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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-22739

CAL DIVE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA	95-3409686
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 N. SAM HOUSTON PARKWAY E., SUITE 400 HOUSTON, TEXAS	77060
(Address of Principal Executive Offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(281) 618-0400

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK (NO PAR VALUE)
(Title of Class)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 28, 2002 was $759,567,754 based on the last reported sales price of the Common Stock on June 28, 2002, as reported on the NASDAQ/National Market System.

The number of shares of the registrant's Common Stock outstanding as of March 17, 2003 was 37,632,058.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 14, 2003, are incorporated by reference into Part III hereof.

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

PART I

ITEM 1. BUSINESS.

OVERVIEW

We are an energy services company specializing in subsea construction and well operations as well as providing oil and gas companies with alternatives to traditional approaches of equity sharing in offshore properties. We operate primarily in the Gulf of Mexico, or Gulf, and recently in the North Sea with services that cover the lifecycle of an offshore oil and gas field. We believe we have a longstanding reputation for innovation in our subsea construction techniques, equipment design and methods of partnering with customers. Our diversified fleet of 23 vessels and 21 remotely operated vehicles (or ROVs) and trencher systems perform services that support drilling, well completion, intervention, construction and decommissioning projects involving pipelines, production platforms, risers and subsea production systems. We also have acquired significant interests in oil and gas properties and related production facilities as part of our Production Partnering business. Our customers include major and independent oil and gas producers, pipeline transmission companies and offshore engineering and construction firms.

We have positioned ourselves for work in water depths greater than 1,000 feet, referred to as the Deepwater, by continuing to grow our technically advanced fleet of dynamically positioned, or DP, vessels, ROVs and the number of highly experienced support professionals we employ. In early 2002, we purchased our new ROV subsidiary, Canyon Offshore, Inc., that offers survey, engineering, repair, maintenance and international cable burial services in the Gulf, North Sea and Southeast Asia. Later in mid-2002, our Well Ops (U.K.) Limited subsidiary purchased the North Sea well operations business unit of Technip-Coflexip ("Technip") including one large DP vessel, work contracts and personnel. This fleet of DP vessels serves as advanced work platforms for the subsea solutions that we provide with our alliance partners, a group of internationally recognized contractors and manufacturers. Most notably, the Q4000, our Deepwater semi-submersible multi-service vessel, or MSV, incorporates patented technologies that can improve Deepwater well completion, intervention and construction economics for our customers. Availability of the Q4000, and four other large vessels that we recently purchased or upgraded, the Eclipse, Mystic Viking, Intrepid and Seawell, enables us to offer a diverse fleet of DP subsea construction and intervention vessels (four of which are based in the Gulf).

On the Outer Continental Shelf, or OCS, in water depths up to 1,000 feet, we perform traditional subsea services, including air and saturation diving and salvage work. Our shallow operations division, Aquatica, provides a full complement of services in the shallow water market from the shore to a depth of 300 feet. Aquatica's eight vessels are permanently dedicated to performing traditional diving services. In depths from 300 feet to 1,000 feet, these services are provided by our two four-point saturation diving vessels, with another five DP vessels capable of providing such services, on the OCS. We provide marine construction services in the OCS "spot market" where projects are generally turnkey in nature, short in duration (two to thirty days), and require the availability of multiple vessels due to frequent rescheduling. The technical and operational experience of our personnel and the scheduling flexibility offered by our large fleet enable us to manage turnkey projects and to meet our customers' requirements. We have also established a presence in the salvage market by offering customers a number of options to address their decommissioning obligations in a cost-efficient manner, particularly the removal of smaller structures. Our alliance with Horizon Offshore, Inc. provides derrick barge and heavy lift capacity for the removal of larger structures.

In our Production Partnering business, our subsidiary Energy Resource Technology, Inc., or ERT, acquires and produces mature, non-core offshore property interests, offering customers a cost-effective alternative to the decommissioning process required by law. Market conditions in 2002 allowed ERT to add significantly to its property base through large property acquisitions from Williams Production RMT Company (a subsidiary of the Williams Companies), Amerada Hess Corporation, subsidiaries of Shell Exploration and Production Company, and a venture consisting of Murphy Exploration & Production Company ("Murphy") and Callon Petroleum Operating Company ("Callon"), adding over 70 BCFe to ERT's reserves. In the acquisition from the Murphy/Callon joint venture, ERT acquired and successfully developed a "Stranded

Field" property, i.e., one where the exploratory well had encountered proven reserves yet the reserves were of a marginal size to Murphy while Callon was constrained by capital expenditure requirements. We also expanded our Production Partnering strategy through participation in the ownership of the TLP production facility for the Marco Polo field, a Deepwater Gulf oil and gas exploration project operated by Anadarko Petroleum Corporation. We expect that owning this tension-leg platform, or TLP, in a 50/50 joint venture with El Paso Energy Partners, L.P. will generate income for us in the future and also provide us with additional construction work for Cal Dive and farm-in opportunities for ERT. ERT's reservoir engineering and geophysical expertise enabled us in 2000 to acquire a working interest in Gunnison, a Deepwater Gulf oil and natural gas exploration project, in partnership with the operator, Kerr-McGee Corporation. We anticipate that these investments will generate income for us in the future and will also help secure utilization for our subsea assets. At both Gunnison and Marco Polo, we participate in field development planning and have been contracted to perform subsea construction work.

Cal Dive was incorporated in Minnesota in 1983 as a successor to California Divers, Inc. a company originally incorporated in 1964. We make available through our website, www.caldive.com, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Our overall corporate goal is to increase shareholder value by strengthening our market position to provide a return that leads our Peer Group. We have been able to achieve our return on capital objective by focusing on the following business strengths and strategies.

OUR STRENGTHS

Fleet of DP Vessels. Our fleet of DP vessels and ROVs is one of the largest permanently deployed in the Gulf, with one of the most diverse and technically advanced collections of subsea intervention and construction capabilities. The comprehensive services provided by our DP vessels are both complementary and overlapping, enabling us to provide customers the redundancy essential for most projects, especially in the Deepwater.

