14,482	$ 8,435
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	9,563	7,512	5,257
Deferred income taxes	4,469	3,789	2,122
Equity in Earnings of Aquatica, Inc.	(2,633)	--	--
Gain on sale of property	(585)	(464)	--
Changes in operating assets and liabilities:			
Accounts receivable, net	937	(5,777)	(15,287)
Other current assets	(3,919)	(2,653)	(299)
Accounts payable and accrued liabilities	5,536	4,766	6,355
Income taxes payable, net	599	736	280
Other noncurrent, net	(2,395)	(97)	782
Net cash provided by operating activities	35,697	22,294	7,645
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(14,886)	(28,936)	(27,289)
Investment in Aquatica, Inc.	(5,023)	--	--
Deposits restricted for salvage operations	3,262	(436)	(255)
Proceeds from sale of property	619	1,084	244
Net cash used in investing activities	(16,028)	(28,288)	(27,300)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Sale of common stock, net of transaction costs	--	39,357	--
Sale of treasury stock, net of transaction costs	--	4,359	--
Borrowings under term loan facility	--	6,700	25,000
Exercise of stock warrants and options, net	149	99	--
Repayments of long-term debt	--	(31,700)	(5,300)
Net cash provided by financing activities	149	18,815	19,700
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,818	12,821	45
CASH AND CASH EQUIVALENTS:			
Balance, beginning of year	13,025	204	159
Balance, end of year	$ 32,843	$ 13,025	$ 204

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

1. ORGANIZATION:

Cal Dive International, Inc. (Cal Dive, CDI or the Company), headquartered in Houston, Texas, owns, staffs and operates ten 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.

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 decommission the property in full compliance with all governmental regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

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

INVESTMENT IN AQUATICA, INC.

In February 1998, the Company purchased a significant minority stake in Aquatica, Inc. ("Aquatica") for $5 million, in addition to a commitment to lend additional funds (up to $5 million) to allow Aquatica to purchase vessels and fund other growth opportunities. Aquatica, headquartered in Lafayette, Louisiana, is a surface diving company founded in October 1997 with the acquisition of Acadiana Divers, a 15 year old surface diving company. Dependent upon various preconditions, as defined, the shareholders of Aquatica have the right to convert their shares into Cal Dive shares at a ratio based on a formula which, among other things, values their interest in Aquatica and must be accretive to Cal Dive shareholders. The Company accounts for this investment on the equity basis of accounting for financial reporting purposes.

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.

All of the Company's interests in natural gas and oil properties are located offshore in United States waters. The Company follows the successful efforts method of accounting for its interests in natural gas and oil properties. Under the successful efforts method, only the costs of successful wells and leases containing productive reserves are capitalized.

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. In estimating the decommissioning liability to be assumed in offshore property acquisitions, the Company performs very detailed estimating procedures, including engineering studies. All capitalized costs are amortized on a unit-of-production basis (UOP) based on the estimated remaining oil and gas reserves. Properties are periodically assessed for impairment in value, with any impairment charged to expense.

The following is a summary of the components of property and equipment (dollars in thousands):

	ESTIMATED USEFUL LIFE	1998	1997
Vessels	15	$ 72,220	$ 62,814
Offshore leases and equipment	UOP	22,530	15,634
Machinery and equipment	5	9,195	8,191
Leasehold improvements, furniture, software and computer equipment	5	3,194	2,651
Automobiles and trucks	3	282	209
Total property and equipment		$107,421	$ 89,499

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Total repair and maintenance charges were $8,264,000, $6,771,000 and $3,655,000 for the years ended December 31, 1998, 1997 and 1996, 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).

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.

DEFERRED DRYDOCK CHARGES

Effective January 1, 1998, the Company changed its method of accounting for regulatory (U.S. Coast Guard, American Bureau of Shipping and Det Norske Veritas) related drydock inspection and certification expenditures. This change was made due to the significant changes in the composition of the Company's fleet which has been expanded to include more sophisticated dynamically positioned vessels that are capable of working in the Deepwater Gulf of Mexico, a key to Cal Dive's operating strategy. The change also coincides with the first time these vessels were due for drydock inspection and certification since being acquired by CDI. The Company previously expensed inspection and certification costs as incurred; however, effective January 1, 1998, such expenditures are being capitalized and amortized over the 30-month period between regulatory mandated drydock inspections and certification. This predominant industry practice provides better matching of expenses with the period benefited (i.e., certification to operate the vessel for a 30-month period between required drydock inspections and to meet bonding and insurance coverage requirements). This change had a $765,000 positive impact on net income, or $0.05 per share, in the Company's 1998 consolidated financial statements. The cumulative effect of this change in accounting principle is immaterial to the Company's consolidated financial statements taken as a whole.

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. All amounts included in unbilled revenue at December 31, 1998 are expected to be billed and collected within one year.

REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED

The Company bills for work performed in accordance with the terms of the applicable contract. The gross amount of revenue billed will include not only the billing for the original amount quoted for a project but also include billings for services provided which the Company believes are outside the scope of the original quote. The Company establishes a revenue allowance for these additional billings based on its collections history if conditions warrant such a reserve.

MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The market for the Company's services is the offshore oil and gas industry. Oil and gas companies make capital expenditures on exploration, drilling and production operations offshore, the level of which is generally dependent on the prevailing view of the future oil and gas prices, which have been characterized by significant volatility in recent years as commodity prices declined significantly in the second half of 1998. Although the level of activity with respect to the Company's services has not experienced a significant decline, there can be no assurance that such levels will be maintained should a sustained period of low oil and gas prices persist.

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 probable credit losses when necessary; however, such losses have historically been insignificant.

Chevron USA, Inc. accounted for 11% of consolidated revenues in 1998. J. Ray McDermott, S.A. accounted for 19% and 24% of consolidated revenues in the years 1997 and 1996, respectively. In addition, Shell Oil Co. accounted for 11% of consolidated revenues in 1997.

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.

EARNINGS PER SHARE

The Company computes and presents earning per share in accordance with Statement of Financial Accounting Standard No. 128, "Earnings Per Share". SFAS 128 requires the presentation of "basic" EPS and "diluted" EPS on the face of the statement of operations. Basic EPS is computed by dividing the net income available to common shareholders by the weighted-average shares of outstanding common stock. The calculation of diluted EPS is similar to basic EPS except that the denominator includes dilutive common stock equivalents, which were stock options, less the number of treasury shares assumed to be purchased from the

proceeds from the exercise of stock options.

STATEMENT OF CASH FLOW INFORMATION

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, 1998, 1997 and 1996, the Company's cash payments for interest were approximately $-0-, $1,033,000 and $1,069,000 respectively, and cash payments for federal income taxes were approximately $7,650,000, $3,200,000 and $2,200,000, respectively.

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.

RESTRICTED CASH DEPOSITS

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, 1998, 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.

3. OFFSHORE PROPERTY ACQUISITIONS:

During 1996, net working interests of 33 percent to 100 percent in four offshore blocks were acquired in exchange for cash of $3,609,000 and ERT assuming the related abandonment liabilities. During 1997, ERT acquired net working interests of 50 percent to 100 percent in 3 offshore blocks in exchange for $1.3 million in cash and assumption of a pro rata share of the decommissioning liability and in 1998, ERT acquired interest in six blocks involving two separate fields (a 55% interest in East Cameron 231 and a 18% interest in East Cameron 353) in exchange for cash of $1,000,000 as well as assumption of the pro rata share of the related decommissioning liability. In connection with 1998, 1997 and 1996 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately $3,432,000, $1,351,000 and $1,200,000, respectively.

ERT production activities are regulated by the federal government and require significant 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 ("MMS"). Royalty fees paid totaled approximately $2,031,000, $3,018,000 and $1,996,000 for the years ended 1998, 1997 and 1996, 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 included U.S. Treasury bonds of $3,300,000 at December 31, 1997 (see Note 2). In 1998, the MMS allowed the Company to release the U.S. Treasury Bonds in favor of bonding through an insurance carrier. In addition, the terms of certain of the 1993 purchase and sale agreements require that ERT deposit a portion of a property's net production revenue into interest-bearing escrow accounts until such time as a specified level of funding has been set aside for salvaging and abandoning the properties. As of December 31, 1998, such deposits totaled $2,408,000 and are included in cash deposits restricted for salvage operations in the accompanying consolidated balance sheet.

4. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following (in thousands):

	1998	1997
Accrued payroll and related benefits	$ 5,198	$ 4,097
Workers compensation claims	1,919	1,100
Workers compensation claims to be reimbursed	867	1,568
Other	2,036	749
Total accrued liabilities	$10,020	$ 7,514

5. REVOLVING CREDIT FACILITY:

During 1995, the Company entered into a $30 million revolving credit facility secured by property and equipment and trade receivables. At the Company's option, interest was 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. The Company drew upon the revolving credit facility during 1997 and 1996. 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, 1998 and 1997, LOC totaling $26,000 million and $2.92 million were outstanding pursuant to these terms.

During April 1997, the revolving credit facility was amended, increasing the amount available to $40 million, reducing the financial covenant restrictions to one (a fixed charge ratio) and reducing the interest rate from .5% above prime and 2% above the Eurodollar base rate to prime and 1.25 to 2.50 percent above Eurodollar based on specific provisions set forth in the loan agreement. The Company was in compliance with these debt covenants at December 31, 1998.

6. FEDERAL INCOME TAXES:

Federal income taxes have been provided based on the statutory rate of 34 percent in 1996 and 35 percent in 1997 and 1998 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:

	1998	1997	1996
Statutory rate	35%	35%	34%
Research and development tax credits	(1)	--	--
Other	1	--	1
Effective rate	35%	35%	35%

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

	1998	1997	1996
Current	$ 8,550	$ 4,010	$ 2,457
Deferred	4,469	3,789	2,122
	$13,019	$ 7,799	$ 4,579

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, 1998 and 1997, is as follows (in thousands):

	1998	1997
Deferred tax liabilities --		
Depreciation	$ 13,539	$ 8,745
Deferred tax assets --		
Reserves, accrued liabilities and other	(416)	(91)
Net deferred tax liability	$ 13,123	$ 8,654

7. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

The Company occupies several facilities under noncancelable operating leases, with the more significant leases expiring in the years 2004 and 2007. Future minimum rentals under these leases are $4.1 million at December 31, 1998 with $599,000 due in 1999, $590,000 in 2000, $607,000 in 2001, $631,000 in 2002, $683,000 in 2003 and the balance thereafter. Total rental expense under operating leases was $601,000, $376,000 and $262,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

INSURANCE AND LITIGATION

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 $100,000 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.

The Company incurs workers' compensation claims in the normal course of business, which management believes are covered by insurance. The Company, its insurers and legal counsel analyze each claim for potential exposure and estimate the ultimate liability of each claim. Amounts accrued and receivable from insurance companies, above the applicable deductible limits, are reflected in other current assets in the consolidated balance sheet. Such amounts were $867,000 and $1,568,000 as of December 31, 1998 and 1997, respectively. See related accrued liabilities at Note 4. The Company has not incurred any significant losses as a result of claims denied by its insurance carriers. In addition, the Company from time to time incurs other claims, such as contract disputes, in the normal course of business. In the opinion of management, the ultimate liability to the Company, if any, which may result from the claims discussed above will not materially affect the Company's consolidated financial position, results of operations or net cash flows.

SALVAGE ALLIANCE

Through an alliance with Horizon Offshore the Company has access to expanded derrick barge and pipelay capacity. In this regard Cal Dive has guaranteed a certain level of barge activity which it expects to use in conjunction with CDI salvage operations.

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 $466,000, $270,000 and $197,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

STOCK-BASED COMPENSATION PLANS

During 1995, the board of directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted 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 approval of the Compensation Committee of the Board of Directors, 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. Options granted to employees under the Incentive Plan vest 20% per year for a five year period, have a maximum exercise life of five years and, subject to certain exceptions, are not transferable.

Effective May 12, 1998, the Company adopted a qualified, non-compensatory Employee Stock Purchase Plan ("ESPP"), which allows employees to acquire shares of common stock through payroll deductions over a six month period. The purchase price is equal to 85 percent of the fair market value of the common stock on either the first or last day of the subscription period, whichever is lower. Purchases under the plan are limited to 10 percent of an employee's base salary. Under this plan 13,937 shares of common stock were purchased in the open market at a weighted average share price of $21.25 during 1998.

The Incentive Plan and ESPP are 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 1998, 1997 and 1996 would have been $23,735,000, $14,023,000 and $8,330,000, respectively, and the Company's pro forma diluted earnings per share would have been $1.59, $1.07 and $0.74, 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.

All of the options outstanding at December 31, 1998, have exercise prices as follows: 378,750 shares at $4.50, 445,000 shares at $9.50, 95,000 shares at $13.00 and 125,850 shares from $20.56 to $23.25 and a weighted average remaining contractual life of 3.48 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 1995 and 1996: 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 as the Company was a privately held entity and accordingly estimating the expected volatility was not feasible. The same weighted average assumptions were used for grants in 1997 and 1998 with the exception of risk-free interest rate assumed to be 5.5 percent in 1997 and 5.0 percent in 1998 and expected volatility to be 36 percent in 1997 and 59 percent in 1998. The fair value of shares issued under the ESPP was based on the 15% discount received by the employees.

Options outstanding are as follows:

	1998		1997		1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	994,500	$ 8.66	544,500	$ 4.50	447,500	$ 4.50
Granted	325,850	23.55	540,000	12.17	135,000	4.50
Exercised	(56,750)	5.03	(22,000)	4.50	--	--
Terminated	(219,000)	28.24	(68,000)	4.50	(38,000)	4.50
Options outstanding, December 31	1,044,600	$ 9.40	994,500	$ 8.66	544,500	$ 4.50
Options exercisable, December 31	222,950	$ 6.50	199,604	$ 4.50	124,700	$ 4.50

Options granted and options terminated under the Incentive Plan for 1998 include options which were repriced on November 6, 1998. The options which were repriced were originally granted between August 25, 1997 and May 11, 1998 with original exercise prices between $28.38 and $37.25. Options for 165,000 shares were cancelled on November 6, 1998 and a proportionately reduced number of shares (100,850) were reissued at an exercise price of $20.56 per share with a new five year vesting period.

9. COMMON STOCK:

The Company's amended and restated Articles of Incorporation provide for authorized Common Stock of 60,000,000 shares with no par value per share.

On April 11, 1997, Coflexip purchased 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 at a price of $9.46 per share. The Company had previously, in February of 1997, contracted with Coflexip to acquire two ROVs at published retail prices. Coflexip agreed to accept approximately 500,000 shares of the Company's Common Stock as payment for the ROVs and as part of the transaction described above.

