UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2003

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____________to ______________

Commission File Number: 0-22739

Cal Dive International, Inc.
(Exact Name of Registrant as Specified in its Charter)

Minnesota	95-3409686
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

400 N. Sam Houston Parkway E.
Suite 400
Houston, Texas 77060
(Address of Principal Executive Offices)

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

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13(b) or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No [ ]

At November 12, 2003 there were 37,733,708 shares of common stock, no par value, outstanding.

CAL DIVE INTERNATIONAL, INC.
INDEX

PART I. FINANCIAL STATEMENTS

Item 1. Financial Statements

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	Sept. 30, 2003	Dec. 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,712	$ 0
Restricted cash	2,432	2,506
Accounts receivable --		
Trade, net of revenue allowance on gross amounts billed of $7,631 and $7,156	90,424	65,743
Unbilled	6,677	9,675
Other current assets	33,150	38,195
Total current assets	135,395	116,119
PROPERTY AND EQUIPMENT	769,837	726,878
Less - Accumulated depreciation	(166,495)	(130,527)
	603,342	596,351
OTHER ASSETS:		
Goodwill	80,228	79,758
Investment in Deepwater Gateway LLC	34,373	32,688
Other assets, net	17,057	15,094
	$870,395	$840,010
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 54,756	$ 62,798
Accrued liabilities	37,282	34,790
Current maturities of long-term debt	14,109	4,201
Total current liabilities	106,147	101,789
LONG-TERM DEBT, net of current maturities	215,439	223,576
DEFERRED INCOME TAXES	87,540	75,208
DECOMMISSIONING LIABILITIES	66,673	92,420
OTHER LONG-TERM LIABILITIES	2,025	1,972
Total Liabilities	477,824	494,965
REDEEMABLE STOCK IN SUBSIDIARY	0	7,528
CONVERTIBLE PREFERRED STOCK	24,437	0
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par, 60,000 shares authorized, 51,292 and 51,060 shares issued and outstanding	199,285	195,405
Retained earnings	169,833	145,947
Treasury stock, 13,602 and 13,602 shares, at cost	(3,741)	(3,741)
Accumulated other comprehensive income (loss)	2,757	(94)
Total shareholders' equity	368,134	337,517
	$870,395	$840,010

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

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

Three Months Ended Sept. 30, ---------------------------- 2003 2002 ---------- ---------- NET REVENUES: Marine contracting $ 69,897 $ 68,102 Oil and gas production 33,958 15,913 -------- -------- 103,855 84,015 COST OF SALES: Marine contracting 62,530 63,322 Oil and gas production 17,320 9,120 -------- -------- GROSS PROFIT 24,005 11,573 Selling and administrative expenses 8,620 6,372 -------- -------- INCOME FROM OPERATIONS 15,385 5,201 OTHER EXPENSE: Interest expense, net 639 424 Other, net 216 235 -------- -------- INCOME BEFORE INCOME TAXES 14,530 4,542 Provision for income taxes 5,231 1,590 -------- -------- NET INCOME 9,299 2,952 Preferred stock dividends and accretion 362 0 -------- -------- NET INCOME APPLICABLE TO COMMON SHAREHOLDERS $ 8,937 $ 2,952 ======== ======== NET INCOME PER COMMON SHARE: Basic $ 0.24 $ 0.08 Diluted $ 0.24 $ 0.08 ======== ======== WEIGHTED AVERAGE COMMON SHARES OUTSTANDING Basic 37,665 37,268 Diluted 37,776 37,432 ======== ======== The accompanying notes are an integral part of these consolidated financial statements. 2

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED) Nine Months Ended Sept. 30, ---------------------------- 2003 2002 ---------- ---------- NET REVENUES: Marine contracting $193,108 $172,132 Oil and gas production 101,486 38,116 -------- -------- 294,594 210,248 COST OF SALES: Marine contracting 176,319 149,838 Oil and gas production 50,877 20,534 -------- -------- GROSS PROFIT 67,398 39,876 Selling and administrative expenses 26,201 18,869 -------- -------- INCOME FROM OPERATIONS 41,197 21,007 OTHER (INCOME) EXPENSE: Interest expense, net 2,176 1,224 Other, net 858 (474) -------- -------- INCOME BEFORE INCOME TAXES 38,163 20,257 Provision for income taxes 13,739 7,090 -------- -------- INCOME BEFORE CHANGE IN ACCOUNTING PRINCIPLE 24,424 13,167 Cumulative effect of change in accounting principle, net 530 0 -------- -------- NET INCOME 24,954 13,167 Preferred stock dividends and accretion 1,068 0 -------- -------- NET INCOME APPLICABLE TO COMMON SHAREHOLDERS $ 23,886 $ 13,167 ======== ======== NET INCOME PER COMMON SHARE: Basic: Net income before change in accounting principle $ 0.62 $ 0.38 Cumulative effect of change in accounting principle $ 0.01 $ 0.00 -------- -------- Net income applicable to common shareholders $ 0.63 $ 0.38 ======== ======== Diluted: Net income before change in accounting principle $ 0.62 $ 0.37 Cumulative effect of change in accounting principle $ 0.01 $ 0.00 -------- -------- Net income applicable to common shareholders $ 0.63 $ 0.37 ======== ======== WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: Basic 37,618 34,888 Diluted 37,715 35,231 ======== ======== The accompanying notes are an integral part of these consolidated financial statements. 3

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) (UNAUDITED)

Nine Months Ended Sept. 30, ------- ----------------- ------ 2003 2002 ---------- ------ ---- CASH FLOWS FROM OPERATING ACTIVITIES: Net income $ 24,954 $ 13,167 Adjustments to reconcile net income to net cash provided by operating activities -- Cumulative effect of change in accounting principle (530) 0 Depreciation and amortization 49,821 28,343 Deferred income taxes 13,739 8,721 Unrealized gain on foreign currency contract 0 (1,065) (Gain) loss on sale of assets 45 (14) Changes in operating assets and liabilities: Accounts receivable, net (21,596) 4,454 Other current assets 926 (2,282) Accounts payable and accrued liabilities 1,574 (3,126) Income taxes payable/receivable 0 0 Other non-current, net (11,486) (6,775) -------- -------- Net cash provided by operating activities 57,447 41,423 -------- -------- CASH FLOWS FROM INVESTING ACTIVITIES: Capital expenditures (73,987) (140,325) Acquisition of businesses, net of cash acquired (407) (118,326) Investment in Deepwater Gateway LLC (1,685) (25,444) Restricted cash 74 0 Proceeds from sales of property 200 23 -------- -------- Net cash used in investing activities

(75,805) (284,072) -------- -------- CASH FLOWS FROM FINANCING ACTIVITIES: Sale of common stock, net of transaction costs 0 87,223 Sale of convertible preferred stock, net of transaction costs 24,100 0 Borrowings under MARAD loan facility 0 43,898 Repayments under MARAD loan facility (2,767) (1,318) Borrowings (repayments) on line of credit (16,717) 52,045 Borrowings on term loan 5,707 26,857 Borrowings on capital leases 12,000 0 Repayment of capital leases (1,303) (4,715) Preferred stock dividends paid (731) 0 Redemption of stock in subsidiary (2,676) 0 Exercise of stock options, net 3,430 3,822 -------- -------- Net cash provided by financing activities 21,043 207,812 -------- -------- Effect of exchange rate changes on cash and cash equivalents 27 0 NET INCREASE IN CASH AND CASH EQUIVALENTS 2,712 (34,837) CASH AND CASH EQUIVALENTS: Balance, beginning of period 0 34,837 -------- -------- Balance, end of period $ 2,712 $ 0 ======== ======== SUPPLEMENTAL DISCLOSURE OF NON-CASH CASH FLOW INFORMATION: Decommissioning liabilities assumed in offshore property acquisitions $ 1,722 $ 66,086 ======== ========

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

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) Note 1 - Basis of Presentation The accompanying financial statements include the accounts of Cal Dive International, Inc. (Cal Dive, CDI or the Company) and its majority owned subsidiaries. The Company accounts for its 50% interest in Deepwater Gateway LLC using the equity method of accounting as the Company does not have voting or operational control of this entity. All material intercompany accounts and transactions have been eliminated. These financial statements are unaudited, have been prepared pursuant to instructions for the Quarterly Report on Form 10-Q required to be filed with the Securities and Exchange Commission and do not include all information and footnotes normally included in annual financial statements prepared in accordance with generally accepted accounting principles. Management has reflected all adjustments (which were normal recurring adjustments) that it believes are necessary for a fair presentation of the consolidated balance sheets, results of operations, and cash flows, as applicable. Operating results for the period ended September 30, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. The Company's balance sheet as of December 31, 2002 included herein has been derived from the audited balance sheet as of December 31, 2002 included in the Company's 2002 Annual Report on Form 10-K/A. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto included in the Company's 2002 Annual Report on Form 10-K/A. Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes to make them consistent with the current presentation format. Note 2 - Accounting for Asset Retirement Obligations On January 1, 2003, the Company adopted Statement of Financial Accounting Standards (SFAS) 143, Accounting for Asset Retirement Obligations, which addresses the financial accounting and reporting obligations and retirement costs related to the retirement of tangible long-lived assets. Among other things, SFAS 143 requires oil and gas companies to reflect decommissioning liabilities on the face of the balance sheet at fair value on a discounted basis. Prior to January 1, 2003, the Company reflected this liability on the balance sheet on an undiscounted basis. The adoption of SFAS 143 resulted in a cumulative effect adjustment as of January 1, 2003 to record (i) a $33.1 million decrease in the carrying values of proved properties, (ii) a $7.4 million decrease in accumulated depreciation, depletion and amortization of property and equipment, (iii) a $26.5 million decrease in decommissioning liabilities and (iv) a $0.3 million increase in deferred income tax liabilities. The net impact of items (i) through (iv) was to record a gain of $0.5 million, net of tax, as a cumulative effect adjustment of a change in accounting principle in the Company's consolidated statements of operations upon adoption on January 1, 2003. The Company has no material assets that are legally restricted for purposes of settling its decommissioning liabilities. The pro forma effects of the application of SFAS 143 as if the statement had been adopted on January 1, 2002 are presented below (in thousands):

Three Months
Ended Nine
Months Ended

----- ------

September
30,
September
30,
September
30,
September
30, 2003
2002 2003
2002 -------

- Net income
applicable
to common
shareholders
as reported
$8,937
$2,952
$23,886
$13,167
Changes in
accretion
and
depreciation
expense --
(146) --
(1,987)
Cumulative
effect of
accounting
change -- (-
-) (530) --

-------- Pro
forma net
income
applicable
to common
shareholders
$8,937
$2,806
$23,356
$11,180 Pro
forma net
income per
share
applicable
to common
shareholders:
Basic $ 0.24
$ 0.08 $
0.62 $ 0.32
Diluted 0.24
0.08 0.62
0.32 Net
income per
share
applicable
to common
shareholders
as reported:
Basic $ 0.24
$ 0.08 $

0.63 $ 0.38
Diluted 0.24
0.08 0.63
0.37

The following table describes the changes in the Company's asset retirement obligations for the first nine months of 2003 (in thousands): Asset retirement obligation at December 31, 2002 .... $ 92,420 Cumulative effect adjustment .... (26,527) --------- Asset retirement obligation at January 1, 2003 .... 65,893 Liability incurred during the period .... 3,737 Liabilities settled during the period .... (5,603) Accretion expense .... 2,646 --------- Asset retirement obligation at September 30, 2003 .... $ 66,673 =========

The pro forma asset retirement obligation liability balances as if SFAS 143 had been adopted January 1, 2002 are as follows (in thousands):
2002 -------- Pro forma amounts of liability for asset retirement obligation at beginning of year.. $ 33,473 -------- Pro forma amounts of liability for asset retirement obligation at September 30.. $ 65,667 ========

During the second quarter of 2003, the Company completed purchase price allocations relating to ERT's August 2002 acquisitions of Shell Exploration & Production Company's interest in South Marsh Island 130 (SMI 130), as well as Amerada Hess' interest in SMI 130 and six other fields, and a June 2002 acquisition of a package of properties from Williams Exploration and Production. The allocations were based on settlement agreements as well as additional information obtained relating to certain asset retirement obligation estimates. The result was a net decrease of $1.6 million in property and equipment and had no statement of operations impact. 6