Formation of New Well Operations Subsidiary as a "First In" Advantage. In 2002 we formed a new wholly owned subsidiary, Well Ops Inc., to provide offshore oil and gas operators with the experience, expertise and technology for cost-effective subsea well operations. Establishment of the Well Ops group followed the construction of the purpose-built Q4000 and the acquisition of the Subsea Well Operations Business Unit of Technip in Aberdeen, Scotland. The mission of the new companies is to provide the industry with a single, comprehensive source for addressing current well operations needs and to engineer for future needs.

Experienced Personnel and Turnkey Contracting. A key element of our successful growth has been our ability to attract and retain experienced personnel who are among the best in the industry at providing turnkey contracting. We believe the recognized skill of our personnel and our successful operating history uniquely position us to capitalize on the trend in the oil and gas industry of increased outsourcing to contractors and suppliers.

Major Provider of Marine Construction Services on the OCS. We believe that our expansion of Aquatica, our alliance with Horizon, and our position in the Gulf for saturation diving services make us the largest supplier of marine construction services on the OCS. We expect the ongoing depletion of existing reserves, coupled with growing demand for natural gas, to require increased exploitation and development of OCS reservoirs.

Production Partnering. The strategy of ERT's oil and gas production business differentiates us from our competitors and helps to offset the cyclical nature of our marine construction operations. Each of ERT's oil and gas investments is designed to secure utilization of CDI construction vessels. Our long-term goal is that 40% of all of our construction utilization is provided by ERT's ownership of offshore fields and production facilities.

Decommissioning Operations. Over the last decade, we have established a presence in decommissioning offshore facilities, particularly in the removal of the smaller structures and caissons that make up approximately half of the structures in the Gulf. We expect demand for decommissioning services to increase due to the significant backlog of platforms and caissons that must be removed in accordance with government regulations.

OUR STRATEGIES

Focusing on the Gulf. We will continue to focus on the Gulf of Mexico, where we have provided marine construction services since 1975. We expect oil and gas exploration and development activity in the Gulf, particularly in the Deepwater, to increase over the next several years.

Capturing a Leading Presence in the Deepwater Market. We have recently expanded our fleet to service Deepwater projects by purchasing the Mystic Viking, a 242 foot DP vessel; the Eclipse, a large mono-hull vessel with significant deck load capacity; and the Seawell, a purpose built DP well operations vessel. In addition, in 2002 we took delivery of the Q4000 and the Intrepid. Our fleet now includes nine world-class DP vessels, seven of which are based in the Gulf of Mexico. In addition, through Canyon we now own and operate 21 ROV and trencher systems. Canyon represents an integration that is consistent with our strategy of controlling all aspects along the critical path of significant projects. In addition, we are presently building a "T750" Super Trencher as well as 3 Triton XLS ROV systems to fulfill requirements under a Master Service Agreement entered into with Technip.

Developing Well Operations Niche. It is estimated that over 2,000 subsea trees will be installed in the years 2002 through 2006. Currently there are few cost-effective solutions for subsea well operations to troubleshoot or enhance production, shift zones or perform recompletions, as all such work today must generally be done from drilling rigs. Our three purpose-built vessels serve as work platforms for well operations services at costs significantly less than drilling rigs. In the Gulf of Mexico, the new, multi-service semi-submersible Q4000 and the Uncle John have set a series of "firsts" in increasingly deep water without the use of a rig. In the North Sea, the Seawell has provided intervention and abandonment services for more than 400 North Sea wells since her commissioning in 1987. Competitive advantages of the CDI vessels stem from their lower operating costs, ability to mobilize quickly and to maximize productive time by performing a broad range of tasks for intervention, construction, inspection, repair and maintenance.

Acquiring Mature Oil and Gas Properties. Through ERT we have been acquiring mature or sunset properties since 1992, thereby providing customers a cost effective alternative to the decommissioning process. In the last ten years we have acquired interests in 89 leases and currently are the operator of 42 of 63 active offshore leases. ERT has been able to achieve a significant return on capital by efficiently developing acquired reserves, lowering lease operating expenses and adding new reserves through well work. Our customers consider ERT a preferred buyer as ERT is a bonded offshore operator and has access to Cal Dive's decommissioning assets. As the industry wide leader of acquiring mature properties, ERT has a significant flow of potential acquisitions. At December 31, 2002, ERT's total proven reserves were 157.5 BCFe, including 73.8 BCFe of initial proved reserves assigned to our ownership position in Gunnison.

Expanding Ownership in Deepwater Developments. Cal Dive has a 20% working interest position in the Deepwater Gunnison field and owns 50% of the tension leg production platform being constructed with El Paso Energy Partners for the Marco Polo field. Ownership of the TLP provides a transmission type return which does not entail any reservoir or commodity price risk. The Company plans to seek additional opportunities to invest in such production facilities.

Expanding the Stranded Field Model. Drilling activity in the Gulf since 1998 has consistently exceeded 70 exploratory wells per year with approximately 30% resulting in new discoveries. Because of the smaller size of the reservoirs today, there are many commercial discoveries in the Deepwater Gulf of Mexico that have yet to be brought into production. In addition, many of the wells deemed non-commercial or those in non-core areas are attractive to the Company. During 2002, the Company acquired and successfully developed its first proved undeveloped reserve ("PUD") prospect, East Cameron 374, a field acquired from Murphy Exploration and Callon. The Eclipse and Cal Diver I assisted in the successful development of this field. Depending upon

the water depth, development of these fields may require state of the art equipment such as the Q4000, a more specialized asset such as the Intrepid, for pipelay or a combination of Cal Dive contracting assets. The Company is considering a number of alternatives that would provide outside investor funding to expand this market niche.

THE INDUSTRY

The offshore oilfield services industry in the Gulf originated in the early 1950s to assist companies as they began to explore and develop offshore fields. The industry has grown significantly since the early 1970s as the domestic oil and gas industry has increasingly relied upon these fields for new production. The oilfield services industry benefits from a number of trends including the following:

- lack of growth in natural gas production and failure to construct new subsea construction assets in the face of foreign dependency and increasing U.S. and world demand;

- advances in exploration, extraction and production technology that have enabled industry participants to more cost-effectively enter the Deepwater Gulf; and

- increased demand for decommissioning services as the offshore oil and gas industry continues to mature.