In conjunction with this transaction, the Company entered into a new Shareholders Agreement. The new Shareholders Agreement provides that, except in limited circumstances (including issuance of securities under stock option plans or in conjunction with acquisitions), the Company shall provide preemptive rights to acquire the Company's securities to each of Coflexip, First Reserve and the Executive Directors. The Shareholders Agreement also provides that the Company will not enter into an 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 without first notifying Coflexip in writing and providing Coflexip the opportunity to consummate an acquisition on terms substantially equivalent to any proposal.

The Company completed an initial public offering of common stock on July 7, 1997, with the sale of 4.1 million shares at $15 per share. Of the 4.1 million shares, 2,875,000 shares were sold by the Company and 1,265,000 shares were sold by First Reserve Funds. Net proceeds to the Company of approximately $39.4 million were used to retire all of its then outstanding long-term indebtedness of $20 million.

In May 1998, the Company completed a secondary offering of 2,867,070 shares of common stock at $33.50 per share on behalf of certain selling shareholders. The Company received no proceeds from the offering.

10. BUSINESS SEGMENT INFORMATION (IN THOUSANDS):

The following summarizes certain financial data by business segment:

	YEAR ENDED DECEMBER 31, 1998	1997	1996
Revenues --			
Subsea and salvage	$ 139,310	$ 92,860	$ 63,870
Natural gas and oil production	12,577	16,526	12,252
Total	$ 151,887	$ 109,386	$ 76,122
Income from operations --			
Subsea and salvage	$ 31,440	$ 16,411	$ 10,503
Natural gas and oil production	1,968	6,078	3,292
Total	$ 33,408	$ 22,489	$ 13,795
Net interest (income) expense and other -			
Subsea and salvage	$ (705)	$ 379	$ 742
Natural gas and oil production	(398)	(171)	39
Total	$ (1,103)	$ 208	$ 781
Provision for income taxes -			
Subsea and salvage	$ 12,195	$ 5,614	$ 3,440
Natural gas and oil production	824	2,185	1,139
Total	$ 13,019	$ 7,799	$ 4,579
Identifiable assets --			
Subsea and salvage	$ 142,629	$ 107,420	$ 63,217
Natural gas and oil production	21,606	18,180	19,839
Total	$ 164,235	$ 125,600	$ 83,056
Capital expenditures --			
Subsea and salvage	$ 10,923	$ 26,984	$ 20,038
Natural gas and oil production	3,963	1,952	7,251
Total	$ 14,886	$ 28,936	$ 27,289
Depreciation and amortization --			
Subsea and salvage	$ 6,966	$ 4,000	$ 2,525
Natural gas and oil production	2,597	3,512	2,732
Total	$ 9,563	$ 7,512	$ 5,257

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" (in thousands).

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, 1998	1997
Proved properties being amortized	$ 22,530	$ 15,634
Less -- Accumulated depletion, depreciation and amortization	(9,082)	(6,845)
Net capitalized costs	$ 13,448	$ 8,789

Included in capitalized costs is the Company's estimate of its proportionate share of decommissioning liabilities assumed relating to these properties. As of December 31, 1998 and 1997, such liabilities totaled $9.9 million and $6.5 million, respectively, and are also reflected as decommissioning liabilities in the accompanying consolidated balance sheet.

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:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Proved property acquisition costs.....	$ 5,416	$2,687	$4,688
Development costs.....	2,281	385	2,048
Total costs incurred.....	$ 7,697	$3,072	$6,736

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Revenues	$12,577	$16,526	$12,252
Production (lifting) costs	6,820	4,651	4,538
Depreciation, depletion and amortization	2,597	3,512	2,732
Pretax income from producing activities	3,160	8,363	4,982
Income tax expenses	1,106	2,927	1,744
Results of oil and gas producing activities	$ 2,054	$ 5,436	$ 3,238

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, 1998, 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.

As of December 31, 1995, all of the Company's proved reserves were developed. As of December 31, 1996 and 1997, 4,500 Bbls. of oil and 6,325,700 Mcf. of gas of the Company's proved reserves were undeveloped. As of December 31, 1998, 400 Bbls. of oil and 1,153,300 Mcf. of gas were undeveloped.

RESERVE QUANTITY INFORMATION	OIL (BBLS.)	GAS (MCF.)
Total proved reserves at December 31, 1995	122	20,398
Revisions of previous estimates	32	(365)
Production	(38)	(4,310)
Purchases of reserves in place	8	8,873
Total proved reserves at December 31, 1996	124	24,596
Revisions of previous estimates	(21)	1,831
Production	(51)	(5,385)
Purchases of reserves in place	149	2,115
Sales of reserves in place	(1)	(912)
Total proved reserves at December 31, 1997	200	22,245
Revisions of previous estimates	(123)	(1,706)
Production	(67)	(4,535)
Purchase of reserves in place.....	60	6,631
Sales of reserves in place.....	-	(201)
Total proved reserves at December 31, 1998	70	22,434

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:

	1998	1997	1996
Future cash inflows	$ 47,691	$ 59,819	$ 92,393
Future costs --			
Production	(17,412)	(23,675)	(26,247)
Development and abandonment	(11,232)	(6,917)	(7,365)
Future net cash flows before income taxes	19,047	29,227	58,781
Future income taxes	(6,477)	(7,927)	(17,980)
Future net cash flows	12,570	21,300	40,801
Discount at 10% annual rate	(2,414)	(1,540)	(6,996)
Standardized measure of discounted future net cash flows	$ 10,156	$ 19,760	$ 33,805

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:

	1998	1997	1996
Standardized measure, beginning of year	$ 19,760	$ 33,805	$ 7,645
Sales, net of production costs	(5,757)	(11,441)	(9,882)
Net change in prices, net of production costs	(4,573)	(17,707)	22,201
Changes in future development costs	(1,736)	160	(555)
Development costs incurred	2,281	385	2,007
Accretion of discount	2,711	4,870	1,200
Net change in income taxes	2,120	7,544	(10,539)
Purchases of reserves in place	4,403	3,282	21,730
Sales of reserves in place	(57)	(2,480)	--
Net change due to revision in quantity estimates	(3,192)	2,289	(150)
Changes in production rates (timing) and other	(5,804)	(947)	148
Standardized measure, end of year	$ 10,156	$ 19,760	$ 33,805

12. REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED:

The following table sets forth the activity in the Company's Revenue Allowance on Gross Amounts Billed for each of the three years in the period ended December 31, 1998 (in thousands):

	1998	1997	1996
Beginning balance	$ 1,822	$ 1,021	$ 402
Additions	2,998	3,058	1,784
Deductions	(3,485)	(2,257)	(1,165)
Ending balance	$ 1,335	$ 1,822	$ 1,021

See Note 2 for a detailed discussion regarding the Company's accounting policy on the revenue allowance on gross amounts billed.

13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The offshore marine construction industry in the Gulf of Mexico is highly seasonal as a result of weather conditions and the timing of capital expenditures by the oil and gas companies. Historically, a substantial portion of the Company's services has been performed during the summer and fall months. As a result, historically a disproportionate portion of the Company's revenues and net income is earned during such period. The following is a summary of consolidated quarterly financial information for 1998 and 1997.

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Fiscal 1998				
Revenues	$33,157	$38,526	$42,913	$ 37,291
Gross profit	10,563	12,134	15,116	11,395
Net income	5,243	5,954	7,577	5,351
Net income per share:				
Basic	0.36	0.41	0.52	0.37
Diluted	0.35	0.40	0.51	0.36
Fiscal 1997				
Revenues	$18,444	$28,628	$28,859	$ 33,455
Gross profit	5,423	9,282	8,419	10,561
Net income	1,886	4,604	3,983	4,009
Net income per share:				
Basic	0.17	0.40	0.28	0.28
Diluted	0.17	0.39	0.27	0.27

14. SUBSEQUENT EVENTS (UNAUDITED):

ACQUISITION OF OFFSHORE BLOCKS

In January 1999, ERT acquired interests in ten blocks involving seven separate fields from Sonat Exploration Company. The properties were purchased in exchange for cash consideration, as well as assumption of Sonat's pro rata share of the related decommissioning liability. In addition, in March 1999, ERT acquired five offshore blocks from Shell Offshore, Inc. and two blocks from Vastar Resources, Inc. in exchange for cash consideration, as well as assumption of Shell's and Vastar's pro rata shares of the related decommissioning liabilities. The decommissioning obligations of $16.1 million assumed in these three transactions were such that a cash outlay was not required in conjunction with the property acquisition.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 1999 Annual Meeting of Shareholders. See also "Executive Officers of the Registrant" appearing in Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 1999 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 1999 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 1999 Annual Meeting of Shareholders.

PART IV

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

(1) Financial Statements.

The following financial statements included on pages 31 through 47 in this Annual Report are for the fiscal year ended December 31, 1998.

Independent Auditors' Report.

Consolidated Balance Sheets as of December 31, 1998 and 1997.

Consolidated Statements of Operations for the Years Ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

Financial Statement Schedules

All financial statement schedules are omitted because the information is not required or because the information required is in the financial statements or notes thereto.

(2) Report of Form 8-K.

None.

(c) Exhibits.

Pursuant to Item 601(b)(4)(iii), the Registrant agrees to forward to the commission, upon request, a copy of any instrument with respect to long-term debt not exceeding 10% of the total assets of the Registrant and its consolidated subsidiaries.

The following exhibits are filed as part of this Annual Report:

EXHIBIT NUMBER	
* 2.1	-- Purchase Agreement among the Company, Aquatica, Inc. and Prentiss A. Freeman dated January 27, 1998
3.1	-- Amended and Restated Articles of Incorporation of Registrant, incorporated by reference to Exhibit 3.1 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No 333-26357).
3.2	-- Bylaws of Registrant, incorporated by reference to Exhibit 3.2 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357).
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, incorporated by reference to Exhibit 4.1 to the Form S-1 Registration Statement filed by the Registrant on May 1, 1997 (Reg. No. 333-26357).

4.2 -- Amendment No. 5 to Loan, incorporated by reference to Exhibit 4.2 to the Form S-1 Registration Statement filed by the Company on May 1, 1997(Reg. No. 333-26357).

4.3 -- Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to the Form S-1 filed by the Company on May 1, 1997 (Reg. No. 333-26357).

4.4 -- Shareholders Agreement by and among the Company, First Reserve Secured Energy Asset Fund, First Reserve Fund V, First Reserve Fund V-2, First Reserve Fund (collectively the "Selling Shareholders"), Messrs. Reuhl, Kratz, Nelson and other shareholders of the Company incorporated by reference to Exhibit 4.4 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357).

4.5 -- Registration Rights Agreement by and between the Company, the Selling Shareholders,Messrs. Reuhl, Kratz, Nelson and other shareholders of the Company incorporated by reference to Exhibit 4.5 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357).

4.6 -- Registration Rights Agreement by and between the Company and Coflexip incorporated by reference to Exhibit 4.6 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357).

4.7 -- First Amended and Restated 1995 Registration Rights Agreement dated as of April 11, 1997, among the Company, First Reserve Secured Energy Assets Fund, Limited Partnership, First Reserve Fund V, Limited Partnership, First Reserve Fund V-2, Limited Partnership, First Reserve Fund VI, Limited Partnership, Gerald G. Reuhl, Owen Kratz and S. James Nelson, incorporated by reference to Exhibit 4.7 to the Form S-1 Registration Statement filed by the Company on April 22, 1998 (Reg. No. 333-50751)

10.1 -- Purchase Agreement dated April 11, 1997 by and between Coflexip and the Company incorporated by reference to Exhibit 10.1 to the Form S-1 Registration Statement filed by Company on May 1, 1997 (Reg. No. 333-26357).

10.2 -- Business Cooperation Agreement dated April 11, 1997 by and between Coflexip and the Company incorporated by reference to Exhibit 10.2 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357).

+10.3 -- 1995 Long Term Incentive Plan, as amended incorporated by reference to Exhibit 10.3 to the Form S-1 Registration Statement filed by Company on May 1, 1997 (Reg. No. 333-26357).

+*10.5 -- Employment Agreement between Owen Kratz and the Company dated February 28, 1999.

+*10.6 -- Employment Agreement between Martin R. Ferron and the Company dated February 28, 1999.

+*10.7 -- Employment Agreement between S. James Nelson and the Company dated February 28, 1999.

+*10.8 -- Employment Agreement between Louis L. Tapscott and the Company dated February 28, 1999.

+10.9 -- 1998 Annual Incentive Compensation Program.

21.1 -- Subsidiaries of the Registrant. The Company has two subsidiaries, Energy Resource Technologies, Inc. and Cal Dive Offshore, Ltd.

*23.1 -- Consent of Arthur Andersen LLP.

*27.1 -- Financial Data Schedule.

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+ Management contract or compensation plan.
* Filed herewith.

SIGNATURES

Pursuant to the requirements option 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.
thereunto duly authorized.

CAL DIVE INTERNATIONAL, INC.

By: /s/ S. JAMES NELSON
S. James Nelson
Executive Vice President, Chief Financial Officer

March 29, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/OWEN KRATZ Owen Kratz	Chairman, Chief Executive Officer and Director	March 29, 1999
/s/MARTIN R. FERRON Martin R. Ferron	President, Chief Operating Officer and Director	March 29, 1999
/s/S. JAMES NELSON S. James Nelson	Executive Vice President, Chief Financial Officer and Director	March 29, 1999
/s/A. WADE PURSELL A. Wade Pursell	Vice President-Finance, Chief Accounting Officer	March 29, 1999
/s/WILLIAM E. MACAULAY William E. Macaulay	Director	March 29, 1999
/s/BEN GUILL Ben Guill	Director	March 29, 1999
/s/GORDON F. AHALT Gordon F. Ahalt	Director	March 29, 1999
THOMAS M. EHRET	Director	March 29, 1999
JEAN-BERNARD FAY	Director	March 29, 1999
KEVIN WOOD	Director	March 29, 1999

PURCHASE AGREEMENT

AMONG

AQUATICA, INC.,

a Louisiana Corporation,

CAL DIVE INTERNATIONAL, INC.,

a Minnesota Corporation

AND

PRENTISS A. FREEMAN III,

an Individual and Shareholder of Aquatica, Inc.

Dated as of January 27, 1998

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the "AGREEMENT"), dated as of January 27, 1998, is among AQUATICA, INC., a Louisiana corporation (the "COMPANY"), CAL DIVE INTERNATIONAL, INC , a Minnesota corporation (the "PURCHASER"), and PRENTISS A. FREEMAN III, an individual and a shareholder of the Company ("FREEMAN"). Except as otherwise defined herein, capitalized terms used in this Agreement are defined in Section 9.

This Agreement is being executed in connection with the acquisition of forty-five percent (45%) 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 issuance and sale by the Company of 4,500,000 shares of Common Stock, no par value, of the Company (the "COMPANY SHARES") for an aggregate purchase price of Five Million and No/100 Dollars ($5,000,000.00).