Note 3 - New Accounting Pronouncements In January 2003, Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN No. 46"), was issued. FIN No. 46 requires companies that control another entity through interest other than voting interests to consolidate the controlled entity. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003. For variable interest entities created before February 1, 2003, FIN No. 46 is applied no later than the end of the first reporting period ending after December 15, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003, if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The Company is currently evaluating the impact the adoption will have on its consolidated financial statements. In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's consolidated financial statements. In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS No. 150"). SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and must be applied to the Company's existing financial instruments effective July 1, 2003. The Company adopted SFAS No. 150 as required effective July 1, 2003. As a result of this adoption, the Company reclassified the $4.9 million of Redeemable Stock in Subsidiary (see discussion in Note 12) from mezzanine classification (i.e., between liabilities and shareholders equity on the balance sheet) to long-term debt, along with the applicable amount in current maturities of long-term debt. The adoption had no other impact on the Company's consolidated financial statements. Note 4 - Comprehensive Income The components of total comprehensive income for the three and nine months ended September 30, 2003, respectively are as follows (in thousands):
Three Months Ended Nine Months Ended September 30, September 30, -------------- -------- --------------------- 2003 2002 2003 2002 -------- ------- -------- - ------- Net Income .... 9,299 $ 2,952 $ 24,954 $ 13,167 Cumulative translation adjustment, net .... (690) 549 657 549 Unrealized gain (loss) on commodity hedges, net .... 3,990 (1,230) 2,194 (1,230) -------- ------- -------- -------- Total comprehensive income .... 12,599 $ 2,271 $ 27,805 $ 12,486 ======== ======= ======== ======== 7

The components of accumulated other comprehensive loss are as follows (in thousands):
Sept. 30, Dec. 31, 2003 2002 --------- -------- Cumulative translation adjustment, net................................ $ 3,205 $ 2,548 Unrealized loss on commodity hedges, net............................. (448) (2,642) --- ----- -------- Accumulated other comprehensive income (loss).......................... $ 2,757 $ (94) ======== ======== Note 5 - Derivatives The Company's price risk management activities involve the use of derivative financial instruments. The Company uses derivative financial instruments with respect to a portion of its oil and gas production to achieve a more predictable cash flow by reducing its exposure to price fluctuations. These transactions generally are swaps or collars and are entered into with major financial institutions or commodities trading institutions. These derivative financial instruments are intended to reduce the Company's exposure to declines in the market prices of natural gas and crude oil that the Company produces and sells and to manage cash flow in support of the Company's annual capital expenditure budget. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, all derivatives are reflected in our balance sheet at their fair market value. Under SFAS No. 133 there are two types of hedging activities: hedges of cash flow exposure and hedges of fair value exposure. The Company engages primarily in cash flow hedges. Hedges of cash flow exposure are entered into to hedge a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. Changes in the derivative fair values that are designated as cash flow hedges are deferred to the extent they are effective and are recorded as a component of accumulated other comprehensive income until the hedged transactions occur and are recognized in earnings. The ineffective portion of a cash flow hedge's change in fair value is recognized immediately in earnings in oil and gas production revenues. As required by SFAS No. 133, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives, strategies for undertaking various hedge transactions and our methods for assessing and testing correlation and

hedge ineffectiveness. All hedging instruments are linked to the hedged asset, liability, firm commitment or forecasted transaction. We also assess, both at the inception of the hedge and on an on-going basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. We discontinue hedge accounting prospectively if we determine that a derivative is no longer highly effective as a hedge. The fair value of hedging instruments reflects our best estimate and is based upon exchange or over-the-counter quotations whenever they are available. Quoted valuations may not be available due to location differences or terms that extend beyond the period for which quotations are available. Where quotes are not available, we utilize other valuation techniques or models to estimate fair values. These modeling techniques require us to make estimates of future prices, price correlation and market volatility and liquidity. Our actual results may differ from our estimates, and these differences can be positive or negative. During the second half of 2002 and first nine months of 2003, the Company entered into various cash flow hedging swap contracts and a costless collar contract to fix cash flows relating to a portion of the Company's oil and gas production. All of these qualify for hedge accounting and none extend beyond a year. The aggregate fair value of the swaps was a liability of $688,000 as of September 30, 2003. The Company recorded $448,000 of unrealized loss, net of taxes of $240,000, in other comprehensive loss within shareholders' equity as these hedges were highly effective. During the third quarter of 2003, the Company reclassified approximately $2.4 million of losses from other comprehensive loss to oil and gas production revenues upon settlement of such contracts. As of September 30, 2003, the Company had the following volumes under derivative contracts related to its oil and gas producing activities: 8

Production Period	Instrument Type	Average Monthly Volumes	Weighted Average Price
Crude Oil:			
October - December 2003	Swap	46 MBbl	$26.50
October - December 2003	Swap	30 MBbl	$26.82
January - June 2004	Swap	47 MBbl	$26.11
January - June 2004	Swap	15 MBbl	$26.90
July - August 2004	Swap	20 MBbl	$26.00
Natural Gas:			
October - December 2003	Swap	400,000	

MMBtu
$4.02
October -
December
2003 Swap
200,000
MMBtu
$4.21
October -
December
2003 Swap
200,000
MMBtu
$4.97
January -
June 2004
Collar
483,000
MMBtu
$5.00-$6.60

Note 6 - Foreign Currency The functional currency for the Company's foreign subsidiary Well Ops (U.K.) Limited is the applicable local currency (British Pound). Results of operations for this subsidiary are translated into U.S. dollars using average exchange rates during the period. Assets and liabilities of this foreign subsidiary are translated into U.S. dollars using the exchange rate in effect at the balance sheet date and the resulting translation adjustment, which was a loss of $690,000, net of taxes of $370,000, in the third quarter of 2003 is included in accumulated other comprehensive income (loss), a component of shareholders' equity. All foreign currency transaction gains and losses are recognized currently in the statements of operations. These amounts for the quarter ended September 30, 2003 were not material to the Company's results of operations or cash flows. Canyon Offshore, the Company's ROV and robotics subsidiary, has operations in the United Kingdom and Southeast Asia sectors. Canyon conducts the majority of its affairs in these regions in U.S. dollars which it considers the functional currency. When currencies other than the U.S. dollar are to be paid or received the resulting gain or loss from translation is recognized in the statements of operations. These amounts for the quarter ended September 30, 2003 were not material to the Company's results of operations or cash flows. Note 7 - Earnings Per Share The Company computes and presents earnings per share ("EPS") in accordance with SFAS 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 and the income included in the numerator excludes the effects of the impact of dilutive common stock equivalents, if any. The computation of the basic and diluted per share amounts for the Company's were as follows (in thousands, except per share):

Three Months Ended Nine Months Ended September 30, September 30, ---------------------- ----------------------- 2003 2002 2003 2002 ------- ------- ------- ------- Income before change in accounting principle ... $ 9,299 $ 2,952 $24,424 $13,167 Preferred stock dividends and accretion .... (362) (--) (1,068) (--) Net income applicable to common shareholders before change in accounting principle ..... $ 8,937 $ 2,952 $23,356 $13,167 Weighted-average common shares outstanding: Basic .... 37,665 37,268 37,618 34,888 Effect of dilutive stock options ...... 111 164 97 343 ------- ------- ------- ------- Diluted .... 37,776 37,432 37,715 35,231 Net income before change in accounting principle per common share: Basic .... $ 0.24 $ 0.08 $ 0.62 $ 0.38 Diluted 0.24 0.08 0.62 0.37

Stock options to purchase approximately 1.1 million shares for the three months and nine months ended September 30, 2003 and 912,000 and 260,000 shares for the three months and nine months ended September 30, 2002, respectively, were not dilutive and, therefore, were not included in the computations of diluted income per common share amounts. In addition, approximately 1.1 million shares attributable to the convertible preferred stock were excluded from the three months and nine months ended September 30, 2003, calculation of diluted EPS, as the effect was antidilutive. Note 8 - Stock Based Compensation Plans In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. As permitted under SFAS No. 123, the Company continues to use the intrinsic value method of accounting established by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, to account for its stock-based compensation programs. Accordingly, no compensation expense is recognized when the exercise price of an employee stock option is equal to the Common Share market price on the grant date. The following table reflects the Company's pro forma results if SFAS No. 123 had been used for the accounting for these plans (in thousands):

Three Months Ended Nine Months Ended September 30, September 30, --------------------- ------------------- --- 2003 2002 2003 2002 ---- --- ------- ------- ------- Net income applicable to common shareholders before cumulative change in accounting principle: As Reported .... $ 8,937 $ 2,952 $23,356 $13,167 Stock-based employee compensation cost, net of tax .... (802) (1,138) (2,692) (3,598) ---- --- ------- ------- ------- Pro Forma .... $ 8,135 $ 1,814 $20,664 $ 9,569 ======= ======= ======= ======= Earnings per share before cumulative change in accounting principle: Basic, as reported .... $ 0.24

$ 0.08 $ 0.62 $ 0.38 Stock-
based employee compensations
cost, net of tax
.... (0.02)
(0.03) (0.07) (0.11) -------
------- ------- -------
Basic, pro forma
.... $
0.22 $ 0.05 $ 0.55 $ 0.27
======= ======= =======
======= Diluted, as reported
.... $ 0.24 $
0.08 $ 0.62 $ 0.37 Stock-
based employee compensation
cost, net of tax
.... (0.02)
(0.03) (0.07) (0.10) -------
------- ------- -------
Diluted, pro forma
.... $ 0.22
$ 0.05 $ 0.55 $ 0.27 =======
======= ======= =======

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. For the purposes of pro forma disclosures, 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: expected dividend yields of 0 percent; expected lives ranging from three to ten years, risk-free interest rate assumed to be 4.0 percent in 2002 and 3.8 percent in 2003, and expected volatility to be 59 percent in 2002 and in 2003. The fair value of shares issued under the Employee Stock Purchase Plan was based on the 15 percent discount received by the employees. The weighted average per share fair value of the options granted during the nine months ended September 30, 2003 and 2002 was $12.63 and $15.20, respectively. The estimated fair value of the options is amortized to pro forma expense over the vesting period. Note 9 - Business Segment Information (in thousands) During the first quarter of 2003 the Company changed the name of its Subsea and Salvage segment to Marine Contracting. This change had no impact on amounts reported.

September 30, December 31, 2003 2002 -
------------ ------------ Identifiable
Assets -- Marine
contracting........................
$638,506 $615,557 Oil and gas
production....................
231,889 224,453 -------- --------
Total.................................
$870,395 $840,010 ======== ========
Three Months Ended Nine Months Ended
September 30, September 30, --------
------------------ ---------------
----------- 2003 2002 2003 2002 ----
--- ------ ------- ------- Income
from operations-- Marine
contracting...................... $
1,859 $ 62 $ 101 $ 7,580 Oil and gas
production.................. 13,526
5,139 41,096 13,427 ------- ------ -
------ -------
Total...............................
$15,385 $5,201 $41,197 $21,007
======= ====== ======= =======

During the quarters ended September 30, 2003 and 2002, respectively, the Company derived $15.9 million and $17.7 million respectively of its revenues from the U.K. sector utilizing $112.2 million and $89.3 million, respectively of its total assets in this region. Additionally, $7.1 million and $21.8 million of revenues were derived from the Latin America sector during the three months ended September 30, 2003 and 2002, respectively. The majority of the remaining revenues were generated in the U.S. Gulf of Mexico. Marine Contracting revenues from alliance partner Horizon Offshore, Inc. were $7.8 million and $4.7 million during the three months ended September 30, 2003 and 2002, respectively. This level represented 11% and 7%, respectively of Marine Contracting revenues for the three months ended September 30, 2003 and 2002, respectively. Note 10 - Long-Term Financings At September 30, 2003, $139.4 million was outstanding on our long-term financing for construction of the Q4000. This U.S. Government guaranteed financing is pursuant to Title XI of the