In response to the oil and gas industry's ongoing migration to the Deepwater, equipment and vessel requirements have changed. Most vessels currently operating in the Deepwater Gulf were designed in the 1970s and 1980s for work in a maximum depth of approximately 1,000 feet. These vessels have been modified to take advantage of new technologies and now operate in depths up to 4,000 feet. We believe there is demand in the Gulf for new generation vessels, such as the Q4000 and Intrepid, that are specifically designed to work in water depths up to 10,000 feet.

Defined below are certain terms and ideas helpful to understanding the services we perform in support of offshore development:

BCFe: When describing oil and gas, the term converts oil volumes to their energy equivalent in natural gas and combines them in billions of cubic feet equivalent.

Deepwater: Water depths beyond 1,000 feet.

Dive Support Vessel (DSV): Specially equipped vessel which performs services and acts as an operational base for divers, ROVs and specialized equipment.

Dynamic Positioning (DP): Computer-directed thruster systems that use satellite-based positioning and other positioning technologies to ensure the proper counteraction to wind, current and wave forces enable the vessel to maintain its position without the use of anchors. Two DP systems (DP-2) are necessary to provide the redundancy required to support safe deployment of divers, while only a single DP system is necessary to support ROV operations.

DP-2: Redundancy allows the vessel to maintain position even with failure of one DP system. Required for vessels which support both manned diving and robotics and for those working in close proximity to platforms.

EHS: Environment, Health and Safety programs to protect the environment, safeguard employee health and eliminate injuries.

E&P: Companies involved in oil and gas exploration and production activities.

Life of Field Services: Includes services performed on facilities, trees and pipelines from the beginning to the economic end of the life of an oil field, including installation, inspection, maintenance, repair, contract operations, well intervention, recompletion and abandonment.

MBbl: When describing oil, refers to 1,000 barrels containing 42 gallons each.

Minerals Management Service (MMS): The federal regulatory body having responsibility for United States waters in the Gulf.

MMcf: When describing natural gas, refers to 1 million cubic feet.

Moonpool: An opening in the center of a vessel through which a saturation diving system or ROV may be deployed, allowing safe deployment in adverse weather conditions.

Outer Continental Shelf (OCS): For purposes of our industry, areas in the Gulf from the shore to 1,000 feet of water depth.

Peer Group: Defined in this Annual Report as comprising Global Industries, Ltd. (Nasdaq: GLBL), Horizon Offshore, Inc. (Nasdaq: HOFF), McDermott International, Inc. (NYSE: MDR), Oceaneering International, Inc. (NYSE: OII), Stolt Offshore SA (Nasdaq: SOSA), Technip-Coflexip (NYSE: TKP), and Torch Offshore, Inc. (Nasdaq: TORC).

Production Partnering: Alternative approach (i) to equity sharing in offshore properties through the purchase of mature fields and those fields where exploratory drilling encountered less than expected reserves and (ii) to ownership of production facilities.

Proved Undeveloped Reserve (PUD): Proved undeveloped oil and gas reserves that are expected to be recovered from a new well on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

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

Saturation Diving: Saturation diving, required for work in water depths between 300 and 1,000 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the pressure at the work site.

Spar: Floating production facility anchored to the sea bed with catenary mooring lines.

Spot Market: Prevalent market for subsea contracting in the Gulf, characterized by projects generally short in duration and often of a turnkey nature. These projects often require constant rescheduling and the availability or interchangeability of multiple vessels.

Stranded Field: Smaller reservoir that standing alone may not justify the economics of a host production facility and/or infrastructure connections.

Subsea Construction Vessels: Subsea services are typically performed with the use of specialized construction vessels which provide an above-water platform that functions as an operational base for divers and ROVs. Distinguishing characteristics of subsea construction vessels include DP systems, saturation diving capabilities, deck space, deck load, craneage and moonpool launching. Deck space, deck load and craneage are important features of the vessel's ability to transport and fabricate hardware, supplies and equipment necessary to complete subsea projects.

Tension Leg Platform (TLP): A floating Deepwater compliant structure designed for offshore hydrocarbon production.

Trencher or Trencher System: A subsea robotics system capable of providing post lay trenching, inspection and burial (PLIB) and maintenance of submarine cables and flowlines in water depths of 30 to 7,200 feet across a range of seabed and environmental conditions.

Ultra-Deepwater: Water depths beyond 4,000 feet.

SUBSEA CONTRACTING

We and our alliance partners provide a full range of subsea construction services in both the shallow water and Deepwater Gulf including:

- Exploration. Pre-installation surveys; rig positioning and installation assistance; drilling inspection; subsea equipment maintenance; well completion; search and recovery operations.

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

- Production. Inspection, maintenance and repair of production structures, risers and pipelines and subsea equipment; well intervention; life of field support.

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

Deepwater Contracting and Well Operations

In 1994, we began to assemble a fleet of DP vessels in order to deliver subsea services in the Deepwater and Ultra-Deepwater. Today, our fleet consists of two semi-submersible DP MSVs, the Q4000 and the Uncle John; a dedicated well operations vessel, the Seawell; an umbilical and rigid pipelay vessel, the Intrepid; three construction DP DSVs, the Witch Queen, the Mystic Viking, and the Eclipse; and two ROV support vessels, the Merlin and the Northern Canyon. In 2001, we began vessel enhancements to the Q4000 (well completion) and the Intrepid (DP-2 capability and a 400-ton crane). The Q4000 and Intrepid were placed into service, respectively, in April and May 2002. We purchased the Eclipse in October of 2001 and the Seawell in July of 2002.

In 2002, we increased our ROV and trenching fleet to 21 by acquiring Canyon Offshore, Inc. Canyon's ROVs and trenchers are designed for offshore construction, rather than drilling rig support, and its management team added industry experience in a setting where our vessels can add value in support of its ROVs. As marine construction support in the Gulf of Mexico moves to deeper waters, ROV systems will play an increasingly important role and will help to provide our customers with vessel availability and schedule flexibility to meet the technological challenges of Deepwater construction developments in the Gulf and internationally. Our ROVs operate in three regions: the Americas (8), Southeast Asia (5), and the North Sea (4). In addition to the ROVs, Canyon also has four trenchers that operate in Southeast Asia (2) and the North Sea (2). Furthermore, Canyon has ordered 3 new Triton XLS ROV systems and a state of the art 750 horsepower trenching unit to fulfill its future contract obligations under its agreement with Technip.