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 as follows:

(i) The Company shall sell to the Purchaser, and the Purchaser shall purchase from the Company, the Company Shares for an aggregate purchase price of Five Million Dollars ($5,000,000); and

(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.

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 indefeasible title to all of the Company Shares free and clear of all Liens.

1B. THE CLOSING. The closing of the purchase and sale of the Company Shares pursuant to Section 1A (the "CLOSING") shall take place at the offices of Purchaser, 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 and the Purchaser. 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 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 Freeman 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. MATERIAL ADVERSE CHANGE. Since December 1, 1997, 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, (ii) any Legal Proceedings instituted or threatened against the Company, Freeman 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.

2D. THIRD PARTY CONSENTS. The Company 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 5C; PROVIDED, HOWEVER, that neither the Company, Freeman 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).

2E. REGISTRATION RIGHTS AGREEMENT UNDERTAKING. The Company and Freeman shall have entered into a Registration Rights Agreement Undertaking, (the "REGISTRATION RIGHTS AGREEMENT UNDERTAKING"), which requires the Purchaser to grant the Shareholders the registration rights provided therein upon conversion of the Shareholders' shares in the Company to shares of Purchaser in accordance with the terms of the Shareholders' Agreement.

2F. SHAREHOLDERS' AGREEMENT. The Company, the Purchaser and Freeman shall have entered into a certain "Aquatica, Inc. Shareholders' Agreement", (the "SHAREHOLDERS' AGREEMENT"), and the Shareholders' Agreement shall be in full force and effect as of the Closing.

2G. CORPORATE GOVERNANCE DOCUMENTS. The Purchaser shall have received copies of the Company's Articles of Incorporation, By-laws, and documents shall be executed at Closing for the Company to qualify to do business in the State of Texas and for the Articles of Incorporation of the Company to be amended in the State of Louisiana, and other agreements, instruments and indentures relating to the corporate governance of the Company.

2H. EMPLOYMENT AGREEMENTS. The Company and each of the Executives, Freeman and Brad Pellegrin, shall have entered into employment and non-competition agreements (the "Employment Agreements").

2I. LEGAL OPINIONS. The Purchaser shall have received from the Company's Special Counsel, a legal opinion which shall be addressed to the Purchaser, dated the Closing Date and in form and substance reasonably satisfactory to the Purchaser.

2J. CLOSING DOCUMENTS. The Company 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) a "Key Man" Life Insurance Policy in the amount of $1,900,000 naming Freeman as the insured party and Whitney National Bank and the Company as the beneficiary; and,

(iv) 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.

2K. 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 FREEMAN'S OBLIGATION AT THE CLOSING. The obligations of the Company and Freeman 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, 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. 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 5C; 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).

3D. REGISTRATION RIGHTS AGREEMENT UNDERTAKING. The Purchaser shall have entered into the Registration Rights Agreement Undertaking which is to be executed upon conversion of Freeman's shares in the Company to shares of Purchaser in accordance with the terms of the Shareholders' Agreement.

3E. LOAN COMMITMENT AGREEMENT. The Purchaser shall have executed the Subdebt Lending Commitment Letter as of the Closing.

3F. 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.

3G. LEGAL OPINIONS. The Company and Freeman shall have received from the Purchaser's General Counsel, a legal opinion which shall be addressed to the Company and Freeman, dated the Closing Date and in form and substance reasonably satisfactory to the Company.

3H. CLOSING DOCUMENTS. The Purchaser shall have delivered to the Company and Freeman 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 or its counsel may reasonably request.

3I. 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, Freeman and their counsel.

4. COVENANTS

4A. FINANCIAL STATEMENTS AND OTHER INFORMATION. Until the Shareholders have converted their shares in the Company into shares of the Purchaser in accordance with the terms of the

Shareholders' Agreement, the Company shall deliver to the Purchaser (so long as the Purchaser and/or its Affiliates Beneficially Owns at least 25% of the outstanding shares (subject to adjustment for any stock splits, stock dividends, recapitalization or similar events)) of Common Stock of the Company:

FINANCIAL STATEMENTS. Cause to be prepared and furnished to Payee the following (financial statements covering any period after October 1, 1997 kept in accordance with GAAP applied on a consistent basis, unless the Company's certified public accountants concur in any change therein and such change is disclosed to the Company and is consistent with GAAP):

(a) as soon as possible, but not later than forty-five (45) days after the close of each fiscal year of Company, unqualified audited financial statements of the Company 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 Purchaser (except for a qualification for a change in accounting principles with which the independent public accountant concurs);

(b) as soon as possible, but not later than thirty (30) days after the end of each month hereafter, unaudited interim financial statements of the Company and its subsidiaries as of the end of such month and of the portion of the Company's fiscal year then elapsed, on a consolidating basis certified by the principal financial officer of the Company as prepared in accordance with GAAP and fairly presenting the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries for such month and period subject only to changes from audit and year-end adjustments and except that such statements should contain notes covering at least cash flow, profit/loss, balance sheet, accounts receivable aging, operating statistics comparison to budget and a narrative written analysis of that month.

(c) The Company shall forward to Purchaser a certificate of the aforesaid certified public accountants certifying to Purchaser that, based upon their examination of the financial statements of the Company and its subsidiaries performed in connection with their examination of said financial statements, they are not aware of any event of default, or, if they are aware of such event of default, specifying the nature thereof.

(d) 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 4.

4B. 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.

4C. AFFIRMATIVE COVENANTS. So long as the Purchaser Beneficially Owns any Common Stock of the Company, the Company shall:

(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 for any period after October 1, 1997, consistently applied, and keep full and complete financial records and books of account, in which complete entries shall be made in accordance with GAAP for any period after October 1, 1997, consistently applied, reflecting all financial transactions of the Company.

(ii) Comply with the applicable requirements of all laws, rules, regulations, treaties and orders of any governmental authority (including, without limitation ERISA and Environmental Laws), the violation of which might reasonably be expected to have a Material Adverse Effect.

4D. 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) Shareholders' Agreement and (iii) the Employment Agreements.

4E. VESSELS. At all times on and after the Closing Date, the Company:

(a) so long as it owns U.S. documented vessels, shall be a corporation qualified to document a vessel under 46 U.S.C 12102(a)(4); and

(b) shall not operate any of the Vessels or any other vessels owned by the Company so as to cause the Company, or any of their respective assets to be liable for any material penalties for breach of the Coastwise Laws.

4F. ACCESS TO INFORMATION; CONFIDENTIALITY 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 such examination of the books, records and financial condition of Company 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 fully therein. No investigation by the Purchaser prior to or after the date of this Agreement shall discharge or any of the representations, warranties, covenants or agreements of the Company or Freeman contained in this Agreement or any of the Seller Documents.

4G. 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:

(i) conduct the business of the Company 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; 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 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 shares of capital stock of the Company or other securities (except as to any of the foregoing as set forth on SCHEDULE 5F);

(iii) not effect any recapitalization, reclassification, stock split or like change in the capitalization of the Company;

(iv) not amend the Articles of Incorporation or By-laws of the Company;

(v) use its commercially reasonable best efforts to (A) preserve its present business operations, organization (including, without limitation, management) and goodwill of the Company and (B) preserve its present relationship with Persons having business dealings with the Company;

(vi) maintain insurance upon all of the properties and assets of the Company 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 in the ordinary course of business consistent with past practices, except that the Company shall maintain a comparative system of accounts in accordance with GAAP beginning October 1, 1997 and thereafter, (B) continue to collect accounts receivable and pay accounts payable utilizing historical procedures and without discounting or accelerating payment of such accounts, except that the Company shall maintain a comparative system of accounts in accordance with GAAP beginning October 1, 1997 and thereafter, and (C) comply with all contractual and other obligations applicable to the operations of the Company;

(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 5F) (A) increase the compensation payable or to become payable by the Company to any of its respective directors, officers, employees, agents or representatives, (B) 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, for, or with any

of the directors, officers, employees, agents or representatives of the Company or (C) enter into any employment, deferred compensation, severance, consulting, non-competition or similar agreement (or amend any such agreement) to which the Company is a party or involving a director, officer or employee of the Company in his or her capacity as a director, officer or employee of the Company;

(ix) not introduce any material change with respect to the operations of the Company;

(x) except as set forth on SCHEDULE 5F, not permit the Company 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, (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 $100,000 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 (ii) any Legal Proceeding commenced or threatened against the Company or Freeman relating to the transactions contemplated by this Agreement;

(xii) not permit the Company to make any loans to, or pay any fees or expenses (except in the Ordinary Course of Business) to, or enter into or modify any Contract with, Freeman;

(xiii) promptly and accurately record in the appropriate records and books of account of the Company, 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 promptly following such recordation deliver true, correct and complete copies thereof to Purchaser; or

(xiv) not agree to do anything prohibited by this Section 4G or anything that would make any of the representations and warranties of the Company or Freeman in this Agreement or the Seller Documents untrue or incorrect in any material respect.

4H. 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 any future business acquisitions by the Company 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 require to be filed by Purchaser under such law or regulations.

4I. OTHER ACTIONS. Each of the Company, Freeman and the Purchaser shall use its commercially reasonable 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.

4J. CONFIDENTIALITY AND EMPLOYMENT PRACTICES.

Until Conversion, as such term is defined in the Shareholders' Agreement, the Company will use its commercially reasonable best efforts :

(1) not to hire any officer or significant employee of the Company who has an employment, non-compete, confidentiality or other similar agreement with a prior employer which would be violated by his or any of their [employment] activities with the Company.

(2) supervise its agents, executives and other company representatives not to use any trade secret or confidential information developed by another company, including, but not limited to, customer lists, computer programs, research data, marketing and business strategies, production formulas, technical reports, drawings, blueprints or other reproductions of confidential information in violation of Louisiana law (LSA-R.S.51-1431) or any similar state or federal law.

(3) not to engage in any unfair trade practices involving fraud, misrepresentation, deception, breach of fiduciary duty or any other unethical conduct regarding its formation, conduction of business, manner of hiring of employees and/or customer/business solicitation or development and has not targeted any company in its employment or customer development plans or activities either generally or for the purpose of unfairly injuring their business in violation of Louisiana law (LSA-R.S. 51-1405 et.sec.) or any other applicable state or federal law.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. As a material inducement to the Purchaser to enter into this Agreement and purchase the Company Shares the Company hereby represents and warrants at the time of execution hereof that:

5A. ORGANIZATION AND CORPORATE POWER. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Louisiana. The Company is in the process of qualifying to do business under the laws of the State of Texas. 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. Copies of the Company's 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. The Company does not own any subsidiaries.

5B. CAPITAL STOCK AND RELATED MATTERS

(i) The authorized capital stock of the Company consists solely of (A) Twenty Million shares of Common Stock, no par value, of which Five Million, Five Hundred Thousand shares of Common Stock are issued and outstanding and, as of the Closing Date, Ten Million shares of Common Stock shall be issued and outstanding and (B) Five Million shares of Preferred Stock, no par value none of which are issued and outstanding. The Company does not have 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 5N) 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 5N) or proprietary or equity interest in the Company 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 nor is the Company committed to do any of the foregoing, except as expressly set forth on SCHEDULE 5B. The Company is not 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 5N) or proprietary or equity interest in the Company, 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 5N) or proprietary or equity interest in the Company except to the Purchaser under this Agreement or as expressly set forth on SCHEDULE 5B. All of the outstanding shares of the Company's capital stock (including, without limitation, the Company Shares) 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 indefeasible 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 or proprietary or equity interests in the Company, including, without limitation, the issuance of the Company Shares hereunder, except as expressly set forth on SCHEDULE 5B. No capital stock or other securities of the Company has 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 other profit participation (other than a cash bonus program based on earnings described in SCHEDULE 5N) or proprietary or equity interest in the Company or with respect to any other aspect of the Company's affairs, except as expressly set forth on SCHEDULE 5B. The Company does not (i) Beneficially Own of record any capital

stock, security or other profit participation or proprietary or equity interest of or in any other Person or (ii) have any other investment in any other Person.

(iii) The Company does not (i) Beneficially Own of record any capital stock, security or other profit participation or proprietary or equity interest of or in any other Person or (ii) have any other investment in any other Person.

5C. 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, 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 Company Shares, 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 Law, Contract, Permit or Order, to which the Company, Executive or any of their respective assets is subject, except for waivers or consents set forth on SCHEDULE 5C, or (b) result in the creation or imposition of any Lien upon the capital stock, property or assets of the Company, Shareholders or Executive .

5D. FINANCIAL STATEMENTS. Attached hereto on SCHEDULE 5D are the unaudited consolidated balance sheets of the Company as of December 31, 1997 and the related statements of income, shareholder's equity and cash flows for the two 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 through the periods covered thereby.

5E. ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on SCHEDULE 5E, to the best of the Company's knowledge the Company does 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 unaudited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1997 (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.

5F. ABSENCE OF CERTAIN DEVELOPMENTS. Except as set forth on SCHEDULE 5F or as expressly contemplated by this Agreement, since December 31, 1997 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 at a replacement cost of more than $20,000 for any single loss or $100,000 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 repurchase, redemption or other acquisition by the Company 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;

(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 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 5M) or proprietary or equity interests in the Company or shares of capital stock or securities of the Company;

(v) the Company has not awarded or paid any bonuses to employees of the Company except to the extent appearing on the Latest Balance Sheet or has not 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 to any directors, officers, employees, agents or representatives of the Company 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 in accounting principles, methods or policies;

(vii) the Company has not introduced any material change with respect to the operations of the Company which is not in the Ordinary Course of Business;

(viii) the Company has not 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) the Company has not suffered one or more Extraordinary Losses;

(x) the Company has not 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 and other than inter-company arrangements between the Company and its subsidiaries; and,

(xi) the Company has not agreed or committed to do anything set forth in this Section 5F.

5G. TAX MATTERS. The Company has filed in a timely manner all tax returns which it is 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 has it(or has made provision for the payment thereof on the Latest Balance Sheet) and has withheld and paid over all Taxes which it is 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, 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. The Company has not 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.

5H. LITIGATION. There are no Legal Proceedings pending or, to the best of the Company's knowledge, threatened against or affecting the Company or the business or assets of the Company, 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 in connection with the consummation of the transactions contemplated hereby or thereby. There is no outstanding or, to the knowledge of the Company, threatened Order of any Governmental Body against, involving or naming the Company or involving any of its assets.

5I. REAL PROPERTY. (a) The Company does not own any real property. SCHEDULE 5I 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 ("REAL PROPERTY LEASES"). The Company is not a party to any lease, sublease, license or other agreement for the use

or occupancy of any real property other than the Real Property Leases. Except as set forth on SCHEDULE 5I, the Company has not assigned, sublet, mortgaged or otherwise encumbered in any respect whatsoever its leasehold estate under the Real Property Leases. Except as set forth on SCHEDULE 5I, the Company does not own or hold, or is not 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 Real Property Leases is a valid and binding obligation enforceable against the Company 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 Real Property Leases by the Company, 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 Real Property Leases has given written notice of or made a claim against the Company 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 Real Property Leases covers the entire estate it purports to cover and entitles the Company to the use, occupancy and possession of the real property for the purposes such property is now being used by the Company. Complete and correct copies of the 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 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 and, to the knowledge of the Company, no such notice has been issued by any Governmental Body with respect to such property.