Merchant Marine Act of 1936 which is administered by the Maritime Administration ("MARAD Debt"). The MARAD Debt is payable in equal semi-annual installments which began in August 2002 and matures 25 years from such date. It is collateralized by the Q4000, with CDI guaranteeing 50% of the debt, and bears interest at a rate which currently floats at a rate approximating AAA Commercial Paper yields plus 20 basis points (approximately 1.5% as of September 30, 2003). For a period up to ten years from delivery of the vessel in April 2002, CDI has the ability to lock in a fixed rate. In accordance with the MARAD Debt agreements, CDI is required to comply with certain covenants and restrictions, including the maintenance of minimum net worth, working capital and debt-to-equity requirements. As of September 30, 2003, the Company was in compliance with these covenants. The Company has a $70 million revolving credit facility due in 2005. This facility is collateralized by accounts receivable and certain of the Company's Marine Contracting vessels, bears interest at LIBOR plus 125-250 basis points depending on CDI leverage ratios (approximately 3.4% as of September 30, 2003) and, among other restrictions, includes three financial covenants (cash flow leverage, minimum interest coverage and fixed charge coverage). As of September 30, 2003, the Company had drawn $35.9 million under this revolving credit facility and was in compliance with these covenants. In November 2001, Energy Resource Technology, Inc. (a wholly owned subsidiary, "ERT") (with a corporate guarantee by CDI) entered into a five-year lease transaction with an entity owned by a third party to fund CDI's portion of the construction costs ($67 million) of the spar for the Gunnison field. As of June 30, 2002, the entity had drawn down $22.8 million on this facility. Accrued interest cost on the outstanding balance is capitalized to the cost of the facility during construction and is payable monthly thereafter. In August 2002, CDI acquired 100% of the equity of the entity and converted the notes into a term loan. The total commitment of the loan was reduced to $35 million and will be payable in quarterly installments of $1.75 million for three years after delivery of the spar with the remaining $15.75 million due at the end of the three years. The facility bears interest at LIBOR plus 225-300 basis points depending on CDI leverage ratios (approximately 3.6% as of September 30, 2003) and includes, among other restrictions, three financial covenants (cash flow leverage, minimum interest coverage and debt to total book capitalization). As of September 30, 2003 the Company had drawn down $35.0 million on the facility and was in compliance with these covenants. In August 2003, Canyon Offshore, Ltd. (a U.K. subsidiary - "COL") (with a parent guarantee from Cal Dive) completed a capital lease with Bank of America, Inc. ("B of A") refinancing the construction costs of a newbuild 750 horsepower trenching unit and a ROV. COL received proceeds of $12 million for the assets and agreed to pay B of A sixty monthly installment payments of $217,174 (resulting in an implicit interest rate of 3.29%). No gain or loss resulted from this transaction. COL has an option to purchase the assets at the end of the lease term for $1. The proceeds were used to reduce the Company's revolving credit facility, which had initially funded the construction costs of the assets. This transaction has been accounted for as a capital lease under SFAS. No. 13 with the present value of the lease obligation (and corresponding asset) being reflected on the Company's consolidated balance sheet during the third quarter of 2003. Scheduled maturities of Long-term Debt outstanding as of September 30, 2003 were as follows (in thousands):

	MARAD Debt	Revolver	Gunnison Term Loan	Other	Total
Less than one year	$ 2,949	$ --	$ 5,250	$ 5,910	$ 14,109
One to two years	3,143	35,874	7,000	5,670	51,687
Two to Three years	3,352		7,000	2,904	13,256
Three to					

four years
3,573 --
15,727
2,504
21,804
Four to
five years
3,809 -- -
- 2,348
6,157 Over
five years
122,535 --
-- --
122,535 --
------ ---
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Long-term
debt
139,361
35,874
34,977
19,336
229,548
Current
maturities
(2,949) (-
-) (5,250)
(5,910)
(14,109) -
------- --
----- ----
--- ------
- --------
Long-term
debt, less
current
maturities
$136,412
$35,874
$29,727
$13,426
$215,439
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The Company capitalized interest totaling $1.7 million and $1.2 million during the nine months ended September 30, 2003 and 2002, respectively. Note 11 - Litigation and Claims The Company is involved in various routine legal proceedings primarily involving claims for personal injury under the General Maritime Laws of the United States and 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. During 2002, the Company was engaged in a large construction project, where supports engineered by a subcontractor failed resulting in over a month of downtime for two of CDI's vessels. Management believes that under the terms of the contract the Company is entitled to the contractual stand-by rate for the vessels during their downtime. The customer is currently disputing these invoices along with certain other change orders. CDI has billed approximately $34.0 million ($9.7 million of which had not been collected as of September 30, 2003) for this project which management believes it is due under the terms of the contract. However, due to the size of the dispute and inherent uncertainties with respect to an arbitration, CDI provided a reserve in the fourth quarter of 2002 resulting in a loss for the Company on the project as a whole. In 1998, one of our subsidiaries entered into a subcontract with Seacore Marine Contractors Limited ("Seacore") to provide the Sea Sorceress to a Coflexip subsidiary in Canada ("Coflexip"). Due to difficulties with respect to the sea states and soil conditions the contract was terminated and an arbitration to recover damages was commenced. A preliminary liability finding has been made by the arbitrator against Seacore and in favor of the Coflexip subsidiary. We were not a party to this arbitration proceeding. Seacore and Coflexip settled this matter prior to the conclusion of the arbitration proceeding with Seacore paying Coflexip $6.95 million (Canadian). Seacore has initiated an arbitration proceeding against Cal Dive Offshore Ltd. ("CDO"), a subsidiary of Cal Dive, seeking contribution. Because only one of the grounds in the preliminary findings by the arbitrator is applicable to CDO, and because CDO holds substantial counterclaims against Seacore, it is anticipated that our subsidiary's exposure, if any, should be less than $500,000. Although the above discussed matters have the potential of significant additional liability, the Company believes that the outcome of all such matters and proceedings will not have a material adverse effect on its consolidated financial position, results of operations or cash flows. Note 12 - Canyon Offshore In January 2002, CDI purchased Canyon, a supplier of remotely operated vehicles (ROVs) and robotics to the offshore construction and telecommunications industries. CDI purchased Canyon for cash of $52.8 million, the assumption of $9.0 million of Canyon debt (offset by $3.1 million of cash acquired), 181,000 shares of CDI common stock valued at $4.3 million (143,000 shares of which we purchased as treasury shares during the fourth quarter of 2001) and a commitment to purchase the redeemable stock in Canyon at a price to be determined by Canyon's performance during the years 2002 through 2004 from continuing employees at a minimum purchase price of $13.53 per share (or $7.5 million). The Company also agreed to make future payments relating to the tax impact on the date of redemption, whether employment continued or not. As they are employees, any share price paid in excess of the $13.53 per share and related tax impact will be recorded as compensation expense. These remaining shares have been classified as redeemable stock in subsidiary (long-term debt beginning in the third quarter of 2003 - see note 3) in the accompanying balance sheet and will be adjusted to their estimated redemption value at each reporting period based on Canyon's performance. In April 2003, the Company purchased 13 approximately one-third of the redeemable shares at the minimum purchase price of $13.53 per share. Consideration included approximately $400,000 of contingent consideration relating to tax gross-up payments paid to the Canyon employees in accordance with the purchase agreement. This amount was recorded as goodwill in the period paid (i.e., the second quarter of 2003). Note 13 - Offshore Property Acquisitions In March 2003, ERT acquired additional interests from Exxon/Mobil ranging from 45% to 84%, in four fields acquired last year, enabling ERT to take over as operator of one field. ERT paid $858,000 in cash and assumed Exxon/Mobil's pro-rata share of the abandonment obligation for the acquired interests. Note 14 - Convertible Preferred Stock On January 8, 2003, CDI completed the private placement of $25 million of a newly designated class of cumulative convertible preferred stock (Series A-1 Cumulative Convertible Preferred Stock, par value $0.01 per share) that is convertible into 833,334 shares of Cal Dive common stock at $30 per share. The preferred stock was issued to a private investment firm. The preferred stockholder has the right to purchase as much as $30 million in additional preferred stock for a period of two years beginning in July 2003. The conversion price of the additional preferred stock will equal 125% of the then prevailing market price of Cal Dive common stock, subject to a minimum conversion price of $30 per common share. The preferred stock has a minimum annual dividend rate of 4%, or LIBOR plus 150 basis points if greater, payable quarterly in cash or common shares at Cal Dive's option. CDI paid the first, second and third quarter 2003 dividends on the last day of the respective quarters in cash. After the second anniversary, the holder may redeem the value of its original investment in the preferred shares to be settled in common stock at the then prevailing market price or cash at the discretion of the Company. In the event the Company is unable to deliver registered common shares, CDI could be required to redeem in cash. Under certain conditions (the Company's stock price falling below $7.35 per share and the occurrence of a restatement in the Company's earnings), the holder could redeem its investment prior to the second anniversary. The proceeds received from the sale of this stock, net of transaction costs, have been classified outside of shareholders' equity on the balance sheet below total liabilities. The transaction costs have been deferred and are being accreted through the statement of operations over two years. Prior to the conversion, common shares issuable will be assessed for inclusion in the weighted average shares outstanding for the Company's diluted earnings per share using the if converted method based on the Company's common share price at the beginning of the applicable period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. FORWARD LOOKING STATEMENTS AND ASSUMPTIONS This Quarterly Report on Form 10-Q includes certain statements that may be deemed "forward looking statements" under applicable law. Forward looking statements and assumptions in this Form 10-Q that are not statements of historical fact involve risks and assumptions that could cause actual results to vary materially from those predicted, including among other things, unexpected delays and operational issues associated with turnkey projects, the price of crude oil and natural gas, offshore weather conditions, change in site conditions, and capital expenditures by customers. The Company strongly encourages readers to note that some or all of the assumptions, upon which such forward looking statements are based, are beyond the Company's ability to control or estimate precisely, and may in some cases be subject to rapid and material change. For a complete discussion of risk factors, we direct your attention to our Annual Report on Form 10-K/A for the year ended December 31, 2002, filed with the Securities and Exchange Commission. CRITICAL ACCOUNTING POLICIES AND ESTIMATES Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. We prepare these financial statements in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We base our estimates on historical experience, available information and various other assumptions we believe to be reasonable under the circumstances. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. There have been no material changes or developments in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our Form 10-K/A for the year ending December 31, 2002 except for the adoption of SFAS 143, Accounting for Asset Retirement Obligations, on January 1, 2003 and SFAS 150, Accounting for Certain Financial Instruments with characteristics of both Liabilities and Equity on July 1, 2003. SFAS 143, addresses the financial accounting and reporting obligations and retirement costs related to the retirement of tangible long-lived assets. Among other things, SFAS 143 requires oil and gas companies to reflect decommissioning liabilities on the face of the balance sheet at fair value on a discounted basis. Historically, ERT has reflected this liability on the balance sheet on an undiscounted basis. The adoption of SFAS 143 resulted in a January 1, 2003 cumulative effect adjustment to record (i) a $33.1 million decrease in the carrying values of proved properties, (ii) a $7.4 million decrease in accumulated depreciation, depletion and amortization of property and equipment, (iii) a $26.5 million decrease in decommissioning liabilities and (iv) a $0.3 million increase in deferred income tax liabilities. The net impact of items (i) through (iv) was to record a gain of $0.5 million, net of tax, as a cumulative effect adjustment of a change in accounting principle in the Company's consolidated statements of operations upon adoption on January 1, 2003. The Company has no material assets that are legally restricted for purposes of settling its decommissioning liabilities. SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and must be applied to the Company's existing financial instruments effective July 1, 2003. The Company adopted SFAS No. 150 as required effective July 1, 2003. As a result of this adoption, the Company reclassified the $4.9 million of Redeemable Stock in Subsidiary (see discussion in Note 12 to consolidated financial statements) from mezzanine classification (i.e., between liabilities and shareholders equity on the balance sheet) to long-term debt, along with the applicable amount in current maturities of long-term debt. Otherwise, the adoption had no impact on the Company's consolidated financial statements. RESULTS OF OPERATIONS Comparison of Three Months Ended September 30, 2003 and 2002 Revenues. During the three months ended September 30, 2003, the Company's revenues increased 24% to $103.9 million compared to $84.0 million for the three months ended September 30, 2002. Of the overall $19.8 million increase, $18.0 million was generated by the Oil and Gas Production segment due to increased production and higher oil and gas prices. Oil and Gas Production revenue for the three months ended September 30, 2003 increased $18.0 million, or 113%, to $34.0 million from $15.9 million during the comparable prior year period. The average realized natural gas price of $4.61 per Mcf, net of hedges in place, during the third quarter of 2003 was 41% higher than the $3.28 per Mcf realized in the comparable prior year quarter while average realized oil prices, net of hedges in place, increased 20% to $27.41 per barrel compared to $26.87 per barrel realized during the third quarter of 2002. The 64% increase in production (7.2 Bcfe for the three months ended September 30, 2003 compared to 4.4 Bcfe in the third quarter of 2002) is a result of the four significant property acquisitions completed last year. Gross Profit. Gross profit of $24.0 million for the third quarter of 2003 represents a 107% increase compared to the $11.6 million recorded in the comparable prior year period with the Oil and Gas Production segment contributing 79% of the increase. Marine Contracting gross profit increased $2.6 million, or 54%, to $7.4 million for the three months ended September 30, 2003, from $4.8 million in the prior year period. This increase was primarily the result of improved utilization in the deepwater contracting group (78% for the third quarter of 2003 versus 71% for the third quarter of 2002, resulting in a $2.2 million increase in gross profit), with most of that utilization being achieved outside of the U.S. Gulf of Mexico, and Canyon's gross profit increasing $2.4 million as the result of several pipeline burial projects during the third quarter of 2003, which included deployment of the new T750 trenching unit. These increases were partially offset by a decline in gross profit for the Seawell (Well Ops UK Ltd) as pricing in the North Sea has deteriorated due to a lack of both construction and drilling activity. Also partially offsetting these increases was an increase in costs associated with a new offshore insurance package which commenced July 1, 2003. Oil and gas production gross profit increased $9.8 million, or 145%, due to significantly higher levels of production and to commodity price increases. Gross margins of 23% in the third quarter of 2003 were nine points better than the 14% in the prior year period. Marine Contracting margins increased four points to 11% for the three months ended September 30, 2003, from 7% in the comparable prior year quarter, due to the factors noted above. In addition, margins in the Oil and Gas Production segment increased six points to 49% for the three months ended September 30, 2003, from 43% in the year ago quarter, due to the higher average realized commodity prices discussed above and to improved efficiency in the operations of our offshore facilities. Selling & Administrative Expenses. Selling and administrative expenses of $8.6 million for the three months ended September 30, 2003 were $2.2 million higher than the $6.4 million incurred in the third quarter of 2002 due primarily to an increase in the costs associated with the ERT Incentive Program (which is tied directly to the Oil and Natural Gas Production segment profitability that was significantly higher in the third quarter of 2003 compared to the third quarter of 2002). Overhead at 8% of revenues for the third quarter held steady as compared to the comparable prior year period.