We assist customers in solving the operational challenges encountered in Deepwater projects by using methods or technologies we have developed. To enhance our ability to provide both full field development and life of field services, we have alliances with other offshore service and equipment providers. These alliances enable us to offer state-of-the-art products and service while maintaining our low overhead base. These alliances are:

- Fugro-McClelland Marine Geoscience, Inc. -- Geotechnical coring and survey

- Horizon Offshore, Inc. -- Small diameter reeled pipelay equipment

- Schlumberger Limited -- Deepwater downhole services

Utilization of 82% was very close to last year's record of 87% even though we added three new vessels and elected to take several vessels out of service in the third quarter for accelerated regulatory inspections. Major projects in 2001 and 2002 were:

DEPTH (FEET)	FIELD	CUSTOMER	DESCRIPTION
------	Diana	Exxon	Riser tie-in, spool and strake 4,600 installations.....
	Diana D-3	Exxon	Jumper and flying lead 4,600 installations.....
	Marshall/Madison	Exxon	Jumper and flying lead 4,960 installations.....
	Mica	Exxon	Manifold, suction pile and tree 4,500 installations.....
	Nansen/Boomvang	Kerr-McGee	Plet, flexible riser, umbilicals 3,700 flying lead and jumper installations.....
	King Kong	Mariner	Jumper and flying lead 3,400 installations.....
	Navajo	Kerr-McGee	Installed flex riser, 6-inch 3,700 pipeline and umbilicals..... Falcon El Paso Energy Partners Manifold installation and jumper 3,450 metrology.....

In late 2002, we formed a new wholly owned subsidiary, Well Ops Inc., to provide offshore oil and gas operators with the industry's largest collection of experience, expertise and technology for cost-effective subsea well operations. Establishment of the Well Ops Group (Well Ops Inc. and Well Ops (U.K.) Limited) follows the construction of the purpose-built Q4000 and the acquisition of the subsea well operations business unit of CSO Ltd., a subsidiary of Technip. The mission of these new companies is to provide the industry with a single, comprehensive source for addressing current well operations needs and to engineer for future needs. Our purpose-built vessels serve as work platforms for well operations services at costs significantly less than drilling rigs. In the Gulf of Mexico, the Q4000 and the Uncle John have set a series of "firsts" in increasingly deep water without the use of a rig including: first "live subsea well" intervention; first through tubing subsea well decommission; first "live subsea well" intervention using wireline lubricator; first Deepwater full field decommission; first re-entry and decommission through horizontal tree; first removal and recovery of subsea well templates and horizontal trees; first use of test tree in open water as a lower riser package (LRP); first subsea transfer of tree from one well to another during decommissioning operations; first use of coil tubing drilling in subsea decommissioning; and first installation of a "storm choke" as replacement for subsurface safety control valve; all of which utilized a semi-submersible DP MSV instead of a drilling rig. The Seawell has provided intervention and abandonment services for more than 400 North Sea wells since her commissioning in 1987. Competitive advantages of our vessels stem from their lower operating costs and the ability to mobilize quickly and maximize productive time by performing a broad range of tasks for intervention, construction, inspection, repair and maintenance. Well Ops Inc. also collaborates with the leading downhole service providers to provide a superior, comprehensive solution. An alliance is currently in place with Schlumberger to provide these services.

Shelf Contracting

On the OCS in water depths up to 1,000 feet, we perform traditional subsea services including air and saturation diving in support of marine construction activities. Eleven of our vessels are permanently dedicated to performing traditional diving services, with another five DP vessels capable of providing such services, on the OCS. Seven of these vessels support saturation diving. In addition, our highly qualified personnel have the technical and operational experience to manage turnkey projects to satisfy customers' requirements and achieve our targeted profitability.

We deliver our services in the shallow water market, from the beach to a depth of 300 feet, through our shallow operations division, Aquatica. In addition, our saturation diving vessels can deliver services in depths up to 1,000 feet. We also perform numerous projects on the OCS in an alliance with Horizon. In the late 1980s, we demonstrated that pipelay operations would be much more effective if the expensive barge spreads

simply laid the pipe, allowing our DSVs to follow along and perform the more time-consuming task of commissioning the line. Under the alliance, we have the exclusive right to provide DSV and diving services for Horizon pipelay barges, while Horizon supplies pipelay, derrick barge and heavy lift capacity to us. Our interaction with Horizon is multi-faceted, including operations in addition to those that flow from the formal alliance to provide services on the OCS. For example, much of our work in Mexican waters has been subcontracted from Horizon.

Since 1989, we have undertaken a wide variety of decommissioning assignments, mostly on a turnkey basis. We have established a leading position in the removal of smaller structures, such as caissons and well protectors, which represent approximately half of the structures in the Gulf.

PRODUCTION PARTNERING

We formed ERT in 1992 to exploit a market opportunity to provide a more efficient solution to offshore abandonment, to expand our off-season salvage and decommissioning activity, and to support full field production development projects. Through Production Partnering, we offer customers the option of selling mature offshore fields as an alternative to contracting and managing the many phases of the decommissioning process. The benefits of our Production Partnering strategy are fourfold. First, oil and gas revenues counteract the volatility in revenues we experience in offshore construction. Second, in periods of excess capacity, such as in 2002, we have the flexibility to stay out of the competitive bid market and instead focus on negotiated contracts. Third, our oil and gas operations generate significant cash flow that has partially funded construction and/or modification of assets such as the Q4000, Intrepid and Eclipse, enabling us to add technical talent to support our expansion into the new Deepwater frontier. Finally, a major objective of our investments in oil and gas properties is to secure the associated marine construction work.