5J. VESSELS. (a) The Company does not own or operate any vessels other than those listed on SCHEDULE 5J (collectively, the "VESSELS"). Each of the Vessels listed on SCHEDULE 5J is duly documented in the sole ownership of the Company under the Law and flag of the jurisdiction indicated for such vessel on SCHEDULE 5J, 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 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 indefeasible title to each of the Vessels, free and clear of any Liens, other than those Liens described on SCHEDULE 5J.

(c) Each of the Vessels listed on SCHEDULE 5J maintains the class indicated on SCHEDULE 5J with the classification society indicated on SCHEDULE 5J, free of recommendations that would have a Material Adverse Effect.

(d) Except as indicated on SCHEDULE 5J, 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, appareled, 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 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." 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) 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.

5K. TANGIBLE PERSONAL PROPERTY. (a) SCHEDULE 5K sets forth all leases of personal property ("PERSONAL PROPERTY LEASES") involving annual payments in excess of $10,000 relating to personal property, other than Vessels, used in the business of the Company or to which the Company or any is a party or by which the Company or any of its 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.

5L. INTANGIBLE PROPERTY. (a) SCHEDULE 5L 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 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 5L, 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 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 the Company has not 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 owns or licenses all Intangible Property, know-how, formulae and other proprietary and trade rights necessary for the conduct of their respective businesses as now conducted.

5M. MATERIAL CONTRACTS. (a) Except as set forth on SCHEDULES 5B, 5I, 5J, 5K, 5L or as set forth on SCHEDULE 5M, neither the Company nor any of its 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 One Hundred Eighty (180) 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), which is not terminable by the Company, as the case may be, within sixty (60) days after written notice thereof and without liability to the Company; (iii) distributorship, sales representative or sales agency Contract, which is not terminable by the Company, as the case may be, within sixty (60) days after written notice thereof and without liability to the Company; (iv) Contract (including, without limitation, purchase orders issued by customers or to suppliers of the Company 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 $25,000, partnership interests or capital stock of the Company 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 $25,000; (vi) 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 $25,000; (vii) material Contract relating to the exploration, development, exploitation, extraction or transportation of oil or gas, (viii) Contract with any Governmental Body; or (ix) 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 SCHEDULES 5B, 5I, 5J, 5K, 5L, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

(b) Each of the Contracts listed on SCHEDULE 5M is a valid and binding obligation enforceable against the Company 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 5M either by the Company 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 5M has given notice of or initiated a material Legal Proceeding with respect to any breach or default thereunder.

5N. EMPLOYEE BENEFITS. (a) SCHEDULE 5N AND 5B 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.

(b) 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).

(c) Complete and correct copies of the following documents, with respect to each of the Employee Benefit Plans (as applicable), have been delivered to Purchaser, including the most recent summary plan descriptions.

(d) 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.

5O. LABOR. (a) The Company is not a party to any labor or collective bargaining agreement and there are no labor or collective bargaining agreements which pertain to employees of the Company.

(b) No employees of the Company are represented by any labor organization. No labor organization or group of employees of the Company 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 pending or, to the knowledge of the Company, threatened by any labor organization or group of employees of the Company.

(c) 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. 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.

(d) There are no complaints, charges or claims against the Company 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 of any individual, including any claim for workers' compensation , which could reasonably be expected to result in a Material Adverse Change. To the knowledge of the Company, the Company is 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.

5P. COMPLIANCE WITH LAWS; PERMITS. (a) To the knowledge of the Company, the Company is 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 to the conduct of the business or operations of the Company or the use of any of its properties (including any leased properties) and assets, noncompliance with which could result in a Material Adverse Change. The Company has not 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. 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 which, either individually or in the aggregate, could result in a Material Adverse Change.

(b) SCHEDULE 5P lists all Permits of the Company 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. The Company has 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 has 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.

5Q. ENVIRONMENTAL MATTERS. Except as would not have a Material Adverse Effect, to the Company's knowledge, (i) the operations of the Company are in compliance with all Environmental Laws; (ii) the Company has all Environmental Permits required for its 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 is in compliance with such Environmental Permits; (iii) the Company is not (x) subject to any outstanding written Order or, except as set forth on SCHEDULE 5Q, 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 Environmental Laws or Environmental Claims; (iv) the Company is not subject to any Legal Proceeding alleging the violation of any Environmental Law or Environmental Permit; (v) the Company has not received (nor, to the knowledge of the Company, has there been issued) any written communication that alleges that either the Company is not in compliance with any Environmental Law or Environmental Permit; (vi) except as set forth on SCHEDULE 5Q, the Company has not 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 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 5Q, 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.

5R. INSURANCE. SCHEDULE 5R sets forth a list of all policies of insurance of any kind or nature covering the Company or any of its 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 5R, all such policies are in full force and effect. SCHEDULE 5R 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, and its, 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. Except as set forth on SCHEDULE 5R , the Company has not 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 5R, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

5S. RELATED PARTY TRANSACTIONS. Except as set forth on SCHEDULE 5S, 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 excluding ownership of shares of publicly traded companies.

5T. 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 as of the Closing Date will constitute all of the tangible and intangible property used by and necessary to the Company in connection with the conduct of their businesses as now conducted.

5U. NO FINDER'S FEE. 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.

5V. 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.

6. REPRESENTATIONS AND WARRANTIES OF FREEMAN. As a material inducement to the Purchaser to enter into this Agreement and purchase the Company Shares, Freeman hereby represents and warrants at the time of execution hereof that:

1. CONFIRM COMPANY REPRESENTATIONS. Freeman hereby confirms the accuracy of and hereby also himself makes to the Purchaser the representations and warranties made by the Company in Sections 5B and 5C, and to the best of his knowledge, 5D, 5E, and 5F of this Agreement.

B. CONFIDENTIALITY AND EMPLOYMENT PRACTICES. Freeman represents that:

(1) Neither he nor, to the best of his knowledge, after inquiry, any other officer or significant employee of the Company had an employment, non-compete, confidentiality or other similar agreement with a prior employer which was or would be violated by his or any of their activities with the Company.

(2) To the best of his knowledge after inquiry, no agent, executive or other company representative has obtained or used any trade secret or confidential information developed by another company, including, but not limited to, customer lists, computer programs, research data, marketing and business strategies, production formulas, technical reports, drawings, blueprints or other reproductions of confidential information in violation of Louisiana law (LSA-R.S. 51-1431) or any other applicable state or federal law.

(3) Neither he, nor to the best of his knowledge after inquiry, the Company nor, any other officer or significant employee of the Company has or will engage in any unfair trade practices involving fraud, misrepresentation, deception, breach of fiduciary duty or any other unethical conduct regarding its formation, conduct of business, manner or hiring of employees and/or customer/business solicitation or development and has not targeted any company in its employment or customer development plans or activities either generally or for the purpose of unfairly injuring their business in violation of Louisiana Law (LSA-R.S. 51-1405 et.sec.) or any other applicable state or federal law.

(4) To the best of his knowledge after inquiry, the Company maintains records which are sufficient, based on advice of outside counsel, to evidence that the manner in which it hires employees is consistent with this Section 6.B. To the best of his knowledge after inquiry, Employees have most often been hired based on a general solicitation (such as in newspaper advertisement) or by actively seeking employment from the Company.

7. PURCHASER'S REPRESENTATIONS AND WARRANTIES. As a material inducement to the Company and Freeman to enter into this Agreement and sell the Company Shares, the Purchaser hereby represents and warrants at the time of execution hereof that:

7A. ORGANIZATION AND CORPORATE POWER. The Purchaser is duly organized, validly existing and in good standing under the laws 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 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 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.

7B. 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) 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 7B.

7C. 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.

7D. NO FINDER'S FEE. 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.

7E. PURCHASER INQUIRY. The Purchaser and its advisors have reviewed to their satisfaction, 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, including, without limitation, all material contracts and related material described in SCHEDULE 5M, 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 11B hereof.

7F. 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.

8. 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.

9. DEFINITIONS. (a) For the purposes of this Agreement, the following terms have the meanings set forth below:

"ACADIANA" means Acadiana Divers and Salvage, Inc., a Louisiana corporation.

"ACADIANA PURCHASE AGREEMENT" means that certain Agreement of Purchase and Sale of Assets dated as of October 1, 1997 by and between Acadiana as the seller and the Company as the buyer.

"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.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.

"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. " 9601 ET SEQ.), the Hazardous Materials Transportation Act (49 U.S.C. " 1801 ET SEQ.), the Resource Conservation and Recovery Act (42 U.S.C." 6901 ET SEQ.), the Clean Water Act (33 U.S.C. " 1251 ET SEQ.), the Clean Air Act (33 U.S.C. " 7401 et SEQ.), the Toxic Substances Control Act (15 U.S.C. " 2601 ET SEQ.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. " 136 ET seq.), the Oil Pollution Act (33 U.S.C." 2701-2719), and the Louisiana spill law (La. Rev. Stat. '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.

"EMPLOYEE SHAREHOLDERS" means employees who are shareholders of the Company.

"EXECUTIVES" means Prentiss A. Freeman III and Brad Pellegrin.

"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.

"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

"LOAN COMMITMENT AGREEMENT" means the Loan Commitment Agreement by and between the Company and Purchaser dated as of the effective date of this Agreement.

"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 taken as a whole.

"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.

"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 $20,000,000.

"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.

"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 pre-remedial 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 Company Shares 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.

"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.

"SHAREHOLDERS" means Prentiss A. Freeman III and Cadence Capital Partners I, L.L.C., a Louisiana limited liability company.

"SHAREHOLDERS' AGREEMENT" means that certain Shareholders' Agreement of even date herewith among the Company, certain Shareholders, and the Purchaser.

"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.

"STOCK OPTION PLAN" means that certain 1997 Long Term Incentive Plan of the Company.

"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.

(b) The following capitalized terms are defined in the following Sections of this Agreement:

TERM	SECTION
Agreement	Preamble
Arbitration Notice	12J
Award	12J
Basket	12D
Cap	12D
Closing	1B
Closing Date	1B

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	11D
Qualified Plans	6N
Real Property Leases	6I
Registration Rights Agreement	2H
Registration Statement	12D
Securities Act	12D
Seller Indemnified Parties	11D
Shareholder	Preamble
Shareholders	Preamble
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.

10. 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.

11. MISCELLANEOUS.

11A. EXPENSES. The Company will pay all of its expenses, including attorneys' fees and the fees of [Darnall, Sikes, and Frederick] incurred in connection with the negotiation of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby. In addition, the Company will pay up to Five Thousand ($5,000.00) Dollars of Purchaser's expenses incurred in connection with the negotiation of this Agreement. Except as otherwise provided in this paragraph, Purchaser will pay all of its own expenses, including fees of Simmons & Company International and Andersen Worldwide, incurred in connection with the negotiation of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby

11B. REMEDIES. The Purchaser shall have all rights and remedies set forth in this Agreement (including, without limitation, Section 11D) 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.

11C. 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.

11D. SURVIVAL OF REPRESENTATION AND WARRANTIES; INDEMNIFICATION. (a) The representations and warranties of the Company and of the Purchaser contained in this Agreement or any of the documents delivered at Closing 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. The representations and warranties of Freeman contained in this Agreement 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 one (1) year after the Closing Date.

(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 11D, 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 Section 2J;

(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 11D); and

(iii) any and all notices, actions, suits, proceedings, demands, assessments, judgments, costs, penalties and expenses, including attorneys' and other professional's, 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 $50,000 (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 $5,000,000; 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 30 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; and further provided that the Company shall not have any liability for breaches of representations and warranties that result from breaches of representations and warranties by Acadiana in connection with the Acadiana Purchase Agreement.

(c) Freeman hereby agrees to indemnify and hold harmless the Purchaser Indemnified Parties from and against:

(i) subject to paragraph (a) of this Section 11D, 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 Freeman under this Agreement;

(ii) any and all Losses based upon, attributable to or resulting from (A) the breach of any covenant or agreement on the part of Freeman under this Agreement or (B) the enforcement of this Agreement (including, without limitation, this Section 11D); and

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

PROVIDED, HOWEVER, that (x) Freeman 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 the Basket, in which event Freeman shall be obligated to pay to the Purchaser Indemnified Parties the full amount of such Losses and Expenses, inclusive of the Basket, and (y) Freeman shall not have any liability for indemnity hereunder in an aggregate amount in excess of $100,000; and further provided that Freeman shall not have any liability for breaches of representations and warranties that result from breaches of representations and warranties by Acadiana in connection with the Acadiana Purchase Agreement.

(d) The Purchaser hereby agrees to indemnify and hold harmless the Company and its directors, officers, employees, agents, successors and assigns and Freeman (collectively, the Seller Indemnified Parties") from and against:

(i) subject to paragraph (a) of this Section 11D, 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 or in any of the documents delivered by the Purchaser at Closing pursuant to Sections 3C or 3I;

(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 (B) the enforcement of this Agreement (including, without limitation, this Section 11D); 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 Purchaser shall not have any liability for indemnity hereunder to the Company or its directors, officers, employees, shareholders, Affiliates, agents, successors and assigns in an aggregate amount in excess of $500,000; and further provided that Freeman shall not have any liability for breaches of representations and warranties that result from breaches of representations and warranties by Acadiana in connection with the Acadiana Purchase Agreement.

(e) Subject to the limits on Losses and Expenses contained in Section 11D (b) , (c), and (d) above, the Company 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 11D, 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 11D 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 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.

11E. 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

11F. 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.

11G. 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.

11H. 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.

11I. GOVERNING LAW; SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS. (a) Except as expressly provided in Section 11J, the internal law, and not the conflict of laws principles, of the State of Texas 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 11J 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 Louisiana 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 11J 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 11J 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 11J hereof by the delivery or mailing of a copy thereof; in accordance with the provisions of Section 11K.

(d) Nothing in this Section 11I shall affect the rights of the parties to commence any action, suit or proceeding of the nature expressly permitted by Section 11J hereof in any other forum or to serve process in any such action, suit or proceeding in any other manner permitted by law.

11J. ARBITRATION. (a) Any claim, dispute or other disagreement (each, a "DISPUTE") between a Purchaser Indemnified Party, on the one hand, and the Company or Freeman, 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 11J; 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 11J(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 30 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 American Arbitrator Association, Lafayette, LA office, 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 American Arbitrator Association in Lafayette, LA. 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 American Arbitrator Association appoint such replacement Independent Arbitrator. The arbitration panel shall conduct the arbitration in accordance with the Rules of Arbitration of the American Arbitrator Association then in effect, except to the extent such rules are inconsistent with the provisions of this Section 11J. The agreement to arbitrate contained in this Section 11J 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 Lafayette, Louisiana.