Other (Income) Expense. The Company reported other expense of $855,000 for the three months ended September 30, 2003 compared to other expense of $659,000 for the three months ended September 30, 2002. Net interest expense of $639,000 in the third quarter of 2003 is higher than the $424,000 incurred in the three months ended September 30, 2002 due to higher debt levels. Income Taxes. Income taxes increased to $5.2 million for the three months ended September 30, 2003 compared to $1.6 million in the comparable prior year period due to increased profitability. The effective rate increased to 36% in the third quarter of 2003 compared to 35% in 2002 due to provisions for foreign taxes. Net Income. Net income of $8.9 million for the three months ended September 30, 2003 was $6.0 million greater than the comparable period in 2002 as a result of factors described above. Comparison of Nine Months Ended September 30, 2003 and 2002 Revenues. During the nine months ended September 30, 2003, revenues increased $84.3 million, or 40%, to $294.6 million compared to $210.2 million for the nine months ended September 30, 2002. The Marine Contracting segment contributed $21.0 million of the increase, primarily the result of the acquisition of the Seawell during the third quarter of 2002. In addition, the Q4000 and the Intrepid worked a full nine months in 2003 as compared to six months in the prior year period as these vessels were placed in service in the second quarter of 2002. Oil and Gas Production revenue for the nine months ended September 30, 2003 increased $63.4 million, or 166%, to $101.5 million from $38.1 million during the comparable prior year period. The increase was due to a 40% increase in our average realized commodity prices to $4.80 per Mcfe, net of hedges in place ($4.94 per Mcf of natural gas and $27.58 per barrel of oil) in the first nine months of 2003 from $3.43 per Mcfe ($3.08 per Mcf of natural gas and $24.56 per barrel of oil) in the nine months ended September 30, 2002. Production essentially doubled to 20.7 Bcfe during the first nine months of 2003 from 10.4 Bcfe during the comparable prior year period as a result of the property acquisitions during the third quarter of 2002. Gross Profit. Gross profit of $67.4 million for the first nine months of 2003 was $27.5 million, or 69%, greater than the $39.9 million gross profit recorded in the comparable prior year period due entirely to the revenue increase in Oil and Gas Production mentioned above. Oil and Gas Production gross profit increased $33.0 million from $17.6 million in the first nine months of 2002 to $50.6 million for the nine months ended September 30, 2003, due to the increases in average realized commodity prices and production described above. Offsetting this increase was a 25% decrease in the Marine Contracting segment gross profit to $16.8 million for the nine months ended September 30, 2003 from $22.3 million in the comparable prior year period. This decline is primarily due to a decrease in Well Ops (U.K.) Limited's results from $4.5 million in the first nine months of 2002 to essentially breakeven for the comparable period in 2003 due to the aforementioned pricing pressures in the North Sea market. Gross margins improved to 23% for the nine months ended September 30, 2003 compared to 19% during the nine months ended September 30, 2002 due primarily to the aforementioned increases in average realized commodity prices. Marine Contracting margins decreased from 13% for the first nine months of 2002 to 9% during the first nine months of 2003 due mainly to the depressed markets for offshore construction in the GOM and the North Sea, increased competition in the OCS market and increased offshore insurance costs. Selling & Administrative Expenses. Selling and administrative expenses were $26.2 million in the first nine months of 2003, which is 39% more than the $18.9 million incurred in the first nine months of 2002, primarily due to the addition of business units acquired and higher ERT incentive accruals. Overhead at 9% of revenues for the nine months ended September 30, 2003 held steady as compared to the comparable prior year period.

Other (Income) Expense. The Company reported other expense of $3.0 million for the nine months ended September 30, 2003 in contrast to $750,000 for the nine months ended September 30, 2002. Included in other expense for the first nine months of 2002 is a $1.1 million gain on our foreign currency derivative associated with the acquisition of Well Ops (U.K.) Limited recorded in other income in June 2002. Net interest expense of $2.2 million for the first nine months of 2003 is higher than the $1.2 million in the comparable prior year period as a result of our higher debt levels and the reduction of capitalized interest expense as the Q4000 and Intrepid were in service for only the second and third quarters of the 2002 period. Income Taxes. Income taxes increased to $13.7 million for the nine months ended September 30, 2003, compared to $7.1 million in the comparable prior year period due to increased profitability. The effective rate increased to 36% in the first nine months of 2003 compared to 35% in 2002 due to provisions for foreign taxes. Net Income. Net income of $23.9 million for the nine months ended September 30, 2003 was $10.7 million, or 81%, greater than the comparable period in 2002 as a result of factors described above.