There are over 100 discoveries in the Deepwater Gulf that have yet to be brought into production. Many of these are smaller reservoirs that standing alone cannot justify the economics of a host production facility. As a result, we expect that the Deepwater Gulf will be developed in a hub and satellite field concept that resembles the approach the airline industry has used with regional hub locations. We expect significant opportunities as this occurs. For example, Gunnison, our first Deepwater field development project, is a hub location where we will provide infrastructure and tie-back marine construction services. At the Marco Polo field, our 50% ownership in the production facility will allow us to realize a return on investment consisting of both a fixed monthly demand charge and a volumetric tariff charge. In addition, we will assist with the installation of the TLP and work to develop the surrounding acreage that can be tied back to the platform by our construction vessels.

Within ERT we have assembled a team of personnel with experience in geology, geophysics, reservoir engineering, drilling, production engineering, facilities management, lease operations and land. ERT generates income in three ways: lowering salvage costs by using our assets, operating the field more cost effectively, and extending reservoir life through well exploitation operations. When a company sells an OCS property, they retain the financial responsibility for plugging and decommissioning if their purchaser becomes financially unable to do so. Thus, it becomes important that a property be sold to a purchaser who has the financial wherewithal to perform their contractual obligations. Although there is significant competition in this mature field market, ERT's reputation, supported by Cal Dive's financial strength, have made it the purchaser of choice of many major independent oil and gas companies. Despite this competition we significantly expanded our property base in 2002 with four large acquisitions, including one successful completion of a "stranded" field.

In June, ERT acquired a package of offshore properties from Williams Production RMT Company (a subsidiary of the Williams Companies). The blocks purchased represent an average 30% net working interest in 23 federal leases and three Texas leases with 23 wells that produce the equivalent of 7.5 MMcf per day. In August, ERT acquired the 74.8% working interest of subsidiaries of Shell Exploration & Production Company in the South Marsh Island 130 (SMI 130) field and completed the purchase of seven Gulf of Mexico fields from Amerada Hess Corporation, including Hess's 25% interest in SMI 130. Currently the SMI 130 Field, with approximately 155 wells on five 8-pile platforms, produces approximately 4,000 barrels of oil per day from

50 active wells. In August 2002, ERT completed the #1 well at East Cameron 374 in three zones using Cal Dive vessels. With production commingled from the lower two zones the well is currently producing at 15.5 MMCFD and 75 BOPD. The completion marked the first Gulf of Mexico application of Baker Oil Tools "Intelligent Well System". The "InForce(TM) Intelligent Well System" allows ERT to change zones via hydraulic controls on the production platform without requiring a rig re-enter the well. This type of completion also minimizes future well maintenance requirements.

The table below sets forth information, as of December 31, 2002, with respect to estimates of net proved reserves and the present value of estimated future net cash flows at such date, prepared in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 2002, excluding Gunnison, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. These non-Gunnison reserves totaled (as of December 31, 2002) 43,323 MMcf of natural gas and 6,727 MBbls of oil with a standardized measure of discounted future net cash flows (pre-tax) of $161,565,600 (see note (2) in table below). Since the Company does not own a license to the geophysical data, reserves attributable to Gunnison (which total 47% of our proved reserves as of December 31, 2002) have been determined based on information provided by the operator. These reserve estimates were reviewed by our engineers, including an assessment of the operator's assumptions and their engineering, geologic and evaluation principles and techniques. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

	TOTAL PROVED
Estimated Proved Reserves(1): Natural gas (MMcf)	85,224
Oil and condensate (MBbls)	12,037
Standardized measure of discounted future net cash flows (pre-tax) (2)	$291,705,010

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(1) Includes both Company's reserves reviewed by Miller & Lents (as noted above) and Gunnison reserves reviewed by Company's engineers.

(2) The standardized measure of discounted future net cash flows attributable to our reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum. As of December 31, 2002, we owned an interest in 157 gross (105 net) natural gas wells and 302 gross (265 net) oil wells located in federal and state offshore waters in the Gulf of Mexico.

CUSTOMERS

Our customers include major and independent oil and gas producers, pipeline transmission companies and offshore engineering and construction firms. The level of construction services required by any particular customer depends on the size of that customer's capital expenditure budget devoted to construction plans in a particular year. Consequently, customers that account for a significant portion of contract revenues in one fiscal year may represent an immaterial portion of contract revenues in subsequent fiscal years. The percent of consolidated revenue of major customers was as follows: 2002 -- Horizon Offshore, Inc. (10%) and BP Trinidad & Tobago LLC (11%); 2001 -- Horizon Offshore, Inc. (18%) and Enron Corp. (10%) and 2000 -- Enron Corp. (13%). We estimate that in 2002 we provided subsea services to over 200 customers. Our projects are typically of short duration and are generally awarded shortly before mobilization. Accordingly, we believe backlog is not a meaningful indicator of future business results.

COMPETITION

The subsea services industry is highly competitive. While price is a factor, the ability to acquire specialized vessels, to attract and retain skilled personnel, and to demonstrate a good safety record are also

important. Our competitors on the OCS include Global Industries Ltd., Oceaneering International, Inc., Stolt Offshore S.A., Torch Offshore, Inc., and a number of smaller companies, some of which only operate a single vessel and often compete solely on price. For Deepwater projects, our principal competitors include Stolt Offshore S.A., Subsea 7, Technip-Coflexip and Torch.

ERT encounters significant competition for the acquisition of mature oil and gas properties. Our ability to acquire additional properties depends upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Many potential purchasers of oil and gas properties are well-established companies with substantially larger operating staffs and greater capital resources.

TRAINING, SAFETY AND QUALITY ASSURANCE

We have established a corporate culture in which safety is expected to be among the highest priorities. Our corporate goal, based on the belief that all accidents are preventable, is to provide an injury-free workplace by focusing on correct safety behavior. Our safety procedures and training programs were developed by management personnel who came into the industry as divers and who know first hand the physical challenges of the ocean work site. As a result, management believes that our safety programs are among the best in the industry. We have introduced a company-wide effort to enhance a behavioral safety process and training program that makes safety a constant focus of awareness through open communication with all offshore and yard employees. The process includes the documentation of all daily observations and the collection of this data. In addition, we initiated regular monthly visits by project managers to conduct "Hazard Hunts" on each vessel, providing a "safety audit" with a fresh perspective. Results from this program were evident as our safety performance improved significantly in 2001 and 2002.