(b) Nothing contained in this Section 11J 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 11J, 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 11J, 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.

11K. 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:

Cal Dive International, Inc.
400 North Sam Houston Pkwy, Suite 400
Houston, TX 77060
Attention: Chief Executive Officer
Facsimile No.: (281) 618-0500

If to the Company or Freeman:

Aquatica, Inc.
2709 Moss St.
Lafayette, LA 70507

Attention: Prentiss A. Freeman III
Facsimile No:

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.

11L. FURTHER ASSURANCES. The Company, Freeman 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.

11M. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

COMPANY:
AQUATICA, INC.
a Louisiana corporation

By:_____
Prentiss A. Freeman III, President

SELLER:

By:_____
Prentiss A. Freeman III, Individually

PURCHASER:
CAL DIVE INTERNATIONAL, INC.
a Minnesota corporation

By:_____
Name:_____
Title:_____

LIST OF SCHEDULES

Schedule 5B - Capital Stock and Options
Schedule 5C - Consents and Waivers
Schedule 5D - Financial Statements
Schedule 5E - Absence of Undisclosed Liabilities
Schedule 5F - Absence of Certain Developments
Schedule 5G - Tax Matters
Schedule 5I - Real Property
Schedule 5J - Vessels
Schedule 5K - Tangible Personal Property
Schedule 5L - Intangible Property
Schedule 5M - Material Contracts
Schedule 5N - Employee Benefits
Schedule 5P - Compliance with Laws; Permits
Schedule 5Q - Environmental Matters
Schedule 5R - Insurance
Schedule 5S - Customers and Suppliers
Schedule 7B - Purchaser Consents and Approvals

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Agreement is made this 15th day of February, 1999, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and Owen E. 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 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;

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 until February 28, 2001 and thereafter terminating one year after delivery to Employee of a written notice of termination by the Company (the "Employment Term"); PROVIDED, HOWEVER, that the occurrence of any event described in Sections 7(a), 7(b) or 7(c) prior to the end of the Employment Term shall result in the immediate termination of Employee's employment and the Employment Term, subject to the terms of such applicable Section. Employee shall devote his time, energy and skill to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests. Any provision of this Agreement to the contrary notwithstanding, Employee shall immediately resign from any offices held with the Company or its Affiliates upon written request by the Company. Any resignation made pursuant to a written request by the Company under this Section shall not affect Employee's rights under this Agreement for any compensation, benefits or payments.

(b) Employee's duties shall include all the normal duties associated with acting as Chairman and Chief Executive Officer of the Company and all other responsibilities assigned to that office from time to time by 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 and subject to such changes therein as the Board may make from time to time, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 2001at the rate of Two Hundred Eighty Thousand Dollars ($280,000), 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, 1999, 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 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, 2005 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 Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of 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 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 either the amounts due under Section 7(d), if appropriate, or 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 Employee 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, 2003 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.

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) 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 (but the Company's rights shall survive as herein otherwise provided including, without limitation, under Sections 4, 5 and 6 hereof). 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) "TERMINATION BY THE COMPANY WITHOUT CAUSE AFTER CHANGE IN CONTROL." If the Company terminates this Agreement for any reason other than pursuant to the terms of Sections 7(a), 7(b), or 7(c), and such termination occurs within two years of the occurrence of a Change in Control and a Material Change in Senior Management (as defined in (e) 1 below), then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

A "CHANGE IN CONTROL"shall be deemed to have occurred at any time after the date of this Agreement that any person (including those persons who own more than 10% of the combined voting power of the Company's outstanding voting securities on the date hereof) becomes the beneficial owner, directly or indirectly, of 45% or more of the combined voting power of the Company's then outstanding voting securities.

(e) "TERMINATION BY EMPLOYEE WITH GOOD CAUSE AFTER CHANGE IN CONTROL." If Employee terminates this Agreement for Good Cause (defined below) and such termination occurs within two years of the occurrence of a Change in Control, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

"GOOD CAUSE" shall mean the occurrence of both of the following events:

1. a "Material Change in Senior Management" (which shall mean either one or both of the CEO and COO cease their employment with the Company); and

2. in addition, any of the following events occur:

(i) the assignment by the Company to Employee of duties that are materially inconsistent with Employee's office with the Company at the time of such assignment, or the removal by the Company from Employee of a material portion of those duties usually appertaining to Employee's office with the Company at the time of such removal;

(ii) a material change by the Company, without Employee's prior written consent, in Employee's responsibilities to the Company, as such responsibilities are ordinarily and customarily required from time to time of a senior officer of a corporation engaged in the Company's business;

(iii) any removal of Employee from, or any failure to reelect or to reappoint Employee to, the office stated in Section 1(b);

(iv) The Company's direction that Employee discontinue service (or not seek reelection or reappointment) as a director, officer or member of any corporation or association of which Employee is a director, officer, or member at the date of this Agreement;

(v) a reduction by the Company in the amount of Employee's salary in effect at the time of the occurrence of a Change in Control or the failure of the Company to pay such salary to Employee at the time and in the manner specified in this Agreement;

(vi) the discontinuance (without comparable replacement) or material reduction by the Company of Employee's participation in any bonus or other employee benefit arrangement (including, without limitation, any profit-sharing, thrift, life insurance, medical, dental, hospitalization, stock option or retirement plan or arrangement) in which Employee is a participant under the terms of this Agreement, as in effect on the date hereof or as may be improved from time to time hereafter;

(vii) the moving by the Company of Employee's principal office space, related facilities, or support personnel, from the Company's principal operating offices, or the Company's requiring Employee to perform a majority of his duties outside the Company's principal operating offices for a period of more than 30 consecutive days;

(viii)the relocation, without Employee's prior written consent, of the Company's principal Employee offices to a location outside the county in which such offices are located at the time of the signing of this Agreement;

(ix) in the event the Company requires Employee to reside at a location more than 25 miles from the Company's principal Employee offices, except for occasional travel in connection with the Company business to an extent and in a manner which is substantially consistent with Employee's current business travel obligations;

(x) in the event Employee consents to a relocation of the Company's principal Employee offices, the failure of the Company to (A) pay or reimburse Employee on an after-tax basis for all reasonable moving expenses incurred by Employee in connection with such relocation or (B) indemnify Employee on an after-tax basis against any loss realized by Employee on the sale his principal residence in connection with such relocation;

(xi) the failure of the Company to continue to provide Employee with office space, related facilities and support personnel (including, without limitation, administrative and secretarial assistance) that are commensurate with Employee's responsibilities to and position with the Company, and no less than those prior to this Agreement;

(xii) any significant change in Employee's reporting relationships or changes in senior management of the Company

(xiii)the failure by the Company to promptly reimburse Employee for the reasonable business expenses incurred by Employee in the performance of his duties for the Company, in accordance with this Agreement.

(f) GROSS-UP PAYMENTS - CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company or any of its affiliates (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended) under this Agreement to or for the benefit of Employee (any such payments or distributions being individually referred to herein as a "PAYMENT," and any two or more of such payments or distributions being referred to herein as "PAYMENTS"), would be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "EXCISE TAX"), then Employee shall be entitled to receive an additional payment or payments (individually referred to herein as a "GROSS-UP PAYMENT" and any two or more of such additional payments being referred to herein as "GROSS-UP PAYMENTS") in an amount such that after payment by Employee of all taxes (as defined in Section 7(f)(xi) imposed upon the Gross-Up Payment, Employee retains an amount of such Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to the provisions of Section 7(f)(iii) through 7(f)(ix), any determination (individually, a "DETERMINATION") required to be made under this Section 7(f)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by

nationally recognized tax counsel mutually acceptable to the Company and Employee ("TAX COUNSEL"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and Employee within 15 business days of the termination of Employee's employment, if applicable, or such other time or times as is reasonably requested by the Company or Employee. If Tax Counsel makes the initial Determination that no Excise Tax is payable by Employee with respect to a Payment or Payments, it shall furnish Employee with an opinion reasonably acceptable to Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Employee shall have the right to dispute any Determination (a "DISPUTE") within 15 business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to Employee within five business days of Employee's receipt of such Determination. The existence of a Dispute shall not in any way affect Employee's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and Employee, subject in all respects, however, to the provisions of Section 7(f)(iii) through 7(f)(ix) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will not have been made by the Company should have been made ("UNDERPAYMENT"), and if upon any reasonable written request from Employee or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that Employee is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee.

(iii) the Company shall defend, hold harmless, and indemnify Employee on a fully grossed-up after tax basis from and against any and all claims, losses, liabilities, obligations, damages, impositions, assessments, demands, judgements, settlements, costs and expenses (including reasonable attorneys', accountants', and experts' fees and expenses) with respect to any tax liability of Employee resulting from any Final Determination (as defined in Section 7(f)(x) that any Payment is subject to the Excise Tax.

(iv) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued successfully, could result in or give rise to a claim by Employee against the Company under this Section 7(f) ("CLAIM"), including, but not limited to, a claim for indemnification of Employee by the Company under Section 7(f)(iii), then such party shall promptly notify the other party hereto in writing of such Claim ("TAX CLAIM NOTICE").

(v) If a Claim is asserted against Employee ("EMPLOYEE CLAIM"), Employee shall take or cause to be taken such action in connection with contesting such Employee Claim as the Company shall reasonably request in writing from time to time, including the retention of counsel and experts as are reasonably designated by the Company (it being understood and agreed by the parties hereto that the terms of any such retention shall expressly provide that the Company shall be solely responsible for the payment of any and all fees and disbursements of such counsel and any experts) and the execution of powers of attorney, PROVIDED that:

(1) within 30 calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Employee Claim (or such earlier date that any payment of the taxes claimed is due from Employee, but in no event sooner than five calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified Employee in writing ("ELECTION NOTICE") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Employee Claim at the Company's sole risk and sole cost and expense; and

(2) the Company shall have advanced to Employee on an interest-free basis, the total amount of the tax claimed in order for Employee, at the Company's request, to pay or cause to be paid the tax claimed, file a claim for refund of such tax and, subject to the provisions of the last sentence of Section 7(f)(vii), sue for a refund of such tax if such claim for refund is disallowed by the appropriate taxing authority (it being understood and agreed by the parties hereto that the Company shall only be entitled to sue for a refund and the Company shall not be entitled to initiate any proceeding in, for example, United States Tax Court) and shall indemnify and hold Employee harmless, on a fully grossed-up after tax basis, from any tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and

(3) the Company shall reimburse Employee for any and all costs and expenses resulting from any such request by the Company and shall indemnify and hold Employee harmless, on fully grossed-up after-tax basis, from any tax imposed as a result of such reimbursement.

(vi) Subject to the provisions of Section 7(f)(v) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim by all appropriate proceedings, which proceedings shall be defended or prosecuted diligently by the Company to a Final Determination; PROVIDED, HOWEVER, that (i) the Company shall not, without Employee's prior written consent, enter into any compromise or settlement of such Employee Claim that would adversely affect Employee, (ii) any request from the Company to Employee regarding any extension of the statute of limitations relating to assessment, payment, or collection of taxes for the taxable year of Employee with respect to which the contested issues involved in, and amount of, Employee Claim relate is limited solely to such contested issues and amount, and (iii) the Company's control of any contest or proceeding shall be limited to issues with respect to Employee Claim and Employee shall be entitled to settle or contest, in his sole and absolute discretion, any other issue raised by the Internal Revenue Service or any other taxing authority. So long as the Company is diligently defending or prosecuting such Employee Claim, Employee shall provide or cause to be provided to the Company any information reasonably requested by the Company that relates to such Employee Claim, and shall otherwise cooperate with the Company and its representatives in good faith in order to contest effectively such Employee Claim. the Company shall keep Employee informed of all developments and events relating to any such Employee Claim (including, without limitation, providing to Employee copies of all written materials pertaining to any such Employee Claim), and Employee or his authorized representatives shall be entitled, at Employee's expense, to participate in all conferences, meetings and proceedings relating to any such Employee Claim.

(vii) If, after actual receipt by Employee of an amount of a tax claimed (pursuant to an Employee Claim) that has been advanced by the Company pursuant to Section 7(f)(v)(2) hereof, the extent of the liability of the Company hereunder with respect to such tax claimed has been established by a Final Determination, Employee shall promptly pay or cause to be paid to the Company any refund actually received by, or actually credited to, Employee with respect to such tax (together with any interest paid or credited thereon by the taxing authority and any recovery of legal fees from such taxing authority related thereto), except to the extent that any amounts are then due and payable by the Company to Employee, whether under the provisions of this Agreement or otherwise. If, after the receipt by Employee of an amount advanced by the Company pursuant to Section 7(f)(v)(2), a determination is made by the Internal Revenue Service or other appropriate taxing authority that Employee shall not be entitled to any refund with respect to such tax claimed, and the Company does not notify Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payments and other payments required to be paid hereunder.

(viii)With respect to any Employee Claim, if the Company fails to deliver an Election Notice to Employee within the period provided in Section 7(f)(v)(1) hereof or, after delivery of such Election Notice,

the Company fails to comply with the provisions of Section 7(f)(v)(2) and (3) and 7(f)(vi) hereof, then Employee shall at any time thereafter have the right (but not the obligation), at his election and in his sole and absolute discretion, to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim. Employee shall have full control of such defense or prosecution and such proceedings, including any settlement or compromise thereof. If requested by Employee, the Company shall cooperate, and shall cause its Affiliates to cooperate, in good faith with Employee and his authorized representatives in order to contest effectively such Employee Claim. the Company may attend, but not participate in or control, any defense, prosecution, settlement or compromise of any Employee Claim controlled by Employee pursuant to this Section 7(f)(viii) and shall bear its own costs and expenses with respect thereto. In the case of any Employee Claim that is defended or prosecuted by Employee, Employee shall, from time to time, be entitled to current payment, on a fully grossed-up after tax basis, from the Company with respect to costs and expenses incurred by Employee in connection with such defense or prosecution.

(ix) In the case of any Employee Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 7(f)(ix), the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim that have not theretofore been paid by the Company to Employee, together with the costs and expenses, on a fully grossed-up after tax basis, incurred in connection therewith that have not theretofore been paid by the Company to Employee, within ten calendar days after such Final Determination. In the case of any Employee Claim not covered by the preceding sentence, the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim at least ten calendar days before the date payment of such taxes is due from Employee, except where payment of such taxes is sooner required under the provisions of this Section 7(f)(ix), in which case payment of such taxes (and payment, on a fully grossed-up after tax basis, of any costs and expenses required to be paid under this Section 7(f)(ix)) shall be made within the time and in the manner otherwise provided in this Section 7(f)(ix).