LIQUIDITY AND CAPITAL RESOURCES During the three years following our initial public offering in 1997, internally generated cash flow funded approximately $164 million of capital expenditures and enabled us to remain essentially debt-free. In August 2000, we closed the long-term MARAD financing for construction of the Q4000. This U.S. Government guaranteed financing is pursuant to Title XI of the Merchant Marine Act of 1936 which is administered by the Maritime Administration. We refer to this debt as MARAD Debt. Through September 30, 2003, we have drawn $143.5 million on this facility. In January 2002, we acquired Canyon Offshore, Inc., in July 2002 we acquired the Well Operations Business Unit of Technip-Coflexip and in August 2002, ERT made two significant property acquisitions (see further discussion below). These acquisitions significantly increased our debt to total book capitalization ratio from 31% at December 31, 2001 to 40% at December 31, 2002. Additionally, increased operations coupled with depressed market conditions caused our working capital to decrease from $48.6 million at December 31, 2001 to $14.3 million at December 31, 2002. In order to reduce this leverage, on January 8, 2003, CDI completed the private placement of $25 million of a newly designated class of cumulative convertible preferred stock (Series A-1 Cumulative Convertible Preferred Stock, par value $0.01 per share) which is convertible into 833,334 shares of Cal Dive common stock at $30 per share. As of September 30, 2003 our debt to total book capitalization had declined to 37% and working capital had increased to $29.2 million. Derivative Activities. The Company's price risk management activities involve the use of derivative financial instruments to hedge the impact of market price risk exposures which currently relate to our oil and gas production. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, all derivatives are reflected in our balance sheet at their fair value. Under SFAS No. 133 there are two types of hedging activities: hedges of cash flow exposure and hedges of fair value exposure. The Company engages primarily in cash flow hedges. Hedges of cash flow exposure are entered into to hedge a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. Changes in the derivative fair values that are designated as cash flow hedges are deferred to the extent that they are effective and are recorded as a component of accumulated other comprehensive income until the hedged transactions occur and are recognized in earnings. The ineffective portion of a cash flow hedge's change in value is recognized immediately in earnings in oil and gas production revenues. As required by SFAS No. 133, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives, strategies for undertaking various hedge transactions and our methods for assessing and testing correlation and hedge ineffectiveness. All hedging instruments are linked to the hedged asset, liability, firm commitment or forecasted transaction. We also assess, both at the inception of the hedge and on an on-going basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. We discontinue hedge accounting prospectively if we determine that a derivative is no longer highly effective as a hedge. The fair value of hedging instruments reflects our best estimate and is based upon exchange or over-the-counter quotations whenever they are available. Quoted valuations may not be available due to location differences or terms that extend beyond the period for which quotations are available. Where quotes are not available, we utilize other valuation techniques or models to estimate fair values. These modeling techniques require us to make estimations of future prices, price correlation and market volatility and liquidity. Our actual results may differ from our estimates, and these differences can be positive or negative. During the second half of 2002 and first nine months of 2003, the Company entered into various cash flow hedging swap contracts and a costless collar to fix cash flows relating to a portion of the Company's oil and gas production. All of these qualified for hedge accounting and none extend beyond a year. The aggregate fair market value of the swaps was a liability of $688,000 as of September 30, 2003. The Company recorded $448,000 million of unrealized loss, net of taxes of $240,000, in other comprehensive loss within shareholders' equity as these hedges were highly effective. During the third quarter of 2003, the Company reclassified approximately $2.4 million of losses from other comprehensive loss to oil and gas production revenues upon settlement of contracts. Operating Activities. Net cash provided by operating activities was $57.4 million during the nine months ended September 30, 2003, as compared to $41.4 million during the first nine months of 2002 due primarily to an increase in profitability and a $21.5 million increase in depreciation and amortization resulting from the aforementioned increase in production levels as well as depreciation on additional DP vessels placed in service. This increase was partially offset by funding from accounts receivable collections decreasing $26.1 million as receivables have grown primarily as a result of increased ERT production levels. Through our ongoing alliance, Horizon Offshore, Inc. provided 11% of the Company's Marine Contracting revenues during the third quarter of 2003. Investing Activities. Capital expenditures have consisted principally of strategic asset acquisitions related to the purchase of DP vessels; construction of the Q4000 and conversion of the Intrepid; acquisition of Aquatica, Professional Divers, Canyon and Well Ops (U.K.) Limited; improvements to existing vessels and the acquisition of offshore natural gas and oil properties. We incurred $74.0 million of capital expenditures during the first nine months of 2003 compared to $140.3 million during the comparable prior year period. Included in the capital expenditures during the first nine months of 2003 was $17.5 million for the purchase of ROV units to support the Canyon MSA agreement with Technip/Coflexip to provide robotic and trenching services, $26.0 million related to Gunnison development costs, including the spar, as well as $22.4 million relating to ERT's 2003 well exploitation program. Included in the $140.3 million of capital expenditures during the first nine months of 2002 was $25.2 million for the construction of the Q4000 and $31.8 million relating to the Intrepid DP conversion and Eclipse upgrade. In March 2003, ERT acquired additional interests, ranging from 45% to 84%, in four fields acquired last year, enabling ERT to take over as operator of one field. ERT paid $858,000 in cash and assumed Exxon/Mobil's pro-rata share of the abandonment obligation for the acquired interests. In January 2002, CDI purchased Canyon, a supplier of remotely operated vehicles (ROVs) and robotics to the offshore construction and telecommunications industries. CDI purchased Canyon for cash of $52.8 million, the assumption of $9.0 million of Canyon debt (offset by $3.1 million of cash acquired), 181,000 shares of CDI common stock valued at $4.3 million (143,000 shares of which we purchased as treasury shares during the fourth quarter of 2001) and a commitment to purchase the redeemable stock in Canyon at a price to be determined by Canyon's performance during the years 2002 through 2004 from continuing employees at a minimum purchase price of $13.53 per share (or $7.5 million). The Company also agreed to make future payments relating to the tax impact on the date of redemption, whether employment continued or not. As they are employees, any share price paid in excess of the $13.53 per share and related tax impact will be recorded as compensation expense. These remaining shares have been classified as redeemable stock in subsidiary (long term debt beginning in the third quarter of 2003 - see Note 3 to consolidated financial statements) in the accompanying balance sheet and will be adjusted to their estimated redemption value at each reporting period based on Canyon's performance. In April 2003, the Company purchased approximately one-third of the redeemable shares at the minimum purchase price of $13.53 per share. Consideration included approximately $400,000 of contingent consideration relating to tax gross-up payments paid to the Canyon employees in accordance with the purchase agreement. This amount was recorded as goodwill in the period paid (i.e., the second quarter of 2003). On August 30, 2002, ERT acquired the 74.8% working interest of Shell Exploration & Production Company in the South Marsh Island 130 (SMI 130) field. ERT paid $10.3 million in cash and assumed Shell's pro-rata share of the related decommissioning liability. ERT also completed the purchase of interests in seven Gulf of Mexico fields from Amerada Hess including its 25% ownership position in SMI 130 for $9.3 million in cash and assumption of Amerada Hess' pro-rata share of the related decommissioning liability. As a result, ERT is the operator with an effective 100% working interest in that field. In July 2002, CDI purchased the Subsea Well Operations Business Unit of CSO Ltd., a wholly owned subsidiary of Technip-Coflexip, for approximately $72.0 million ($68.6 million cash and $3.4 million deferred tax liability assumption). In June 2002, ERT acquired a package of offshore properties from Williams Exploration and Production. ERT paid $4.9 million and assumed the pro-rata share of the abandonment obligation for the acquired interests. The blocks purchased represent an average 30% net working interest in 26 Gulf of Mexico leases. In early 2002, CDI, along with El Paso Energy Partners, formed Deepwater Gateway L.L.C. (a 50/50 venture) to design, construct, install, own and operate a tension leg platform ("TLP") production hub primarily for Anadarko Petroleum Corporation's Marco Polo field discovery in the Deepwater Gulf of Mexico. Our share of the construction costs is estimated to be approximately $120 million (approximately $97 million of which had been incurred as of September 30, 2003). In August 2002, the Company along with El Paso, completed a non-recourse project financing for this venture, terms of which would include a minimum equity investment for CDI of approximately $33 million, all of which has been paid as of September 30, 2003 and is recorded as Investment in Deepwater Gateway L.L.C. in the accompanying consolidated balance sheet. Terms of the financing also require CDI to guarantee a balloon payment at the end of the financing term in 2008 (estimated to be $22.5 million). The Company has not recorded any liability for this guarantee as management believes it is unlikely the Company will be required to pay the balloon payment. In April 2000, ERT acquired a 20% working interest in Gunnison, a deepwater Gulf of Mexico project of Kerr-McGee Oil & Gas Corporation. Consistent with CDI's philosophy of avoiding exploratory risk, financing for the exploratory costs of approximately $20 million was provided by an investment partnership (OKCD Investments, Ltd.), the investors of which are current or former CDI senior management, in exchange for an overriding royalty interest of 25% of CDI's 20% working interest. CDI provided no guarantees to the investment partnership. The Board of Directors established three criteria to determine a commercial discovery and the commitment of Cal Dive funds: 75 million barrels (gross) of reserves, total development costs of $500 million consistent with 75 MBOE, and a CDI estimated shareholder return of no less than 12%. Kerr-McGee, the operator, drilled several exploration wells and sidetracks in 3,200 feet of water at Garden Banks 667, 668 and 669 (the Gunnison prospect) and encountered significant potential reserves resulting in the three criteria being achieved during 2001. With the sanctioning of a commercial discovery, the Company is funding ongoing development and production costs. Cal Dive's share of such project development costs is estimated in a range of $100 million to $110 million ($86 million of which had been incurred by September 30, 2003) with over half of that for construction of the spar. See footnote 10 to the Company's Consolidated Financial Statements included herein for discussion of financing relating to the spar construction. Financing Activities. We have financed seasonal operating requirements and capital expenditures with internally generated funds, borrowings under credit facilities, and the sale of equity and project financings. In August 2000, we closed a $138.5 million long-term financing for construction of the Q4000. In January 2002, the Maritime Administration agreed to expand the facility to $160 million to include the modifications to the vessel which had been approved during 2001. During the first nine months of 2002, we borrowed $43.9 million on this facility resulting in an outstanding balance of $142.1 million at December 31, 2002. We have not drawn on this facility in 2003. The MARAD debt is payable in equal semi-annual installments beginning in August 2002 and maturing 25 years from such date. We made two such payments during the nine months ending September 30, 2003 totaling $2.8 million. It is collateralized by the Q4000, with Cal Dive guaranteeing 50% of the debt, and bears an interest rate which currently floats at a rate approximating AAA Commercial Paper yields plus 20 basis points (approximately 1.5% as of September 30, 2003). For a period up to ten years from delivery of the vessel in April 2002, the Company has options to lock in a fixed rate. In accordance with the MARAD debt agreements, we are required to comply with certain covenants and restrictions, including the maintenance of minimum net 21 worth, working capital and debt-to-equity requirements. As of September 30, 2003, we were in compliance with these covenants. The Company has a $70 million revolving credit facility due in 2005. This facility is collateralized by accounts receivable and certain of the Company's Marine Contracting vessels, bears interest at LIBOR plus 125-250 basis points depending on CDI leverage ratios (approximately 3.4% as of September 30, 2003) and, among other restrictions, includes three financial covenants (cash flow leverage, minimum interest coverage and fixed charge coverage). As of September 30, 2003, the Company had drawn $35.9 million (a $16.7 million reduction from December 31, 2002) under the revolving credit facility and was in compliance with these covenants. In November 2001, ERT entered into a five-year lease transaction with an entity owned by a third party to fund CDI's portion of the construction costs ($67 million) of the spar for the Gunnison field. As of December 31, 2001 and June 30, 2002, the entity had drawn down $5.6 million and $22.8 million, respectively, on this facility. Accrued interest cost on the outstanding balance is capitalized to the cost of the facility during construction and is payable monthly thereafter. In August 2002, CDI acquired 100% of the equity of the entity and converted the notes into a term loan. The total commitment of the loan was reduced to $35 million and will be payable in quarterly installments of $1.75 million for three years after delivery of the spar with the remaining $15.75 million due at the end of the three years. The facility bears interest at LIBOR plus 225-300 basis points depending on CDI leverage ratios (approximately 3.6% as of September 30, 2003) and includes, among other restrictions, three financial covenants (cash flow leverage, minimum interest coverage and debt to total book capitalization). The Company was in compliance with these covenants as of September 30, 2003. We drew $5.7 million on this facility in the first nine months of 2003. On January 8, 2003, CDI completed the private placement of $25 million of a newly designated class of cumulative convertible preferred stock (Series A-1 Cumulative Convertible Preferred Stock, par value $0.01 per share) that is convertible into 833,334 shares of Cal Dive common stock at $30 per share. The preferred stock was issued to a private investment firm. The preferred stock holder has the right to purchase as much as $30 million in additional preferred stock for a period of two years beginning in July 2003. The conversion price of the additional preferred stock will equal 125% of the then prevailing market price of Cal Dive common stock, subject to a minimum conversion price of $30 per common share. The preferred stock has a minimum annual dividend rate of 4%, or LIBOR plus 150 basis points if greater, payable quarterly in cash or common shares at Cal Dive's option. CDI paid the first, second and third quarter 2003 dividends on the last day of the respective quarters in cash. After the second anniversary, the holder may redeem the value of its original investments in the preferred shares to be settled in common stock at the then prevailing market price or cash at the discretion of the Company. Under certain conditions, the holder could redeem its investment prior to the second anniversary. The proceeds received from the sale of this stock, net of transaction costs, have been classified outside of shareholders' equity on the balance sheet below total liabilities. The transaction costs have been deferred, and are being accreted through the statement of operations over two years. Prior to the conversion, common shares issuable will be assessed for inclusion in the weighted average shares outstanding for the Company's diluted earnings per share under the if converted method based on the Company's common share price at the beginning of the applicable period. In May 2002, CDI sold 3.4 million shares of primary common stock for $23.16 per share, along with 517,000 additional shares to cover over-allotments. Net proceeds to the Company of approximately $87.2 million were used for the Well Ops (U.K.) Limited acquisition, ERT acquisitions and to retire debt under the Company's revolving line of credit. In August 2003, Canyon Offshore, Ltd. (a U.K. subsidiary - "COL") (with a parent guarantee from Cal Dive) completed a capital lease with Bank of America, Inc. ("B of A") refinancing the construction costs of a newbuild 750 horsepower trenching unit and a ROV. COL received proceeds of $12 million for the assets and agreed to pay B of A sixty monthly installment payments of $217,174 (resulting in an implicit interest rate of 3.29%). COL has an option to purchase the assets at the end of the lease term for $1. The proceeds were used to reduce the Company's revolving credit facility, which had initially funded 22 the construction costs of the assets. This transaction will be accounted for as a capital lease under SFAS No. 13 with the present value of the lease obligation (and corresponding asset) being reflected on the Company's consolidated balance sheet during the third quarter of 2003. During the first nine months of 2003, we made payments of $1.3 million on capital leases relating to Canyon. The only other financing activity during the nine months ended September 30, 2003 and 2002 involved the exercise of employee stock options. The following table summarizes our contractual cash obligations as of September 30, 2003 and the scheduled years in which the obligation are contractually due:

	Total	Less Than 1 Year	1-3 Years	3-5 Years	Thereafter
MARAD debt	$139,361	$ 2,949	$ 6,495	$ 7,382	$122,535
Gunnison Term Debt	34,977	5,250	14,000	15,727	--
Revolving debt					

35,874 --
35,874 --
-- - -----

Gunnison
development
20,000
20,000 --
-- - -----

Investments
in
Deepwater
Gateway
L.L.C. (A)
10,000
10,000 --
-- -- - --

Operating
leases
13,828
8,165
4,927 420
316 - ----

Canyon
capital
leases and
other
19,336
5,910
8,574
4,852 -- -

Total cash obligations
$273,376
$52,274
$69,870
$28,381
$122,851 -

(A) Excludes CDI guarantee of balloon payment due in 2008 on non-recourse project financing (estimated to be $22.5 million). In addition, in connection with our business strategy, we evaluate acquisition opportunities (including additional vessels as well as interest in offshore natural gas and oil properties). We believe that internally-generated cash flow, borrowings under existing credit facilities and use of project financings along with other debt and equity alternatives will provide the necessary capital to meet these obligations and achieve our planned growth.