GOVERNMENT REGULATION

Many aspects of the offshore marine construction industry are subject to extensive governmental regulations. We are subject to the jurisdiction of the Coast Guard, the Environmental Protection Agency, the MMS and the U.S. Customs Service, as well as private industry organizations such as the American Bureau of Shipping. In the North Sea, regulations govern working hours and a specified working environment, as well as standards for diving procedures, equipment and diver health. These North Sea standards are some of the most stringent worldwide. In the absence of any specific regulation, our North Sea branch adheres to standards set by the International Marine Contractors Association and the International Maritime Organisation.

We support and voluntarily comply with standards of the Association of Diving Contractors International. The Coast Guard sets safety standards and is authorized to investigate vessel and diving accidents, and to recommend improved safety standards. The Coast Guard also is authorized to inspect vessels at will. We are required by various governmental and quasi-governmental agencies to obtain various permits, licenses and certificates with respect to our operations. We believe that we have obtained or can obtain all permits, licenses and certificates necessary for the conduct of our business.

In addition, we depend on the demand for our services from the oil and gas industry and, therefore, our business is affected by laws and regulations, as well as changing taxes and policies relating to the oil and gas industry generally. In particular, the development and operation of oil and gas properties located on the OCS of the United States is regulated primarily by the MMS.

The MMS requires lessees of OCS properties to post bonds in connection with the plugging and abandonment of wells located offshore and the removal of all production facilities. Operators on the OCS are currently required to post an area-wide bond of $3.0 million, or $500,000 per producing lease. We currently have bonded our offshore leases as required by the MMS. Under certain circumstances, the MMS has the authority to suspend or terminate operations on federal leases. Any such suspensions or terminations of our operations could have a material adverse effect on our financial condition and results of operations.

We acquire production rights to offshore mature oil and gas properties under federal oil and gas leases, which the MMS administers. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and orders pursuant to the Outer Continental Shelf Lands Act, or OCSLA. These MMS directives are subject to change. The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications. The MMS also has issued regulations restricting the flaring or venting of natural gas and prohibiting the burning of liquid hydrocarbons without prior authorization. Similarly, the MMS has promulgated other regulations governing the plugging and abandonment of wells located offshore and the removal of all production facilities. Finally, under certain circumstances, the MMS may require any operations on federal leases to be suspended or terminated. In December 1999, the MMS issued regulations that would allow it to expel unsafe operators from existing OCS platforms and bar them from obtaining future leases.

Under OCSLA and the Federal Oil and Gas Royalty Management Act, MMS also administers oil and gas leases and establishes regulations that set the basis for royalties on oil and gas produced from the leases. The MMS amends these regulations from time to time. For example, on March 15, 2000, the MMS issued a final rule governing the calculation of royalties and the valuation of crude oil produced from federal leases. The rule modifies the valuation procedures for both arm's length and non-arm's length crude oil transactions to decrease reliance on oil posted prices and assign a value to crude oil that better reflects market value. The rule has been challenged by two industry trade associations and is currently under judicial review in the United States District Court for the District of Columbia. In addition, the MMS recently issued a final rule amending its regulations regarding costs for natural gas transportation that are deductible for royalty valuation purposes when natural gas is sold off-lease. Among other matters, for purposes of computing royalties owed, the rule disallows as deductions certain costs, such as aggregator/marketer fees and transportation imbalance charges and associated penalties. A United States District Court enjoined substantial portions of this rule on March 28, 2000. The United States appealed the district court decision. On February 8, 2002, the Court of Appeals for the District of Columbia reversed the District Court and reinstated the regulations. The United States Supreme Court denied the trade associations' petition for review on January 13, 2003.

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated pursuant to the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978, or NGPA, and the regulations promulgated thereunder by the Federal Energy Regulatory Commission, or FERC. In the past, the federal government has regulated the prices at which oil and gas could be sold. While sales by producers of natural gas, and all sales of crude oil, condensate and natural gas liquids currently can be made at uncontrolled market prices, Congress could reenact price controls in the future. Deregulation of wellhead sales in the natural gas industry began with the enactment of the NGPA. In 1989, the Natural Gas Wellhead Decontrol Act was enacted. This act amended the NGPA to remove both price and non-price controls from natural gas sold in "first sales" no later than January 1, 1993.

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

We cannot predict what further action the FERC will take on these matters, but we do not believe any such action will materially affect us differently than other companies with which we compete.

Additional proposals and proceedings before various federal and state regulatory agencies and the courts could affect the oil and gas industry. We cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the

regulatory approach currently pursued by the FERC will continue indefinitely. Notwithstanding the foregoing, we do not anticipate that compliance with existing federal, state and local laws, rules and regulations will have a material effect upon our capital expenditures, earnings or competitive position.

ENVIRONMENTAL REGULATION

Our operations are subject to a variety of national (including federal, state and local) and international laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations to implement and enforce such laws that are often complex and costly to comply with and that carry substantial administrative, civil and possibly criminal penalties for failure to comply. Under these laws and regulations, we may be liable for remediation or removal costs, damages and other costs associated with releases of hazardous materials including oil into the environment, and such liability may be imposed on us even if the acts that resulted in the releases were in compliance with all applicable laws at the time such acts were performed. Some of the environmental laws and regulations that are applicable to our business operations are discussed in the following paragraphs, but the discussion does not cover all environmental laws and regulations that govern our operations.

The Oil Pollution Act of 1990, as amended, or OPA, imposes a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. A "Responsible Party" includes the owner or operator of an onshore facility, a vessel or a pipeline, and the lessee or permittee of the area in which an offshore facility is located. OPA imposes liability on each Responsible Party for oil spill removal costs and for other public and private damages from oil spills. Failure to comply with OPA may result in the assessment of civil and criminal penalties. OPA establishes liability limits of $350 million for onshore facilities, all removal costs plus $75 million for offshore facilities and the greater of $500,000 or $600 per gross ton for vessels other than tank vessels. The liability limits are not applicable, however, if the spill is caused by gross negligence or willful misconduct; if the spill results from violation of a federal safety, construction, or operating regulation; or if a party fails to report a spill or fails to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA. Management is currently unaware of any oil spills for which we have been designated as a Responsible Party under OPA that will have a material adverse impact on us or our operations.