(x) For purposes of this Agreement, the term "FINAL DETERMINATION" shall mean (A) a decision, judgment, decree or other order by a court or other tribunal with appropriate jurisdiction, which has become final and non-appealable; (B) a final and binding settlement or compromise with an administrative agency with appropriate jurisdiction, including, but not limited to, a closing agreement under Section 7121 of the Code; (C) any disallowance of a claim for refund or credit in respect to an overpayment of tax unless a suit is filed on a timely basis; or (D) any final disposition by reason of the expiration of all applicable statutes of limitations.

(xi) For purposes of this Agreement, the terms "TAX" and "TAXES" mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes, income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts."

(g) EFFECT OF TERMINATION. In the event that the 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 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 Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
400 North Belt East, Suite 400
Houston, Texas 77060
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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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:
Name: Martin R. Ferron
Title: President and Chief Operating Officer

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Agreement is made this 15th day of February, 1999, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and Martin R. Ferron (Employee), an individual residing at 30 Champions Bend, Houston, Texas 77069.

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 and Chief Operating Officer for the Company; and

WHEREAS, the Company wishes to continue to employ Employee as President and Chief Operating Officer of the Company and Employee is willing to accept such continued employment upon the terms and conditions set forth in this Agreement;

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 until December 31, 2003 and thereafter terminating one year after delivery to Employee of a written notice of termination by the Company (the "Employment Term"); PROVIDED, HOWEVER, that the occurrence of any event described in Sections 7(a), 7(b) or 7(c) prior to the end of the Employment Term shall result in the immediate termination of Employee's employment and the Employment Term, subject to the terms of such applicable Section. Employee shall devote his time, energy and skill to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests. Any provision of this Agreement to the contrary notwithstanding, Employee shall immediately resign from any offices held with the Company or its Affiliates upon written request by the Company. Any resignation made pursuant to a written request by the Company under this Section shall not affect Employee's rights under this Agreement for any compensation, benefits or payments.

(b) Employee's duties shall include all the normal duties associated with acting as President and Chief Operating Officer of the Company and all other responsibilities assigned to that office from time to time by the Chairman and 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 and subject to such changes therein as the Board may make from time to time, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 2001at the rate of One Hundred Sixty Thousand Dollars ($160,000), 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, 1999, 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 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, 2005 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 Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of 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 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 either the amounts due under Section 7(d), if appropriate, or 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 Employee shall be entitled to all insurance benefits received by other senior executives of the Company and reasonable family relocation costs to the United Kingdom. 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, 2003 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.

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) 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 (but the Company's rights shall survive as herein otherwise provided including, without limitation, under Sections 4, 5 and 6 hereof). 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) "TERMINATION BY THE COMPANY WITHOUT CAUSE AFTER CHANGE IN CONTROL." If the Company terminates this Agreement for any reason other than pursuant to the terms of Sections 7(a), 7(b), or 7(c), and such termination occurs within two years of the occurrence of a Change in Control and a Material Change in Senior Management (as defined in (e) 1 below), then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

A "CHANGE IN CONTROL"shall be deemed to have occurred at any time after the date of this Agreement that any person (including those persons who own more than 10% of the combined voting power of the Company's outstanding voting securities on the date hereof) becomes the beneficial owner, directly or indirectly, of 45% or more of the combined voting power of the Company's then outstanding voting securities.

(e) "TERMINATION BY EMPLOYEE WITH GOOD CAUSE AFTER CHANGE IN CONTROL." If Employee terminates this Agreement for Good Cause (defined below) and such termination occurs within two years of the occurrence of a Change in Control, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

"GOOD CAUSE" shall mean the occurrence of both of the following events:

1. a "Material Change in Senior Management" (which shall mean either one or both of the CEO and COO cease their employment with the Company); and

2. in addition, any of the following events occur:

(i) the assignment by the Company to Employee of duties that are materially inconsistent with Employee's office with the Company at the time of such assignment, or the removal by the Company from Employee of a material portion of those duties usually appertaining to Employee's office with the Company at the time of such removal;

(ii) a material change by the Company, without Employee's prior written consent, in Employee's responsibilities to the Company, as such responsibilities are ordinarily and customarily required from time to time of a senior officer of a corporation engaged in the Company's business;

(iii) any removal of Employee from, or any failure to reelect or to reappoint Employee to, the office stated in Section 1(b);

(iv) The Company's direction that Employee discontinue service (or not seek reelection or reappointment) as a director, officer or member of any corporation or association of which Employee is a director, officer, or member at the date of this Agreement;

(v) a reduction by the Company in the amount of Employee's salary in effect at the time of the occurrence of a Change in Control or the failure of the Company to pay such salary to Employee at the time and in the manner specified in this Agreement;

(vi) the discontinuance (without comparable replacement) or material reduction by the Company of Employee's participation in any bonus or other employee benefit arrangement (including, without limitation, any profit-sharing, thrift, life insurance, medical, dental, hospitalization, stock option or retirement plan or arrangement) in which Employee is a participant under the terms of this Agreement, as in effect on the date hereof or as may be improved from time to time hereafter;

(vii) the moving by the Company of Employee's principal office space, related facilities, or support personnel, from the Company's principal operating offices, or the Company's requiring Employee to perform a majority of his duties outside the Company's principal operating offices for a period of more than 30 consecutive days;

(viii)the relocation, without Employee's prior written consent, of the Company's principal Employee offices to a location outside the county in which such offices are located at the time of the signing of this Agreement;

(ix) in the event the Company requires Employee to reside at a location more than 25 miles from the Company's principal Employee offices, except for occasional travel in connection with the Company business to an extent and in a manner which is substantially consistent with Employee's current business travel obligations;

(x) in the event Employee consents to a relocation of the Company's principal Employee offices, the failure of the Company to (A) pay or reimburse Employee on an after-tax basis for all reasonable moving expenses incurred by Employee in connection with such relocation or (B) indemnify Employee on an after-tax basis against any loss realized by Employee on the sale his principal residence in connection with such relocation;

(xi) the failure of the Company to continue to provide Employee with office space, related facilities and support personnel (including, without limitation, administrative and secretarial assistance) that are commensurate with Employee's responsibilities to and position with the Company, and no less than those prior to this Agreement;

(xii) any significant change in Employee's reporting relationships or changes in senior management of the Company

(xiii)the failure by the Company to promptly reimburse Employee for the reasonable business expenses incurred by Employee in the performance of his duties for the Company, in accordance with this Agreement.

(f) GROSS-UP PAYMENTS - CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company or any of its affiliates (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended) under this Agreement to or for the benefit of Employee (any such payments or distributions being individually referred to herein as a "PAYMENT," and any two or more of such payments or distributions being referred to herein as "PAYMENTS"), would be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "EXCISE TAX"), then Employee shall be entitled to receive an additional payment or payments (individually referred to herein as a "GROSS-UP PAYMENT" and any two or more of such additional payments being referred to herein as "GROSS-UP PAYMENTS") in an amount such that after payment by Employee of all taxes (as defined in Section 7(f)(xi) imposed upon the Gross-Up Payment, Employee retains an amount of such Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to the provisions of Section 7(f)(iii) through 7(f)(ix), any determination (individually, a "DETERMINATION") required to be made under this Section 7(f)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by

nationally recognized tax counsel mutually acceptable to the Company and Employee ("TAX COUNSEL"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and Employee within 15 business days of the termination of Employee's employment, if applicable, or such other time or times as is reasonably requested by the Company or Employee. If Tax Counsel makes the initial Determination that no Excise Tax is payable by Employee with respect to a Payment or Payments, it shall furnish Employee with an opinion reasonably acceptable to Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Employee shall have the right to dispute any Determination (a "DISPUTE") within 15 business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to Employee within five business days of Employee's receipt of such Determination. The existence of a Dispute shall not in any way affect Employee's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and Employee, subject in all respects, however, to the provisions of Section 7(f)(iii) through 7(f)(ix) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will not have been made by the Company should have been made ("UNDERPAYMENT"), and if upon any reasonable written request from Employee or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that Employee is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee.

(iii) the Company shall defend, hold harmless, and indemnify Employee on a fully grossed-up after tax basis from and against any and all claims, losses, liabilities, obligations, damages, impositions, assessments, demands, judgements, settlements, costs and expenses (including reasonable attorneys', accountants', and experts' fees and expenses) with respect to any tax liability of Employee resulting from any Final Determination (as defined in Section 7(f)(x) that any Payment is subject to the Excise Tax.

(iv) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued successfully, could result in or give rise to a claim by Employee against the Company under this Section 7(f) ("CLAIM"), including, but not limited to, a claim for indemnification of Employee by the Company under Section 7(f)(iii), then such party shall promptly notify the other party hereto in writing of such Claim ("TAX CLAIM NOTICE").

(v) If a Claim is asserted against Employee ("EMPLOYEE CLAIM"), Employee shall take or cause to be taken such action in connection with contesting such Employee Claim as the Company shall reasonably request in writing from time to time, including the retention of counsel and experts as are reasonably designated by the Company (it being understood and agreed by the parties hereto that the terms of any such retention shall expressly provide that the Company shall be solely responsible for the payment of any and all fees and disbursements of such counsel and any experts) and the execution of powers of attorney, PROVIDED that:

(1) within 30 calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Employee Claim (or such earlier date that any payment of the taxes claimed is due from Employee, but in no event sooner than five calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified Employee in writing ("ELECTION NOTICE") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Employee Claim at the Company's sole risk and sole cost and expense; and

(2) the Company shall have advanced to Employee on an interest-free basis, the total amount of the tax claimed in order for Employee, at the Company's request, to pay or cause to be paid the tax claimed, file a claim for refund of such tax and, subject to the provisions of the last sentence of Section 7(f)(vii), sue for a refund of such tax if such claim for refund is disallowed by the appropriate taxing authority (it being understood and agreed by the parties hereto that the Company shall only be entitled to sue for a refund and the Company shall not be entitled to initiate any proceeding in, for example, United States Tax Court) and shall indemnify and hold Employee harmless, on a fully grossed-up after tax basis, from any tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and

(3) the Company shall reimburse Employee for any and all costs and expenses resulting from any such request by the Company and shall indemnify and hold Employee harmless, on fully grossed-up after-tax basis, from any tax imposed as a result of such reimbursement.

(vi) Subject to the provisions of Section 7(f)(v) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim by all appropriate proceedings, which proceedings shall be defended or prosecuted diligently by the Company to a Final Determination; PROVIDED, HOWEVER, that (i) the Company shall not, without Employee's prior written consent, enter into any compromise or settlement of such Employee Claim that would adversely affect Employee, (ii) any request from the Company to Employee regarding any extension of the statute of limitations relating to assessment, payment, or collection of taxes for the taxable year of Employee with respect to which the contested issues involved in, and amount of, Employee Claim relate is limited solely to such contested issues and amount, and (iii) the Company's control of any contest or proceeding shall be limited to issues with respect to Employee Claim and Employee shall be entitled to settle or contest, in his sole and absolute discretion, any other issue raised by the Internal Revenue Service or any other taxing authority. So long as the Company is diligently defending or prosecuting such Employee Claim, Employee shall provide or cause to be provided to the Company any information reasonably requested by the Company that relates to such Employee Claim, and shall otherwise cooperate with the Company and its representatives in good faith in order to contest effectively such Employee Claim. the Company shall keep Employee informed of all developments and events relating to any such Employee Claim (including, without limitation, providing to Employee copies of all written materials pertaining to any such Employee Claim), and Employee or his authorized representatives shall be entitled, at Employee's expense, to participate in all conferences, meetings and proceedings relating to any such Employee Claim.

(vii) If, after actual receipt by Employee of an amount of a tax claimed (pursuant to an Employee Claim) that has been advanced by the Company pursuant to Section 7(f)(v)(2) hereof, the extent of the liability of the Company hereunder with respect to such tax claimed has been established by a Final Determination, Employee shall promptly pay or cause to be paid to the Company any refund actually received by, or actually credited to, Employee with respect to such tax (together with any interest paid or credited thereon by the taxing authority and any recovery of legal fees from such taxing authority related thereto), except to the extent that any amounts are then due and payable by the Company to Employee, whether under the provisions of this Agreement or otherwise. If, after the receipt by Employee of an amount advanced by the Company pursuant to Section 7(f)(v)(2), a determination is made by the Internal Revenue Service or other appropriate taxing authority that Employee shall not be entitled to any refund with respect to such tax claimed, and the Company does not notify Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payments and other payments required to be paid hereunder.

(viii)With respect to any Employee Claim, if the Company fails to deliver an Election Notice to Employee within the period provided in Section 7(f)(v)(1) hereof or, after delivery of such Election Notice,

the Company fails to comply with the provisions of Section 7(f)(v)(2) and (3) and 7(f)(vi) hereof, then Employee shall at any time thereafter have the right (but not the obligation), at his election and in his sole and absolute discretion, to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim. Employee shall have full control of such defense or prosecution and such proceedings, including any settlement or compromise thereof. If requested by Employee, the Company shall cooperate, and shall cause its Affiliates to cooperate, in good faith with Employee and his authorized representatives in order to contest effectively such Employee Claim. the Company may attend, but not participate in or control, any defense, prosecution, settlement or compromise of any Employee Claim controlled by Employee pursuant to this Section 7(f)(viii) and shall bear its own costs and expenses with respect thereto. In the case of any Employee Claim that is defended or prosecuted by Employee, Employee shall, from time to time, be entitled to current payment, on a fully grossed-up after tax basis, from the Company with respect to costs and expenses incurred by Employee in connection with such defense or prosecution.

(ix) In the case of any Employee Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 7(f)(ix), the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim that have not theretofore been paid by the Company to Employee, together with the costs and expenses, on a fully grossed-up after tax basis, incurred in connection therewith that have not theretofore been paid by the Company to Employee, within ten calendar days after such Final Determination. In the case of any Employee Claim not covered by the preceding sentence, the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim at least ten calendar days before the date payment of such taxes is due from Employee, except where payment of such taxes is sooner required under the provisions of this Section 7(f)(ix), in which case payment of such taxes (and payment, on a fully grossed-up after tax basis, of any costs and expenses required to be paid under this Section 7(f)(ix)) shall be made within the time and in the manner otherwise provided in this Section 7(f)(ix).

(x) For purposes of this Agreement, the term "FINAL DETERMINATION" shall mean (A) a decision, judgment, decree or other order by a court or other tribunal with appropriate jurisdiction, which has become final and non-appealable; (B) a final and binding settlement or compromise with an administrative agency with appropriate jurisdiction, including, but not limited to, a closing agreement under Section 7121 of the Code; (C) any disallowance of a claim for refund or credit in respect to an overpayment of tax unless a suit is filed on a timely basis; or (D) any final disposition by reason of the expiration of all applicable statutes of limitations.

(xi) For purposes of this Agreement, the terms "TAX" and "TAXES" mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes, income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts."