ITEM 3. Quantitative and qualitative disclosure about market risk The Company is currently exposed to market risk in two major areas: commodity prices and foreign currency. Because 95% of the Company's debt at September 30, 2003 was based on floating rates, changes in interest would, assuming all other things equal, have a minimal impact on the fair market value of the debt instruments. Assuming September 30, 2003 debt levels, every 100 basis points move in interest rates would result in $2.3 million of annualized interest expense or savings, as the case may be, to the Company. Commodity Price Risk The Company has utilized derivative financial instruments with respect to a portion of 2002 and 2003 oil and gas production to achieve a more predictable cash flow by reducing its exposure to price fluctuations. The Company does not enter into derivative or other financial instruments for trading purposes. As of September 30, 2003, the Company has the following volumes under derivative contracts related to its oil and gas producing activities:

Production Period	Instrument Type	Average Monthly Volumes	Weighted Average Price
Crude Oil:			
October - December 2003	Swap	46 MBbl	$26.50
October - December 2003	Swap	30 MBbl	$26.82
January - June 2004	Swap	47 MBbl	$26.11
January - June 2004	Swap	15 MBbl	$26.90
July - August 2004	Swap	20 MBbl	$26.00
Natural Gas:			
October - December 2003	Swap	400,000 MMBtu	$4.02
October - December 2003	Swap	200,000 MMBtu	$4.21
October - December 2003	Swap	200,000 MMBtu	$4.97
January - June 2004			

Collar
483,000
MMBtu
$5.00-$6.60

Changes in NYMEX oil and gas strip prices would, assuming all other things being equal, cause the fair market value of these instruments to increase or decrease inversely to the change in NYMEX prices. Foreign Currency Exchange Rates Because we operate in various oil and gas exploration and production regions in the world, we conduct a portion of our business in currencies other than the U.S. dollar (primarily with respect to Well Ops (U.K.) Limited). The functional currency for Well Ops (U.K.) Limited is the applicable local currency. Although the revenues are denominated in the local currency, the effects of foreign currency fluctuations are partly mitigated because local expenses of such foreign operations also generally are denominated in the same currency. The impact of exchange rate fluctuations during the three months ended September 30, 2003 did not have a material effect on reported amounts of revenues or net income. Assets and liabilities of Well Ops (U.K.) Limited are translated using the exchange rates in effect at the balance sheet date, resulting in translation adjustments that are reflected in accumulated other comprehensive income (loss) in the stockholders' equity section of our balance sheet. Approximately 10% of our net assets are impacted by changes in foreign currencies in relation to the U.S. dollar. We recorded a $690,000 adjustment, net of taxes, to our equity account for the three months ended September 30, 2003 to reflect the net impact of the decline of the British Pound against the U.S. dollar.

Canyon Offshore, the Company's ROV subsidiary, has operations in the United Kingdom and Southeast Asia sectors. Canyon conducts the majority of its affairs in these regions in U.S. dollars which it considers the functional currency. When currencies other than the U.S. dollar are to be paid or received the resulting gain or loss from translation is recognized in the statements of operations. These amounts for the three months ended September 30, 2003 were not material to the Company's results of operations or cash flows. ITEM 4. CONTROLS AND PROCEDURES The Company's management, with the participation of the Company's principal executive officer (CEO) and principal financial officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the fiscal quarter ended September 30, 2003. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of the end of the fiscal quarter ended September 30, 2003 to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2003 that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting. PART II. OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS See Part I, Item I, Note 11 to Consolidated Financial Statements, which is incorporated herein by reference. ITEM 4. Submission of matters to a Vote of Security Holders The Annual Meeting of Shareholders of Cal Dive was held on May 14, 2003, in Houston, Texas, for the purpose of electing two Class II directors and approving amendments to the 1998 Employee Stock Purchase Plan. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's solicitations. (a) Each of the Class II directors nominated by the Board and listed in the proxy statement was elected with votes as follows:

Nominee	Shares For	Shares Withheld
S. James Nelson, Jr.	35,499,948	365,085
William L. Transier	35,499,948	365,085

The term of office of each of the following directors continued after the meeting: Gordon F. Ahalt Bernard Duroc-Danner Martin Ferron Owen Kratz John V. Lovoi Anthony Tripodo 25

(b) The amendments to the 1998 Employee Stock Purchase Plan were approved by the following vote: 35,402,000 shares for; 290,469 shares against and 172,564 shares abstaining. Item 5. Other Information The value realized upon exercise of stock options for A. Wade Pursell for fiscal year 2002 as reported in the Company's Proxy should have been $398,625 instead of the $227,125 reported. ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) Exhibits - Exhibit 10.1 - Lease with Purchase Option Agreement between Banc of America Leasing & Capital, LLC and Canyon Offshore Ltd. dated July 31, 2003 Exhibit 15.1 - Independent Accountants' Acknowledgement Letter Exhibit 31.1 - Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by Owen Kratz, Chief Executive Officer Exhibit 31.2 - Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by A. Wade Pursell, Chief Financial Officer Exhibit 32.1 - Section 1350 Certification by Owen Kratz, Chief Executive Officer Exhibit 32.2 - Section 1350 Certification by A. Wade Pursell, Chief Financial Officer Exhibit 99.1 - Independent Accountants' Review Report (b) Reports on Form 8-K - Current Report on Form 8-K filed August 1, 2003 to report the Company's 2003 second quarter financial results and its forecast results for the year ending December 31, 2003. Current Report on Form 8-K filed August 13, 2003 to report a notice of a blackout period from the Cal Dive International, Inc. Employee Retirement Savings Plan Investment Committee to directors and executive officers of the Company.

SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. CAL DIVE INTERNATIONAL, INC. Date: November 12, 2003 By: /s/ Owen Kratz ------------------------------------- Owen Kratz, Chairman and Chief Executive Officer Date: November 12, 2003 By: /s/ Wade Pursell ------------------------------------- A. Wade Pursell, Senior Vice President and Chief Financial Officer

INDEX TO EXHIBIT Exhibit 10.1 - Lease with Purchase Option Agreement between Banc of America Leasing & Capital, LLC and Canyon Offshore Ltd. dated July 31, 2003 Exhibit 15.1 - Independent Accountants' Acknowledgement Letter Exhibit 31.1 - Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by Owen Kratz, Chief Executive Officer Exhibit 31.2 - Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by A. Wade Pursell, Chief Financial Officer Exhibit 32.1 - Section 1350 Certification by Owen Kratz, Chief Executive Officer Exhibit 32.2 - Section 1350 Certification by A. Wade Pursell, Chief Financial Officer Exhibit 99.1 - Independent Accountants' Review Report

EXHIBIT 10.1

31 JULY 2003

BANC OF AMERICA LEASING & CAPITAL, LLC

CANYON OFFSHORE LTD

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LEASE WITH PURCHASE OPTION AGREEMENT

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[FRESHFIELDS BRUCKHAUS DERINGER LOGO]

CONTENTS

THIS LEASE WITH PURCHASE OPTION AGREEMENT is made on 31 July 2003

BETWEEN:

(1) BANC OF AMERICA LEASING & CAPITAL, LLC, a Delaware limited liability company having an office at 2059 Northlake Parkway, 4 South, Tucker, GA 30084 (LESSOR); and

(2) CANYON OFFSHORE LTD (Company number SC210524) a company incorporated under the laws of Scotland whose registered office is at Investment House, 6 Union Row, Aberdeen, Scotland (LESSEE).

WHEREAS:

(A) The Lessor has agreed to purchase the Units from the Lessee pursuant to a purchase agreement;

(B) The Lessor has agreed to hire the Units to the Lessee and the Lessee has agreed to take the Units on hire from the Lessor in accordance with and subject to the terms and conditions set out in this Agreement.

IT IS AGREED as follows:

1. CONDITIONS PRECEDENT

1.1 Completion of the lease contemplated by this Agreement shall be conditional upon the following conditions having been fulfilled:

(a) the ownership of the Units having been transferred from the Lessee to the Lessor pursuant to a sale and purchase agreement of even date herewith (the SALE AND PURCHASE AGREEMENT);

(b) the Lessor having received evidence satisfactory to Lessor that Lessee is taking the required steps to ensure due compliance with the provisions of this Agreement as to insurance;

(c) the Lessor having received the following legal opinions, in each case in satisfactory form and substance to the Lessor, acting reasonably:

(i) A legal opinion from Freshfields Bruckhaus Deringer, in relation to the laws of England; and

(ii) A legal opinion in relation to the Lessee from Ledingham Chalmers in relation to the laws of Scotland; and

(d) The Lessor having received guarantees, in a form acceptable to the Lessor, from Cal Dive International, Inc. and Canyon Offshore, Inc. guaranteeing the obligations of the Lessee under the Agreement.

2. LEASE AGREEMENT

2.1 Subject to the terms and conditions hereof, Lessor shall lease to Lessee, and Lessee shall lease from Lessor, the items of personal property (collectively with all attachments and accessories thereto, the UNITS as defined below).

2.2 The Units, which have a cost to Lessor (LESSOR'S COST) in the aggregate of $12,000,000, inclusive of taxes, shipping, installation and other related expenses, if any (SOFT COSTS), are as follows:

QUANTITY	DESCRIPTION	SERIAL NO.	LESSOR'S COST (INCL. SOFT COSTS) ($)
1	Remote Controlled Vehicle	Triton XLS-1	4,000,000
1	Technicorp-Coflexip Trencher System	T750-01	8,000,000
	EQUIPMENT TOTAL:		12,000,000
	PAYMENT TOTAL:		13,030,453.80

3. ACCEPTANCE

3.1 Lessee acknowledges and represents that the Units:

(a) have been delivered to and received and inspected by Lessee;

(b) are in good operating order, repair, condition and appearance;

(c) are of the manufacture, design and capacity selected by Lessee and are suitable for the purposes for which the Units are leased, and are acceptable and satisfactory to Lessee;

(d) do not require any additions or modifications to make them suitable for use, other than ancillary modifications or additions normally made by lessees of similar assets, and are available for use and lease by Lessee and Lessor; and

(e) have been irrevocably accepted as "Units" leased by Lessee under this Agreement.

4. TERM OF LEASE; RENTALS

4.1 The term of the Lease for any Unit is for a Base Term of sixty (60) months, beginning on 1 August 2003 (the BASE DATE).

4.2 Base Rent shall be payable in arrears in sixty (60) consecutive installments of $217,174.23 each.

5. NET LEASE; DISCLAIMER OF WARRANTIES

5.1 The lease consitituted by this Agreement (the LEASE) is a net lease. All costs, expenses and other liabilities associated with the Units shall be borne solely by Lessee.

5.2 Lessee's obligation to pay rent and all other obligations under the Lease are absolute and unconditional, and not subject to any abatement, deferment, reduction, withholding, setoff, defense, counterclaim or recoupment for any reason whatsoever. To the extent that the Lessee may be required by law to make any payment subject to the deduction or withholding tax it shall increase the amount payable to ensure that the amount received by the Lessor is the amount that the Lessor would have been entitled to receive had there been no such

deduction or withholding. If the Lessee becomes obliged to pay any such deduction or withholding, the Lessor shall in good faith take such action as may be reasonable for it to take in order to avoid or limit the deduction or withholding including, without limitation, transferring, at the cost of the Lessee, its rights to receive amounts which are subject to that withholding or deduction to any entity located in the United Kingdom.

5.3 The Lease shall not terminate, except as expressly provided herein, nor shall the obligations of Lessee be affected, by reason of any defect or damage to, or any destruction, loss, theft, forfeiture, governmental requisition or obsolescence of any Unit, regardless of cause.

5.4 Lessee acknowledges that Lessor is not a merchant or manufacturer, or agent of any such person, or engaged in the sale or distribution of the Units, and has not made, and does not hereby make, any representation or warranty as to merchantability, performance, condition, fitness or suitability for Lessee's purpose of any of the Units, or make any other representation or warranty with respect to the Units.

5.5 Lessor shall not be liable to the Lessee for, nor shall Lessee's obligations under the Lease be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by any Unit, or by any inadequacy of the Unit for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, any Unit, or any loss of business, profits, consequential or other damage of any nature.

5.6 Lessor hereby transfers and assigns to Lessee, to the extent allowable by law, for and during the lease term, a non-exclusive interest in the Unit warranties, if any, of the manufacturer, and hereby authorizes Lessee, when there exists no Event of Default, to enforce such warranties and to obtain at its own expense the customary services furnished by the manufacturer in connection with the Units.

6. USE, MAINTENANCE, LOCATION

USE

6.1 Lessee shall use, operate, protect and maintain the Units in good operating order, repair, condition and appearance, and in compliance with all applicable insurance policies, laws, ordinances, rules, regulations and manufacturer's recommended procedures, and shall maintain comprehensive records regarding the Units.

6.2 The Units shall be used solely for commercial or business purposes, and not for any consumer, personal, home, or family purpose, and shall not be abandoned. Lessee shall not, through modifications, alterations or otherwise, impair the value or originally intended function of any Unit without Lessor's prior consent.