OPA also imposes ongoing requirements on a Responsible Party, including preparation of an oil spill contingency plan and maintaining proof of financial responsibility to cover a majority of the costs in a potential spill. We believe we have appropriate spill contingency plans in place. With respect to financial responsibility, OPA requires the Responsible Party for certain offshore facilities to demonstrate financial responsibility of not less than $35 million, with the financial responsibility requirement potentially increasing up to $150 million if the risk posed by the quantity or quality of oil that is explored for or produced indicates that a greater amount is required. The MMS has promulgated regulations implementing these financial responsibility requirements for covered offshore facilities. Under the MMS regulations, the amount of financial responsibility required for an offshore facility is increased above the minimum amounts if the "worst case" oil spill volume calculated for the facility exceeds certain limits established in the regulations. We believe that we currently have established adequate proof of financial responsibility for our onshore and offshore facilities and that we satisfy the MMS requirements for financial responsibility under OPA and applicable regulations.

OPA also requires owners and operators of vessels over 300 gross tons to provide the Coast Guard with evidence of financial responsibility to cover the cost of cleaning up oil spills from such vessels. We currently own and operate six vessels over 300 gross tons. Satisfactory evidence of financial responsibility has been provided to the Coast Guard for all of our vessels.

The Clean Water Act imposes strict controls on the discharge of pollutants into the navigable waters of the U.S. and imposes potential liability for the costs of remediating releases of petroleum and other substances. The controls and restrictions imposed under the Clean Water Act have become more stringent over time, and it is possible that additional restrictions will be imposed in the future. Permits must be obtained to discharge pollutants into state and federal waters. Certain state regulations and the general permits issued

under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the exploration for and production of oil and gas into certain coastal and offshore waters. The Clean Water Act provides for civil, criminal and administrative penalties for any unauthorized discharge of oil and other hazardous substances and imposes liability on responsible parties for the costs of cleaning up any environmental contamination caused by the release of a hazardous substance and for natural resource damages resulting from the release. Many states have laws that are analogous to the Clean Water Act and also require remediation of releases of petroleum and other hazardous substances in state waters. Our vessels routinely transport diesel fuel to offshore rigs and platforms and also carry diesel fuel for their own use. Our supply boats transport bulk chemical materials used in drilling activities and also transport liquid mud which contains oil and oil by-products. Offshore facilities and vessels operated by us have facility and vessel response plans to deal with potential spills of oil or its derivatives. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

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

The Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, contains provisions requiring the remediation of releases of hazardous substances into the environment and imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons including owners and operators of contaminated sites where the release occurred and those companies who transport, dispose of or who arrange for disposal of hazardous substances released at the sites. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. Third parties may also file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Although we handle hazardous substances in the ordinary course of business, we are not aware of any hazardous substance contamination for which we may be liable.

We operate in foreign jurisdictions that have various types of governmental laws and regulations relating to the discharge of oil or hazardous substances and the protection of the environment. Pursuant to these laws and regulations, we could be held liable for remediation of some types of pollution, including the release of oil, hazardous substances and debris from production, refining or industrial facilities, as well as other assets we own or operate or which are owned or operated by either our customers or our sub-contractors.

Management believes that we are in compliance in all material respects with all applicable environmental laws and regulations to which we are subject. We do not anticipate that compliance with existing environmental laws and regulations will have a material effect upon our capital expenditures, earnings or competitive position. However, changes in the environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities, and thus there can be no assurance that we will not incur significant environmental compliance costs in the future.

EMPLOYEES

We rely on the high quality of our workforce. As of December 31, 2002, we had 1,184 employees, 227 of which were salaried. As of that date we also utilized approximately 450 non-U.S. citizens to crew our foreign flag vessels under a crewing contract with C-MAR Services (UK), Ltd. of Aberdeen, Scotland. None of our employees belong to a union or are employed pursuant to any collective bargaining agreement or any similar arrangement. We believe that our relationship with our employees and foreign crew members is good.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

Shareholders should carefully consider the following risk factors in addition to the other information contained herein. This Annual Report on Form 10-K includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You can identify these statements by forward-looking words such as "anticipate," "believe," "budget," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "should," "will" and "would' or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future financial position or results of operations or state other forward-looking information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to predict or control accurately. The factors listed below in this section, captioned "Factors Influencing Future Results and Accuracy of Forward-Looking Statements," as well as any cautionary language in this Annual Report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Annual Report could have a material adverse effect on our business, results of operations and financial position.

OUR BUSINESS IS ADVERSELY AFFECTED BY LOW OIL AND GAS PRICES AND BY THE CYCLICALITY OF THE OIL AND GAS INDUSTRY.

Our business is substantially dependent upon the condition of the oil and gas industry and, in particular, the willingness of oil and gas companies to make capital expenditures for offshore exploration, drilling and production operations. The level of capital expenditures generally depends on the prevailing view of future oil and gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including, but not limited to:

- Worldwide economic activity,
- Economic and political conditions in the Middle East and other oil-producing regions,
- Coordination by the Organization of Petroleum Exporting Countries, or OPEC,
- The cost of exploring for and producing oil and gas,
- The sale and expiration dates of offshore leases in the United States and overseas,
- The discovery rate of new oil and gas reserves in offshore areas,
- Technological advances,
- Interest rates and the cost of capital,
- Environmental regulations, and
- Tax policies.

The level of offshore construction activity did not increase despite higher commodity prices in 2002. We cannot assure you that activity levels will increase anytime soon. A sustained period of low drilling and production activity or the return of lower commodity prices would likely have a material adverse effect on our financial position and results of operations.

THE OPERATION OF MARINE VESSELS IS RISKY, AND WE DO NOT HAVE INSURANCE COVERAGE FOR ALL RISKS.