(g) EFFECT OF TERMINATION. In the event that the 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 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 Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
400 North Belt East, Suite 400
Houston, Texas 77060
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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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:
Name: Owen Kratz
Title: Chairman and Chief Executive Officer

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Agreement is made this 15th day of February, 1999, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and S. James Nelson, Jr. (Employee), an individual residing at 3016 Amherst, Houston, Texas 77005.

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 Chief Financial Officer for the Company; and

WHEREAS, the Company wishes to continue to employ Employee as Executive Vice President Finance 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;

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 until February 28, 2001 and thereafter terminating one year after delivery to Employee of a written notice of termination by the Company (the "Employment Term"); PROVIDED, HOWEVER, that the occurrence of any event described in Sections 7(a), 7(b) or 7(c) prior to the end of the Employment Term shall result in the immediate termination of Employee's employment and the Employment Term, subject to the terms of such applicable Section. Employee shall devote his time, energy and skill to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests. Any provision of this Agreement to the contrary notwithstanding, Employee shall immediately resign from any offices held with the Company or its Affiliates upon written request by the Company. Any resignation made pursuant to a written request by the Company under this Section shall not affect Employee's rights under this Agreement for any compensation, benefits or payments.

(b) Employee's duties shall include all the normal duties associated with acting as Senior Vice President, General Counsel and Secretary of the Company and all other responsibilities assigned to that office from time to time by the Chairman , President 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 and subject to such changes therein as the Board may make from time to time, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 2001at the rate of Two Hundred Thousand Dollars ($200,000), 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, 1999, 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 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, 2005 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 Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of 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 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 either the amounts due under Section 7(d), if appropriate, or 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 Employee 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, 2003 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.

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) 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 (but the Company's rights shall survive as herein otherwise provided including, without limitation, under Sections 4, 5 and 6 hereof). 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) "TERMINATION BY THE COMPANY WITHOUT CAUSE AFTER CHANGE IN CONTROL." If the Company terminates this Agreement for any reason other than pursuant to the terms of Sections 7(a), 7(b), or 7(c), and such termination occurs within two years of the occurrence of a Change in Control and a Material Change in Senior Management (as defined in (e) 1 below), then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

A "CHANGE IN CONTROL"shall be deemed to have occurred at any time after the date of this Agreement that any person (including those persons who own more than 10% of the combined voting power of the Company's outstanding voting securities on the date hereof) becomes the beneficial owner, directly or indirectly, of 45% or more of the combined voting power of the Company's then outstanding voting securities.

(e) "TERMINATION BY EMPLOYEE WITH GOOD CAUSE AFTER CHANGE IN CONTROL." If Employee terminates this Agreement for Good Cause (defined below) and such termination occurs within two years of the occurrence of a Change in Control, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

"GOOD CAUSE" shall mean the occurrence of both of the following events:

1. a "Material Change in Senior Management" (which shall mean either one or both of the CEO and COO cease their employment with the Company); and

2. in addition, any of the following events occur:

(i) the assignment by the Company to Employee of duties that are materially inconsistent with Employee's office with the Company at the time of such assignment, or the removal by the Company from Employee of a material portion of those duties usually appertaining to Employee's office with the Company at the time of such removal;

(ii) a material change by the Company, without Employee's prior written consent, in Employee's responsibilities to the Company, as such responsibilities are ordinarily and customarily required from time to time of a senior officer of a corporation engaged in the Company's business;

(iii) any removal of Employee from, or any failure to reelect or to reappoint Employee to, the office stated in Section 1(b);

(iv) The Company's direction that Employee discontinue service (or not seek reelection or reappointment) as a director, officer or member of any corporation or association of which Employee is a director, officer, or member at the date of this Agreement;

(v) a reduction by the Company in the amount of Employee's salary in effect at the time of the occurrence of a Change in Control or the failure of the Company to pay such salary to Employee at the time and in the manner specified in this Agreement;

(vi) the discontinuance (without comparable replacement) or material reduction by the Company of Employee's participation in any bonus or other employee benefit arrangement (including, without limitation, any profit-sharing, thrift, life insurance, medical, dental, hospitalization, stock option or retirement plan or arrangement) in which Employee is a participant under the terms of this Agreement, as in effect on the date hereof or as may be improved from time to time hereafter;

(vii) the moving by the Company of Employee's principal office space, related facilities, or support personnel, from the Company's principal operating offices, or the Company's requiring Employee to perform a majority of his duties outside the Company's principal operating offices for a period of more than 30 consecutive days;

(viii)the relocation, without Employee's prior written consent, of the Company's principal Employee offices to a location outside the county in which such offices are located at the time of the signing of this Agreement;

(ix) in the event the Company requires Employee to reside at a location more than 25 miles from the Company's principal Employee offices, except for occasional travel in connection with the Company business to an extent and in a manner which is substantially consistent with Employee's current business travel obligations;

(x) in the event Employee consents to a relocation of the Company's principal Employee offices, the failure of the Company to (A) pay or reimburse Employee on an after-tax basis for all reasonable moving expenses incurred by Employee in connection with such relocation or (B) indemnify Employee on an after-tax basis against any loss realized by Employee on the sale his principal residence in connection with such relocation;

(xi) the failure of the Company to continue to provide Employee with office space, related facilities and support personnel (including, without limitation, administrative and secretarial assistance) that are commensurate with Employee's responsibilities to and position with the Company, and no less than those prior to this Agreement;

(xii) any significant change in Employee's reporting relationships or changes in senior management of the Company

(xiii)the failure by the Company to promptly reimburse Employee for the reasonable business expenses incurred by Employee in the performance of his duties for the Company, in accordance with this Agreement.

(f) GROSS-UP PAYMENTS - CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company or any of its affiliates (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended) under this Agreement to or for the benefit of Employee (any such payments or distributions being individually referred to herein as a "PAYMENT," and any two or more of such payments or distributions being referred to herein as "PAYMENTS"), would be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "EXCISE TAX"), then Employee shall be entitled to receive an additional payment or payments (individually referred to herein as a "GROSS-UP PAYMENT" and any two or more of such additional payments being referred to herein as "GROSS-UP PAYMENTS") in an amount such that after payment by Employee of all taxes (as defined in Section 7(f)(xi) imposed upon the Gross-Up Payment, Employee retains an amount of such Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to the provisions of Section 7(f)(iii) through 7(f)(ix), any determination (individually, a "DETERMINATION") required to be made under this Section 7(f)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by

nationally recognized tax counsel mutually acceptable to the Company and Employee ("TAX COUNSEL"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and Employee within 15 business days of the termination of Employee's employment, if applicable, or such other time or times as is reasonably requested by the Company or Employee. If Tax Counsel makes the initial Determination that no Excise Tax is payable by Employee with respect to a Payment or Payments, it shall furnish Employee with an opinion reasonably acceptable to Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Employee shall have the right to dispute any Determination (a "DISPUTE") within 15 business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to Employee within five business days of Employee's receipt of such Determination. The existence of a Dispute shall not in any way affect Employee's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and Employee, subject in all respects, however, to the provisions of Section 7(f)(iii) through 7(f)(ix) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will not have been made by the Company should have been made ("UNDERPAYMENT"), and if upon any reasonable written request from Employee or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that Employee is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee.

(iii) the Company shall defend, hold harmless, and indemnify Employee on a fully grossed-up after tax basis from and against any and all claims, losses, liabilities, obligations, damages, impositions, assessments, demands, judgements, settlements, costs and expenses (including reasonable attorneys', accountants', and experts' fees and expenses) with respect to any tax liability of Employee resulting from any Final Determination (as defined in Section 7(f)(x) that any Payment is subject to the Excise Tax.

(iv) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued successfully, could result in or give rise to a claim by Employee against the Company under this Section 7(f) ("CLAIM"), including, but not limited to, a claim for indemnification of Employee by the Company under Section 7(f)(iii), then such party shall promptly notify the other party hereto in writing of such Claim ("TAX CLAIM NOTICE").

(v) If a Claim is asserted against Employee ("EMPLOYEE CLAIM"), Employee shall take or cause to be taken such action in connection with contesting such Employee Claim as the Company shall reasonably request in writing from time to time, including the retention of counsel and experts as are reasonably designated by the Company (it being understood and agreed by the parties hereto that the terms of any such retention shall expressly provide that the Company shall be solely responsible for the payment of any and all fees and disbursements of such counsel and any experts) and the execution of powers of attorney, PROVIDED that:

(1) within 30 calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Employee Claim (or such earlier date that any payment of the taxes claimed is due from Employee, but in no event sooner than five calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified Employee in writing ("ELECTION NOTICE") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Employee Claim at the Company's sole risk and sole cost and expense; and

(2) the Company shall have advanced to Employee on an interest-free basis, the total amount of the tax claimed in order for Employee, at the Company's request, to pay or cause to be paid the tax claimed, file a claim for refund of such tax and, subject to the provisions of the last sentence of Section 7(f)(vii), sue for a refund of such tax if such claim for refund is disallowed by the appropriate taxing authority (it being understood and agreed by the parties hereto that the Company shall only be entitled to sue for a refund and the Company shall not be entitled to initiate any proceeding in, for example, United States Tax Court) and shall indemnify and hold Employee harmless, on a fully grossed-up after tax basis, from any tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and

(3) the Company shall reimburse Employee for any and all costs and expenses resulting from any such request by the Company and shall indemnify and hold Employee harmless, on fully grossed-up after-tax basis, from any tax imposed as a result of such reimbursement.

(vi) Subject to the provisions of Section 7(f)(v) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim by all appropriate proceedings, which proceedings shall be defended or prosecuted diligently by the Company to a Final Determination; PROVIDED, HOWEVER, that (i) the Company shall not, without Employee's prior written consent, enter into any compromise or settlement of such Employee Claim that would adversely affect Employee, (ii) any request from the Company to Employee regarding any extension of the statute of limitations relating to assessment, payment, or collection of taxes for the taxable year of Employee with respect to which the contested issues involved in, and amount of, Employee Claim relate is limited solely to such contested issues and amount, and (iii) the Company's control of any contest or proceeding shall be limited to issues with respect to Employee Claim and Employee shall be entitled to settle or contest, in his sole and absolute discretion, any other issue raised by the Internal Revenue Service or any other taxing authority. So long as the Company is diligently defending or prosecuting such Employee Claim, Employee shall provide or cause to be provided to the Company any information reasonably requested by the Company that relates to such Employee Claim, and shall otherwise cooperate with the Company and its representatives in good faith in order to contest effectively such Employee Claim. the Company shall keep Employee informed of all developments and events relating to any such Employee Claim (including, without limitation, providing to Employee copies of all written materials pertaining to any such Employee Claim), and Employee or his authorized representatives shall be entitled, at Employee's expense, to participate in all conferences, meetings and proceedings relating to any such Employee Claim.

(vii) If, after actual receipt by Employee of an amount of a tax claimed (pursuant to an Employee Claim) that has been advanced by the Company pursuant to Section 7(f)(v)(2) hereof, the extent of the liability of the Company hereunder with respect to such tax claimed has been established by a Final Determination, Employee shall promptly pay or cause to be paid to the Company any refund actually received by, or actually credited to, Employee with respect to such tax (together with any interest paid or credited thereon by the taxing authority and any recovery of legal fees from such taxing authority related thereto), except to the extent that any amounts are then due and payable by the Company to Employee, whether under the provisions of this Agreement or otherwise. If, after the receipt by Employee of an amount advanced by the Company pursuant to Section 7(f)(v)(2), a determination is made by the Internal Revenue Service or other appropriate taxing authority that Employee shall not be entitled to any refund with respect to such tax claimed, and the Company does not notify Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payments and other payments required to be paid hereunder.

(viii)With respect to any Employee Claim, if the Company fails to deliver an Election Notice to Employee within the period provided in Section 7(f)(v)(1) hereof or, after delivery of such Election Notice,

the Company fails to comply with the provisions of Section 7(f)(v)(2) and (3) and 7(f)(vi) hereof, then Employee shall at any time thereafter have the right (but not the obligation), at his election and in his sole and absolute discretion, to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim. Employee shall have full control of such defense or prosecution and such proceedings, including any settlement or compromise thereof. If requested by Employee, the Company shall cooperate, and shall cause its Affiliates to cooperate, in good faith with Employee and his authorized representatives in order to contest effectively such Employee Claim. the Company may attend, but not participate in or control, any defense, prosecution, settlement or compromise of any Employee Claim controlled by Employee pursuant to this Section 7(f)(viii) and shall bear its own costs and expenses with respect thereto. In the case of any Employee Claim that is defended or prosecuted by Employee, Employee shall, from time to time, be entitled to current payment, on a fully grossed-up after tax basis, from the Company with respect to costs and expenses incurred by Employee in connection with such defense or prosecution.

(ix) In the case of any Employee Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 7(f)(ix), the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim that have not theretofore been paid by the Company to Employee, together with the costs and expenses, on a fully grossed-up after tax basis, incurred in connection therewith that have not theretofore been paid by the Company to Employee, within ten calendar days after such Final Determination. In the case of any Employee Claim not covered by the preceding sentence, the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim at least ten calendar days before the date payment of such taxes is due from Employee, except where payment of such taxes is sooner required under the provisions of this Section 7(f)(ix), in which case payment of such taxes (and payment, on a fully grossed-up after tax basis, of any costs and expenses required to be paid under this Section 7(f)(ix)) shall be made within the time and in the manner otherwise provided in this Section 7(f)(ix).

(x) For purposes of this Agreement, the term "FINAL DETERMINATION" shall mean (A) a decision, judgment, decree or other order by a court or other tribunal with appropriate jurisdiction, which has become final and non-appealable; (B) a final and binding settlement or compromise with an administrative agency with appropriate jurisdiction, including, but not limited to, a closing agreement under Section 7121 of the Code; (C) any disallowance of a claim for refund or credit in respect to an overpayment of tax unless a suit is filed on a timely basis; or (D) any final disposition by reason of the expiration of all applicable statutes of limitations.

(xi) For purposes of this Agreement, the terms "TAX" and "TAXES" mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes, income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts."

(g) EFFECT OF TERMINATION. In the event that the 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 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 Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
400 North Belt East, Suite 400
Houston, Texas 77060
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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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:
Name: Martin R. Ferron
Title: President and Chief Operating Officer

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Agreement is made this 15th day of February, 1999, between Cal Dive International, Inc., a Minnesota corporation (the "Company"), and Louis L. Tapscott (Employee), an individual residing at 11711 Memorial Drive, #264, Houston, Texas 77024.