MAINTENANCE

6.3 Any replacement or substitution of parts, improvements, upgrades, or additions to the Units made by Lessee shall become subject to the Lease and title shall vest in Lessor, except that if no Event of Default exists, Lessee may at its expense remove improvements or additions provided by Lessee that can be readily removed without impairing the value and function of the Unit.

OWNERSHIP

6.4 If requested by Lessor, Lessee shall cause each Unit to be plainly marked to disclose Lessor's ownership, as specified by Lessor.

LOCATION

6.5 Except where the Units are in fact in use by Lessee in the ordinary course of its business at other locations, the Units will be located at Broadfield Road Bridge of Don Aberdeen Scotland AB23 8EE (the LOCATION OFFICE).

6.6 Except as otherwise provided in clause 6.5, Lessee shall not change the location or base of any Unit without Lessor's prior consent. Lessee shall notify Lessor at least 30 days before changing the location of its registered office or the Location Office.

7. LOSS AND DAMAGE

7.1 If any Unit suffers any occurance of, any damage to or loss, theft, confiscation or destruction (a CASUALTY) on or after the Base Date, Lessee shall, if the Casualty is damage that is reparable in the judgement of Lessor, at its own expense promptly place the same in good repair, condition or working order, and if the Unit is lost, stolen, confiscated, destroyed or damaged beyond repair (TOTAL LOSS), on the rent payment date following such occurrence (or, if none, within 30 days) pay Lessor the Balance Due therefor, together with all other amounts owing under this Agreement with respect to the Unit. The BALANCE DUE for each Unit is, after the Base Date the sum of:

(a) the present value, as of such payment date, of the entire unpaid balance of all Base Rent for such Unit that would otherwise have accrued under the Lease from such payment date to the end of its Base Term; and

(b) the present value, as of such payment date, of the Purchase Amount therefor as specified in clause 12, in the case of sub-clauses (a) and (b), discounted at the implicit rate for the Lease reasonably determined by Lessor,

Upon such payment:

(i) the Lease of such Unit shall terminate and Lessee thereupon shall become entitled to possession of such Unit; and

(ii) Lessee shall become entitled to proceeds of insurance maintained by Lessee.

If less than all Units suffer Total Loss, the remaining Base Rent shall be reduced as reasonably calculated by Lessor and notified to Lessee.

8. INSURANCE

8.1 Lessee, at its own expense, shall keep each Unit insured against all risks for the value of the Unit and in no event for less than the Balance Due for the Unit, and shall maintain public liability insurance against such risks and for such amounts as Lessor may require. All such insurance shall:

(a) be in such form and with such companies as Lessor shall approve;

(b) specify Lessor and Lessee as insureds; and

(c) shall provide that such insurance may not be cancelled as to Lessor or altered in any way that would affect the interest of Lessor without at least 30 days' prior written notice to Lessor (10 days' in the case of nonpayment of premium).

8.2 All insurance shall:

(a) be primary, without right of contribution from any other insurance carried by Lessor;

(b) contain waiver of subrogation and "breach of warranty" provisions satisfactory to Lessor;

(c) provide that all amounts payable by reason of loss or damage to the Units shall be payable solely to Lessor, unless Lessor otherwise agrees; and

(d) contain such other endorsements as Lessor may reasonably require.

Lessee shall provide Lessor with evidence satisfactory to Lessor of the required insurance promptly upon any renewal of any required policy.

9. INDEMNITIES

9.1 Lessee shall indemnify Lessor, its successors and assigns and their respective officers, directors, employees, agents and affiliates (INDEMNIFIED PERSONS) against all claims, liabilities, losses and expenses whatsoever (except those directly and primarily caused by the Indemnified Person's gross negligence or willful misconduct), including reasonable attorneys' fees and allocated costs of internal counsel, in any way relating to or arising out of this Agreement, the Sale and Purchase Agreement, the Units or the Lease at any time, or the ordering, acquisition, rejection, installation, possession, maintenance, use, ownership, condition, destruction, return, or disposition of the Units, including such matters based in negligence and strict liability in tort, environmental liability, statutory liability, or infringement.

9.2 Lessee shall pay or reimburse Lessor and its successors and assigns on demand for, and indemnify and hold harmless Lessor from, all taxes, assessments, fees and other governmental charges paid or required to be paid by Lessor or Lessee in any way arising out of or related to the Units or the Lease, before, during or after the lease term, including foreign, Federal, state, county, and municipal fees, taxes and assessments, and property, value-added, sales, use, gross receipts, excise, stamp and documentary taxes, and all related penalties, fines, additions to tax, and interest charges (together, IMPOSITIONS), excluding only Federal and state taxes based on Lessors net income, unless such taxes are in lieu of any Imposition Lessee would otherwise be required to pay hereunder. Lessee shall timely pay any Imposition for which Lessee is primarily responsible under law and any other Imposition not payable or not paid by Lessor, but Lessee shall have no obligation to pay any such Imposition that Lessee is contesting in good faith and by appropriate legal proceedings, the nonpayment of which does not, in the opinion of Lessor, result in a material risk of adverse effect on the title, property, use, disposition or other rights of Lessor with respect to the Units. Lessee shall furnish on Lessor's request proof of payment of any Imposition paid by Lessee.

10. VAT

All sums set out in the Agreement shall be deemed to be exclusive of any VAT chargeable on the supply or supplies for which such sums are the consideration for VAT purposes.

11. RETURN OF UNITS

11.1 Upon any termination or expiration of the lease term with respect to any Unit (subject to any Lessee purchase of the Unit pursuant to clause 12), Lessee shall, at its own expense, prepare and adequately protect the Unit for shipment and either surrender it to Lessor in place or, if instructed by Lessor, ship the Unit to Lessor, freight and insurance pre-paid, at a place reasonably designated by Lessor, in the condition required under clause 6 hereof and able to be put into immediate service and to perform at manufacturer's rated levels (if any), together with all related manuals, documents and records.

11.2 If Lessee does not so surrender or return a Unit to Lessor in accordance with clause 11.1 above, in addition to all other rights and remedies available, at Lessor's election, such Unit shall continue to be subject to all the terms and conditions of the Lease, with rent and other charges continuing to accrue and be payable under the Lease with respect to such Unit until it is so surrendered or returned to Lessor, except that Base Rent shall accrue, payable on demand, at the rate of 150% of the rate applicable in the last period for which Base Rent was payable.

12. END OF TERM PURCHASE

At the end of the original Base Term, or within 15 days thereafter, Lessee shall purchase the Units "as is and where is", without representations or warranties of any kind, express or implied, for the cash amount of one dollar ($1.00) (PURCHASE AMOUNT).

13. EARLY TERMINATION

13.1 Upon any rent payment date relating to a Lease, and no less than 30 days' irrevocable notice to Lessor, from and after the expiry of one-half of the applicable Base Term, provided no Event of Default exists, Lessee shall have the option to terminate the Lease with respect to all and not less than all Units covered thereby by purchasing the Units "as is and where is" without warranties or representations of any kind, express or implied, for a purchase price equal to the Balance Due plus all other amounts owing with respect to the Units, plus early termination charges in the amount set forth in clause 13.2 below. The purchase price of the Units and any early termination charge shall be paid in immediately available funds at the time of exercising such option.

13.2 Upon any termination of the Lease before the expiration of the Base Term, due to the exercise of any early termination option, a Casualty or a default, in addition to all other amounts to be paid by Lessee, Lessee shall pay Lessor:

(a) if termination occurs from and including the Base Date to and including the first anniversary of the Base Date, an amount equal to 5% times the Balance Due;

(b) if termination occurs from the day following the first anniversary of the Base Date to and including the second anniversary of the Base Date, an amount equal to 4% times the Balance Due;

(c) if termination occurs from the day following the second anniversary of the Base Date to and including the third anniversary of the Base Date, an amount equal to 3% times the Balance Due;

(d) if termination occurs from the day following the third anniversary of the Base Date to and including the fourth anniversary of the Base Date, an amount equal to 2% times the Balance Due; and

(e) if termination occurs from the day following the fourth anniversary of the Base Date to and including the date of expiration of the Base Term, an amount equal to 1% times the Balance Due.

14. LESSEE REPRESENTATIONS AND AGREEMENTS.

14.1 Lessee represents, warrants and agrees as follows:

(a) Lessee has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be, binding on Lessee and do not contravene any other instrument or agreement to which Lessee is party.

(b) There has been no material adverse change in the operations, business, properties or condition (financial or otherwise) (MATERIAL ADVERSE CHANGE) of Lessee or any Guarantor since 31 March 2003. There is not pending against Lessee any litigation, proceeding, dispute or claim that may result in a Material Adverse Change as to Lessee or that may call into question or impair Lessee's legal or other ability to enter into and perform its obligations under this Lease.

(c) The operation and maintenance of any Unit in the ordinary course by Lessee do not require the entry into any software or other intellectual property rights agreement with any licensor or other person, except as disclosed to Lessor in writing prior to the Base Date.

15. PERSONAL PROPERTY

15.1 The Units shall remain personal property at all times, notwithstanding the manner in which they may be attached or affixed to realty, and title shall at all times continue in Lessor. Lessee shall obtain and record such instruments and take such steps as may be necessary:

(a) to prevent any person from acquiring any right or lien in or on any Unit, whether by reason of such Unit being deemed to be attached to real or other property, or otherwise; and

(b) to ensure Lessor's right of access to and removal of the Unit, in accordance with the Lease.

16. DEFAULT AND REMEDIES

16.1 Each of the following is an EVENT OF DEFAULT hereunder:

(a) Lessee fails to pay within ten days of the day when due any installment of rent or other sum owing by Lessee under the Lease;

(b) Lessee fails to maintain insurance in respect of any Unit as required herein, or sells, leases, subleases, assigns, conveys, encumbers, or suffers to exist any lien or charge against, any Unit without Lessor's prior consent or any Unit is subjected to levy, seizure or attachment;

(c) Lessee fails to perform and comply with any other covenant or obligation under any other Lease, or any progress payment, assignment, security or other agreement related to the Lease or Unit (together, RELATED AGREEMENTS) and, if curable, such failure continues for 30 days after written notice thereof by Lessor to Lessee;

(d) any representation, warranty or other written statement made to Lessor in connection with this Agreement, the Lease, Related Agreement, or any guarantee, by Lessee or any person providing such guarantee (GUARANTOR), including financial statements, proves to have been incorrect in any material respect when made;

(e) Lessee:

(i) enters into any merger or consolidation with, or sells or transfers all, substantially all or any substantial portion of its assets to, or enters into any partnership or joint venture other than in the ordinary course of business with, any entity;

(ii) dissolves, liquidates or ceases or suspends the conduct of business, or ceases to maintain its existence; or

(iii) enters into or suffers any transaction or series of transactions as a result of which Lessee is directly or indirectly controlled by persons or entities not affiliates of Lessee as of the date of this Agreement;

(f) any of the following occurs in respect of the Lessee or a Guarantor:

(i) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or insolvent;

(ii) a duly authorised officer of the Lessee or a Guarantor, as the case may be, admits its inability to pay its debts as they fall due;

(iii) the aggregate value of its assets is less than the aggregate value of its liabilities (taking into account its contingent and prospective liabilities);

(iv) it suspends making payments on any class of its debts or a duly authorised officer of the Lessee or a Guarantor, as the case may be, announces intention to do so;

(v) by reason of its actual or anticipated financial difficulties, it commences negotiations with one or more classes of its creditors with a view to rescheduling any of its indebtedness; or

(vi) a moratorium is declared by it or by any court in respect of any of its indebtedness.

(g) any corporate action, legal proceedings or other formal procedure is taken or commenced in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Lessee or a Guarantor other than (A) in connection with a solvent reconstruction, the terms of which have been previously approved by the Lenders (such approval not to be unreasonably withheld or delayed) or (B) in respect of any petition or application for the winding-up, administration, dissolution or any other insolvency procedure where it is proved to the satisfaction of the Lessor, acting reasonably, to be frivolous and/or vexatious and which is being contested in good faith and by appropriate proceedings by the Lessee or, as the case may be, a Guarantor;

(ii) a composition, assignment or arrangement with any creditor of the Lessee or a Guarantor;

(iii) the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer (in each case, whether out of court or otherwise) in respect of the Lessee or a Guarantor or any of its assets; or its respective assets other than in the case of any such proposed or actual appointment, which is proved to the satisfaction of the Lessor, acting reasonably, to be frivolous and/or vexatious and which is being contested in good faith and by appropriate proceedings by the Lessee or, as the case may be, a Guarantor; or

(iv) the enforcement of any security over any assets of the Lessee or a Guarantor,

(h) any procedure or circumstance analogous to those in (f) and (g) above is commenced or arises in any jurisdiction;

(i) any expropriation, attachment, sequestration, distress or execution or any analogous event affects any asset or assets of the Lessee or a Guarantor provided that there shall be no Event of Default if it is proved within fifteen (15) business days, to the satisfaction of the Lessor, acting reasonably, that such process is frivolous and/or vexatious and which is being contested in good faith and, if necessary, by appropriate proceedings by the Lessee or, as the case may be, a Guarantor;

(j) any payment default or other event of default occurs under any other bilateral or multi-lateral lease, or credit, or other agreement or instrument to which Lessee and Lessor or any affiliate of Lessor are now or hereafter party, provided that any applicable grace period has lapsed;

(k) any payment default or other event of default occurs under any other lease, or credit, or other agreement or instrument or any combination thereof to which Lessee is now or hereafter party and under which there is outstanding (on a present value basis for all future rent in the case of leases), owing or committed an aggregate amount greater than $5,000,000;

(l) the repudiation of or breach or default under any guarantee relating to the Agreement; or

(m) the occurrence of any event described in clauses (e), (j) or (k) of this clause 16.1 with reference to "any Guarantor" in lieu of "Lessee".

16.2 Upon the occurrence of an Event of Default, and in addition to all other rights and remedies provided herein or under law, all of which rights and remedies are cumulative and not exclusive, Lessor may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants under the Lease; and

(b) terminate the Lease, whereupon:

(i) Lessee's right to retain possession and use of the Units shall cease;

(ii) the aggregate Balance Due, together with all other amounts owing under the Leases shall be immediately due and payable; and

(iii) Lessor may pursue any and all remedies available to it under applicable law.

(c) recover from Lessee all fees and costs of legal counsel reasonably and properly incurred by the Lessor in any way relating to this Agreement, the Sale and Purchase Agreement, the Units and the Lease.

16.3 The exercise or partial exercise of, or failure to exercise, any remedy shall not restrict Lessor from further exercise of that remedy or any other remedy otherwise available. To the extent permitted by applicable law, Lessee waives any right to require Lessor to sell, release or otherwise use or dispose of any Units or otherwise mitigate Lessor's damages, or that may otherwise limit or modify any of Lessor's rights or remedies.

17. ASSIGNMENT

17.1 Lessor (and any subsequent assignee) may assign or transfer any or all of Lessors interest in this Agreement, Unit or rentals therefrom without notice to Lessee. Lessee agrees that the rights of any assignee shall not be affected by any breach or default of Lessor or of any prior assignee. Lessee further agrees that:

(a) no such assignee shall be required to assume any of the obligations of Lessor under this Agreement except the obligation in respect of the application of any insurance monies received by such assignee, as provided above, and the obligation of noninterference as provided below; and

(b) any assignee expressly assuming the obligations of Lessor shall thereupon be responsible for Lessor's duties under this Agreement accruing after any such assignment and Lessor shall be released from such duties. Lessor may disclose to any potential or actual assignee or transferee any information regarding Lessee, any Guarantor and their affiliates.

17.2 Lessee shall not assign, pledge, hypothecate or in any way dispose of all or any part of its rights or obligations under this Agreement, or enter into any sublease of any Unit, without Lessor's prior consent.

18. FINANCIAL AND OTHER DATA

18.1 During the term of this Agreement Lessee shall:

(a) maintain books and records in accordance with generally accepted accounting principles in its country of incorporation (GAAP) and prudent business practice;

(b) promptly and in no event later than 120 days after each fiscal year end furnish Lessor:

(i) annual audited financial statements of Cal Dive International, Inc. together with an unqualified opinion of an independent auditor;

(ii) annual accounts of Lessee,

each prepared in accordance with GAAP consistently applied; and

(c) at Lessor's request, furnish Lessor all other financial information and reports reasonably requested by Lessor at any time, including quarterly or other interim financial statements of Lessee and of any Guarantor.

18.2 Lessee shall furnish such other information as Lessor may reasonably request at any time concerning Lessee, any Guarantor and their respective affairs, or any Unit. Lessee shall promptly notify Lessor of any Event of Default or event or circumstance which, with notice, lapse of time or both, would be an Event of Default.

18.3 Lessee represents and warrants that all information furnished and to be furnished by Lessee or any Guarantor to Lessor is accurate, and that all financial statements Lessee or any Guarantor has furnished and hereafter may furnish to Lessor reasonably reflect and will reflect, as of their respective dates, results of the operations and the financial condition of Lessee, such Guarantor or other entity they purport to cover.

18.4 Credit and other information regarding Lessee, any Guarantor or their affiliates may be shared by Lessor with its affiliates and agents.

19. INSPECTION; NON-INTERFERENCE

19.1 Lessor, its agents and employees shall have the right to enter any property where any Unit is located and inspect any Unit, together with its related books and records, at any reasonable time. Such right shall not impose any obligation on Lessor.

19.2 So long as no Event of Default exists, Lessor shall not, and each direct or indirect assignee or transferee of Lessor agrees that it shall not, interfere with the rights of use and enjoyment of the Units by Lessee.

20. OTHER CHARGES; APPLICATION

20.1 Lessee shall pay interest at the per annum rate equal to the lesser of:

(a) 7.5%; or

(b) the highest rate permitted by applicable law (DEFAULT RATE),

on any sum owing under the Lease and not paid when due.

20.2 Payments received under the Lease will be applied, first, to interest, fees and other amounts owing, other than Base Rent, then to Base Rent.

21. MISCELLANEOUS

21.1 Lessee's indemnity and reimbursement obligations, including under clause 9, shall survive the termination or cancellation of this Agreement.

21.2 At Lessor's request, Lessee shall execute, deliver, file, and record such agreements and instruments as Lessor shall deem necessary or advisable to protect Lessor's interest in the Units and to effectuate the purposes of this Agreement and the Related Agreements. Lessee hereby irrevocably appoints Lessor as Lessee's agent and attorney-in-fact for Lessee, coupled with an interest to:

(a) execute, deliver, file, or record any such item, and to take such action for Lessee and in Lessee's name, place and stead; and

(b) enforce claims relating to the Units against insurers, vendors and other persons, and to make, adjust, compromise, settle, and receive payment under such claims; without any obligation to do so.

21.3 Time is of the essence.

21.4 The invalidity of any portion of this Agreement or any Related Agreement shall not affect the force and effect of the remaining valid portions thereof. The term "including" is not limiting. The term "affiliate" includes any entity controlling, controlled by or under common control with the referent entity; "control" includes the ownership of 25% or more of the voting stock of any entity. The term "guarantee" includes any guarantee, surety instrument, indemnity, "keep-well" agreement, or other instrument or arrangement providing third party credit support to Lessor relating to this Agreement or Unit.

21.5 This Agreement, the Sale and Purchase Agreement, any approval letter by Lessor in relation hereto and any replacement or successor letter thereto (together, the APPROVAL LETTER) and the Related Agreements, constitute the entire agreement between the parties with respect to the leasing of the Units. Any amendment to such documents must be made in writing and signed by the parties hereto or thereto. Such documents may be executed in one or more counterparts.

21.6 All demands, notices, requests, consents, waivers and other communications under the Agreement, the Approval Letter, or any Related Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or three business days after being deposited in the mail, first class postage prepaid, or the business day after delivery to an express carrier, charges prepaid, or when sent by facsimile transmission (with electronic confirmation of receipt), addressed to each party at the address or fax number set forth below the signature of such party on the signature page, or at such other address or fax number as may hereafter be furnished in writing by such party to the other.

21.7 To the extent specified in any Approval Letter, Lessee shall reimburse Lessor upon demand for costs and expenses incurred by Lessor in connection with the execution and delivery of this Agreement, the Sale and Purchase Agreement and the other documents contemplated hereby. Lessee shall reimburse Lessor on demand for all costs and expenses, including fees and costs of legal counsel, reasonably and properly incurred in connection with any amendment of this Agreement, the Sale and Purchase Agreement and the other documents contemplated hereby or related document requested by Lessee, or any waiver.

21.8 This Agreement is governed by English law.

21.9(a) for the benefit of the Lessor, the Lessee agrees that the courts of England are (subject to paragraph (c)) to have exclusive jurisdiction to settle any dispute arising out of or in connection with this agreement (including a dispute regarding the existence, validity or termination of this agreement and claims for set-off and counterclaim) (a DISPUTE) and for such purposes the Lessee irrevocably submits to the jurisdiction of the English courts.

(b) the parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.

(c) this clause is for the benefit of the Lessor only. As a result, the Lessor shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction, and the Lessee irrevocably submits to the jurisdiction of any such court.

To the extent allowed by law, the Lessor may take concurrent proceedings in any number of jurisdictions.

(d) a judgment or order in connection with this agreement of any court referred to in this clause is conclusive and binding on the Lessee and may be enforced against it in the courts of any other jurisdiction.

22. COUNTERPARTS

22.1 This Agreement may be signed in two or more counterparts, each of which shall be an original and together shall constitute one and the same document.

23. CONTRACT (RIGHTS OF THIRD PARTIES) ACT 1999

23.1 A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Agreement as of the date first above written.

Signed on behalf of BANC OF AMERICA LEASING & CAPITAL, LLC

By: --

Printed Name: --------------------------------------

Title: ---

Address for notices: ------------------------------

Fax: ------------------------------

Signed on behalf of CANYON OFFSHORE LTD

By: --

Printed Name: --------------------------------------

Title: ---

Address for notices: ------------------------------

Fax: ------------------------------

EXHIBIT 15.1

INDEPENDENT ACCOUNTANTS' ACKNOWLEDGEMENT LETTER

November 11, 2003

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

We are aware of the incorporation by reference in the Registration Statements (Form S-3 (333-103451) and Form S-8 (333-58817, 333-50289 and 333-50205)) of Cal Dive International, Inc. of our report dated November 11, 2003 relating to the unaudited consolidated balance sheet of Cal Dive International, Inc. as of September 30, 2003 and the related unaudited consolidated statements of operations for the three-month and nine-month periods ended September 30, 2003 and 2002, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2003 and 2002, that are included in its Form 10-Q for the quarter ended September 30, 2003.

Very truly yours,

/s/ Ernst & Young LLP

Houston, Texas

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Owen Kratz, the Principal Executive Officer of Cal Dive International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cal Dive International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 12, 2003

/s/ Owen Kratz

Owen Kratz
Chairman and Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, A. Wade Pursell, the Principal Financial Officer of Cal Dive International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cal Dive International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 12, 2003

/s/ A. Wade Pursell

A. Wade Pursell
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SS.1350,
AS ADOPTED PURSUANT TO
SS.906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Cal Dive International, Inc. ("CDIS") on Form 10-Q for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Owen Kratz, Chairman and Chief Executive Officer of CDIS, hereby certify pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CDIS.

A signed original of this written statement required by Section 906 has been provided to Cal Dive International, Inc. and will be retained by Cal Dive International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 12, 2003

/s/ Owen Kratz

Owen Kratz

Chairman and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SS.1350,
AS ADOPTED PURSUANT TO
SS.906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Cal Dive International, Inc. ("CDIS") on Form 10-Q for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. Wade Pursell, Senior Vice President and Chief Financial Officer of CDIS, hereby certify pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CDIS.

A signed original of this written statement required by Section 906 has been provided to Cal Dive International, Inc. and will be retained by Cal Dive International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 12, 2003

/s/ A. Wade Pursell

A. Wade Pursell
Senior Vice President and Chief Financial Officer

EXHIBIT 99.1

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheet of Cal Dive International, Inc. and Subsidiaries as of September 30, 2003, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2003 and 2002, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Cal Dive International, Inc. and Subsidiaries as of December 31, 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated February 17, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

Houston, Texas
November 11, 2003