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 Senior Vice President-Business Development for the Company; and

WHEREAS, the Company wishes to continue to employ Employee as Senior Vice President-Business Development of the Company and Employee is willing to accept such continued employment upon the terms and conditions set forth in this Agreement;

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 until February 28, 2001 and thereafter terminating one year after delivery to Employee of a written notice of termination by the Company (the "Employment Term"); PROVIDED, HOWEVER, that the occurrence of any event described in Sections 7(a), 7(b) or 7(c) prior to the end of the Employment Term shall result in the immediate termination of Employee's employment and the Employment Term, subject to the terms of such applicable Section. Employee shall devote his time, energy and skill to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests. Any provision of this Agreement to the contrary notwithstanding, Employee shall immediately resign from any offices held with the Company or its Affiliates upon written request by the Company. Any resignation made pursuant to a written request by the Company under this Section shall not affect Employee's rights under this Agreement for any compensation, benefits or payments.

(b) Employee's duties shall include all the normal duties associated with acting as Senior Vice President-Business Development of the Company and all other responsibilities assigned to that office from time to time by the Chairman , President 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.

(d) Other Agreements - Attached hereto (as Attachment 1) are an existing employment Memorandum and Addendum Letter between the Company and Tapscott each dated August 1, 1996 (the "Memos). As to matters described therein, the Memos' terms (excluding the termination and non-disclosure terms in paragraphs 3 and 4 on page 1 of the first Memo, which terms are superseded in their entirety by Sections 4, 5, 6 and 7 hereof) are incorporated herein by reference and, to the extent inconsistent with the terms of this Employment Agreement, the Memos' terms shall control in all circumstances.

SECTION 2. COMPENSATION.

(a) SALARY. During the Employment Term, as compensation for his services and covenants and agreements hereunder and subject to such changes therein as the Board may make from time to time, the Company agrees to pay Employee an initial salary for the period from the date hereof to April 30, 2001at the rate of One Hundred Fifty One Thousand Four Hundred Twenty Four Dollars ($151,424), 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, 1999, 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 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, 2003 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 Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of 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 or 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 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 either the amounts due under Section 7(d), if appropriate, or 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 Employee 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, 2003 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.

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) 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 (but the Company's rights shall survive as herein otherwise provided including, without limitation, under Sections 4, 5 and 6 hereof). 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) "TERMINATION BY THE COMPANY WITHOUT CAUSE AFTER CHANGE IN CONTROL." If the Company terminates this Agreement for any reason other than pursuant to the terms of Sections 7(a), 7(b), or 7(c), and such termination occurs within two years of the occurrence of a Change in Control and a Material Change in Senior Management (as defined in (e) 1 below), then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

A "CHANGE IN CONTROL"shall be deemed to have occurred at any time after the date of this Agreement that any person (including those persons who own more than 10% of the combined voting power of the Company's outstanding voting securities on the date hereof) becomes the beneficial owner, directly or indirectly, of 45% or more of the combined voting power of the Company's then outstanding voting securities.

(e) "TERMINATION BY EMPLOYEE WITH GOOD CAUSE AFTER CHANGE IN CONTROL." If Employee terminates this Agreement for Good Cause (defined below) and such termination occurs within two years of the occurrence of a Change in Control, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

"GOOD CAUSE" shall mean the occurrence of both of the following events:

1. a "Material Change in Senior Management" (which shall mean either one or both of the CEO and COO cease their employment with the Company); and

2. in addition, any of the following events occur:

(i) the assignment by the Company to Employee of duties that are materially inconsistent with Employee's office with the Company at the time of such assignment, or the removal by the Company from Employee of a material portion of those duties usually appertaining to Employee's office with the Company at the time of such removal;

(ii) a material change by the Company, without Employee's prior written consent, in Employee's responsibilities to the Company, as such responsibilities are ordinarily and customarily required from time to time of a senior officer of a corporation engaged in the Company's business;

(iii) any removal of Employee from, or any failure to reelect or to reappoint Employee to, the office stated in Section 1(b);

(iv) The Company's direction that Employee discontinue service (or not seek reelection or reappointment) as a director, officer or member of any corporation or association of which Employee is a director, officer, or member at the date of this Agreement;

(v) a reduction by the Company in the amount of Employee's salary in effect at the time of the occurrence of a Change in Control or the failure of the Company to pay such salary to Employee at the time and in the manner specified in this Agreement;

(vi) the discontinuance (without comparable replacement) or material reduction by the Company of Employee's participation in any bonus or other employee benefit arrangement (including, without limitation, any profit-sharing, thrift, life insurance, medical, dental, hospitalization, stock option or retirement plan or arrangement) in which Employee is a participant under the terms of this Agreement, as in effect on the date hereof or as may be improved from time to time hereafter;

(vii) the moving by the Company of Employee's principal office space, related facilities, or support personnel, from the Company's principal operating offices, or the Company's requiring Employee to perform a majority of his duties outside the Company's principal operating offices for a period of more than 30 consecutive days;

(viii)the relocation, without Employee's prior written consent, of the Company's principal Employee offices to a location outside the county in which such offices are located at the time of the signing of this Agreement;

(ix) in the event the Company requires Employee to reside at a location more than 25 miles from the Company's principal Employee offices, except for occasional travel in connection with the Company business to an extent and in a manner which is substantially consistent with Employee's current business travel obligations;

(x) in the event Employee consents to a relocation of the Company's principal Employee offices, the failure of the Company to (A) pay or reimburse Employee on an after-tax basis for all reasonable moving expenses incurred by Employee in connection with such relocation or (B) indemnify Employee on an after-tax basis against any loss realized by Employee on the sale of his principal residence in connection with such relocation;

(xi) the failure of the Company to continue to provide Employee with office space, related facilities and support personnel (including, without limitation, administrative and secretarial assistance) that are commensurate with Employee's responsibilities to and position with the Company, and no less than those prior to this Agreement;

(xii) any significant change in Employee's reporting relationships or changes in senior management of the Company

(xiii)the failure by the Company to promptly reimburse Employee for the reasonable business expenses incurred by Employee in the performance of his duties for the Company, in accordance with this Agreement.

(f) GROSS-UP PAYMENTS - CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company or any of its affiliates (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended) under this Agreement to or for the benefit of Employee (any such payments or distributions being individually referred to herein as a "PAYMENT," and any two or more of such payments or distributions being referred to herein as "PAYMENTS"), would be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "EXCISE TAX"), then Employee shall be entitled to receive an additional payment or payments (individually referred to herein as a "GROSS-UP PAYMENT" and any two or more of such additional payments being referred to herein as "GROSS-UP PAYMENTS") in an amount such that after payment

by Employee of all taxes (as defined in Section 7(f)(xi) imposed upon the Gross-Up Payment, Employee retains an amount of such Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to the provisions of Section 7(f)(iii) through 7(f)(ix), any determination (individually, a "DETERMINATION") required to be made under this Section 7(f)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by nationally recognized tax counsel mutually acceptable to the Company and Employee ("TAX COUNSEL"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and Employee within 15 business days of the termination of Employee's employment, if applicable, or such other time or times as is reasonably requested by the Company or Employee. If Tax Counsel makes the initial Determination that no Excise Tax is payable by Employee with respect to a Payment or Payments, it shall furnish Employee with an opinion reasonably acceptable to Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Employee shall have the right to dispute any Determination (a "DISPUTE") within 15 business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to Employee within five business days of Employee's receipt of such Determination. The existence of a Dispute shall not in any way affect Employee's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and Employee, subject in all respects, however, to the provisions of Section 7(f)(iii) through 7(f)(ix) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will not have been made by the Company should have been made ("UNDERPAYMENT"), and if upon any reasonable written request from Employee or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that Employee is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee.

(iii) the Company shall defend, hold harmless, and indemnify Employee on a fully grossed-up after tax basis from and against any and all claims, losses, liabilities, obligations, damages, impositions, assessments, demands, judgements, settlements, costs and expenses (including reasonable attorneys', accountants', and experts' fees and expenses) with respect to any tax liability of Employee resulting from any Final Determination (as defined in Section 7(f)(x) that any Payment is subject to the Excise Tax.

(iv) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued successfully, could result in or give rise to a claim by Employee against the Company under this Section 7(f) ("CLAIM"), including, but not limited to, a claim for indemnification of Employee by the Company under Section 7(f)(iii), then such party shall promptly notify the other party hereto in writing of such Claim ("TAX CLAIM NOTICE").

(v) If a Claim is asserted against Employee ("EMPLOYEE CLAIM"), Employee shall take or cause to be taken such action in connection with contesting such Employee Claim as the Company shall reasonably request in writing from time to time, including the retention of counsel and experts as are reasonably designated by the Company (it being understood and agreed by the parties hereto that the terms of any such retention shall expressly provide that the Company shall be solely responsible for the payment of any and all fees and disbursements of such counsel and any experts) and the execution of powers of attorney, PROVIDED that:

(1) within 30 calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Employee Claim (or such earlier date that any payment of the

taxes claimed is due from Employee, but in no event sooner than five calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified Employee in writing ("ELECTION NOTICE") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Employee Claim at the Company's sole risk and sole cost and expense; and

(2) the Company shall have advanced to Employee on an interest-free basis, the total amount of the tax claimed in order for Employee, at the Company's request, to pay or cause to be paid the tax claimed, file a claim for refund of such tax and, subject to the provisions of the last sentence of Section 7(f)(vii), sue for a refund of such tax if such claim for refund is disallowed by the appropriate taxing authority (it being understood and agreed by the parties hereto that the Company shall only be entitled to sue for a refund and the Company shall not be entitled to initiate any proceeding in, for example, United States Tax Court) and shall indemnify and hold Employee harmless, on a fully grossed-up after tax basis, from any tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and

(3) the Company shall reimburse Employee for any and all costs and expenses resulting from any such request by the Company and shall indemnify and hold Employee harmless, on fully grossed-up after-tax basis, from any tax imposed as a result of such reimbursement.

(vi) Subject to the provisions of Section 7(f)(v) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim by all appropriate proceedings, which proceedings shall be defended or prosecuted diligently by the Company to a Final Determination; PROVIDED, HOWEVER, that (i) the Company shall not, without Employee's prior written consent, enter into any compromise or settlement of such Employee Claim that would adversely affect Employee, (ii) any request from the Company to Employee regarding any extension of the statute of limitations relating to assessment, payment, or collection of taxes for the taxable year of Employee with respect to which the contested issues involved in, and amount of, Employee Claim relate is limited solely to such contested issues and amount, and (iii) the Company's control of any contest or proceeding shall be limited to issues with respect to Employee Claim and Employee shall be entitled to settle or contest, in his sole and absolute discretion, any other issue raised by the Internal Revenue Service or any other taxing authority. So long as the Company is diligently defending or prosecuting such Employee Claim, Employee shall provide or cause to be provided to the Company any information reasonably requested by the Company that relates to such Employee Claim, and shall otherwise cooperate with the Company and its representatives in good faith in order to contest effectively such Employee Claim. the Company shall keep Employee informed of all developments and events relating to any such Employee Claim (including, without limitation, providing to Employee copies of all written materials pertaining to any such Employee Claim), and Employee or his authorized representatives shall be entitled, at Employee's expense, to participate in all conferences, meetings and proceedings relating to any such Employee Claim.

(vii) If, after actual receipt by Employee of an amount of a tax claimed (pursuant to an Employee Claim) that has been advanced by the Company pursuant to Section 7(f)(v)(2) hereof, the extent of the liability of the Company hereunder with respect to such tax claimed has been established by a Final Determination, Employee shall promptly pay or cause to be paid to the Company any refund actually received by, or actually credited to, Employee with respect to such tax (together with any interest paid or credited thereon by the taxing authority and any recovery of legal fees from such taxing authority related thereto), except to the extent that any amounts are then due and payable by the Company to Employee, whether under the provisions of this Agreement or otherwise. If, after the receipt by Employee of an amount advanced by the Company pursuant to Section 7(f)(v)(2), a determination is made by the Internal Revenue Service or other appropriate taxing authority that Employee shall not be entitled to any refund with respect to such tax claimed, and the Company

does not notify Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payments and other payments required to be paid hereunder.

(viii)With respect to any Employee Claim, if the Company fails to deliver an Election Notice to Employee within the period provided in Section 7(f)(v)(1) hereof or, after delivery of such Election Notice, the Company fails to comply with the provisions of Section 7(f)(v)(2) and (3) and 7(f)(vi) hereof, then Employee shall at any time thereafter have the right (but not the obligation), at his election and in his sole and absolute discretion, to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim. Employee shall have full control of such defense or prosecution and such proceedings, including any settlement or compromise thereof. If requested by Employee, the Company shall cooperate, and shall cause its Affiliates to cooperate, in good faith with Employee and his authorized representatives in order to contest effectively such Employee Claim. the Company may attend, but not participate in or control, any defense, prosecution, settlement or compromise of any Employee Claim controlled by Employee pursuant to this Section 7(f)(viii) and shall bear its own costs and expenses with respect thereto. In the case of any Employee Claim that is defended or prosecuted by Employee, Employee shall, from time to time, be entitled to current payment, on a fully grossed-up after tax basis, from the Company with respect to costs and expenses incurred by Employee in connection with such defense or prosecution.

(ix) In the case of any Employee Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 7(f)(ix), the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim that have not theretofore been paid by the Company to Employee, together with the costs and expenses, on a fully grossed-up after tax basis, incurred in connection therewith that have not theretofore been paid by the Company to Employee, within ten calendar days after such Final Determination. In the case of any Employee Claim not covered by the preceding sentence, the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim at least ten calendar days before the date payment of such taxes is due from Employee, except where payment of such taxes is sooner required under the provisions of this Section 7(f)(ix), in which case payment of such taxes (and payment, on a fully grossed-up after tax basis, of any costs and expenses required to be paid under this Section 7(f)(ix)) shall be made within the time and in the manner otherwise provided in this Section 7(f)(ix).

(x) For purposes of this Agreement, the term "FINAL DETERMINATION" shall mean (A) a decision, judgment, decree or other order by a court or other tribunal with appropriate jurisdiction, which has become final and non-appealable; (B) a final and binding settlement or compromise with an administrative agency with appropriate jurisdiction, including, but not limited to, a closing agreement under Section 7121 of the Code; (C) any disallowance of a claim for refund or credit in respect to an overpayment of tax unless a suit is filed on a timely basis; or (D) any final disposition by reason of the expiration of all applicable statutes of limitations.

(xi) For purposes of this Agreement, the terms "TAX" and "TAXES" mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes, income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts."

(g) EFFECT OF TERMINATION. In the event that the 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 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 Employee:

At the address set forth on page 1 hereof.

If to the Company :

Cal Dive International, Inc.
400 North Belt East, Suite 400
Houston, Texas 77060
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 as 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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:
Name: Martin R. Ferron
Title: President and Chief Operating Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements File No. 333-50289 and No. 333-58817.

ARTHUR ANDERSEN LLP

Houston, Texas
March 31, 1999

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THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM CDI's Consolidated Balance Sheet and Statement of Operations
[Identify specific financial statements]
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
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DEC-31-1998
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1.61