Marine construction involves a high degree of operational risk. Hazards, such as vessels sinking, grounding, colliding and sustaining damage from severe weather conditions, are inherent in marine operations. These hazards can cause personal injury or loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Damage arising from such occurrences may result in lawsuits asserting large claims. We maintain such insurance protection as we deem

prudent, including Jones Act employee coverage, which is the maritime equivalent of workers' compensation, and hull insurance on our vessels. We cannot assure you that any such insurance will be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim for which we are not fully insured could have a material adverse effect on us. Moreover, we cannot assure you that we will be able to maintain adequate insurance in the future at rates that we consider reasonable. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased substantially, and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. For example, insurance carriers are now requiring broad exclusions for losses due to war risk and terrorist acts. As construction activity expands into deeper water in the Gulf, a greater percentage of our revenues may be from Deepwater construction projects that are larger and more complex, and thus riskier, than shallow water projects. As a result, our revenues and profits are increasingly dependent on our larger vessels. The current insurance on our vessels, in some cases, is in amounts approximating book value, which is less than replacement value. In the event of property loss due to a catastrophic marine disaster, mechanical failure or collision, insurance may not cover a substantial loss of revenues, increased costs and other liabilities, and could have a material adverse effect on our operating performance if we were to lose any of our large vessels.

OUR CONTRACTING BUSINESS DECLINES IN WINTER, AND BAD WEATHER IN THE GULF OR NORTH SEA CAN ADVERSELY AFFECT OUR OPERATIONS.

Marine operations conducted in the Gulf and North Sea are seasonal and depend, in part, on weather conditions. Historically, we have enjoyed our highest vessel utilization rates during the summer and fall when weather conditions are favorable for offshore exploration, development and construction activities. We typically have experienced our lowest utilization rates in the first quarter. As is common in the industry, we typically bear the risk of delays caused by some but not all adverse weather conditions. Accordingly, our results in any one quarter are not necessarily indicative of annual results or continuing trends.

IF WE BID TOO LOW ON A TURNKEY CONTRACT, WE SUFFER CONSEQUENCES.

A majority of our projects are performed on a qualified turnkey basis where described work is delivered for a fixed price and extra work, which is subject to customer approval, is billed separately. The revenue, cost and gross profit realized on a turnkey contract can vary from the estimated amount because of changes in offshore job conditions, variations in labor and equipment productivity from the original estimates, and the performance of others such as alliance partners. These variations and risks inherent in the marine construction industry may result in our experiencing reduced profitability or losses on projects.

ESTIMATES OF OUR OIL AND GAS RESERVES, FUTURE CASH FLOWS AND ABANDONMENT COSTS MAY BE SIGNIFICANTLY INCORRECT.

Our proved reserves at December 31, 2002, included the reserves assigned to our ownership position in the Gunnison project, a Deepwater Gulf of Mexico oil and gas field operated by Kerr-McGee Corporation. These reserves constitute 47% of our total proved reserves as of December 31, 2002. The reserves assigned to Gunnison were not generated by our reservoir engineers, as we do not own the seismic data for the three fields that comprise Gunnison. Instead, they were determined based on information provided by the operator, Kerr-McGee Oil & Gas Corporation. These reserve estimates were reviewed by our engineers, including an assessment of the operator's assumptions and their engineering, geologic and evaluation principles and techniques. This Annual Report also contains estimates of our other proved oil and gas reserves and the estimated future net cash flows therefrom based upon reports for the years ended December 31, 2000, 2001 and 2002, reviewed by Miller and Lents, Ltd., independent petroleum engineers. These reports rely upon various assumptions, including assumptions required by the Securities and Exchange Commission, as to oil and gas prices, drilling and operating expenses, capital expenditures, abandonment costs, taxes and availability of funds. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, these estimates are inherently imprecise. Actual future production, cash flows,

development expenditures, operating and abandonment expenses and quantities of recoverable oil and gas reserves may vary substantially from those estimated in these reports. Any significant variance in these assumptions could materially affect the estimated quantity and value of our proved reserves. You should not assume that the present value of future net cash flows from our proved reserves referred to in this prospectus is the current market value of our estimated oil and gas reserves. In accordance with Securities and Exchange Commission requirements, we base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the net present value estimate. In addition, if costs of abandonment are materially greater than our estimates, they could have an adverse effect on earnings.

THE GUNNISON PROJECT MAY NOT RESULT IN THE EXPECTED CASH FLOWS OR SUBSEA ASSET UTILIZATION WE ANTICIPATE AND COULD INVOLVE SIGNIFICANT FUTURE CAPITAL OUTLAYS.

The Gunnison project is subject to a number of assumptions and uncertainties, including estimates of the capital outlays necessary to develop the prospect and the cash flows that we may ultimately derive. We cannot assure you that we will be able to fund all required capital outlays or that these outlays will be profitable. Moreover, although we have contracts for subsea construction work, the extent of utilization of our subsea assets for such work has not been fully determined. We have a $35.0 million loan facility to provide for the financing of part of our portion of the construction costs of the spar, of which we had drawn down $29.3 million as of December 31, 2002. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

EXPECTED CASH FLOWS FROM THE Q4000, INTREPID AND SEAWELL, AS WELL AS CANYON, MAY NOT BE IMMEDIATE OR AS HIGH AS EXPECTED.

The Q4000, Intrepid and the Seawell are vessels that were placed into service during 2002. In addition, during 2002 we acquired Canyon Offshore, Inc., a supplier of ROVs to the offshore construction and telecommunications industry. We will not receive any material increase in revenue or cash flow from their operation until there is significant utilization of these vessels and Canyon's services. We cannot assure you that customer demand for these vessels and Canyon's services will be as high as currently anticipated and, as a result, our future cash flows may be adversely affected. New vessels from third parties may also enter the market in the coming years and compete with the Q4000, Intrepid and the Seawell for contracts.

OUR OIL AND GAS OPERATIONS INVOLVE SIGNIFICANT RISKS, AND WE DO NOT HAVE INSURANCE COVERAGE FOR ALL RISKS.

Our oil and gas operations are subject to risks incident to the operation of oil and gas wells, including, but not limited to, uncontrollable flows of oil, gas, brine or well fluids into the environment, blowouts, cratering, mechanical difficulties, fires, explosions, pollution and other risks, any of which could result in substantial losses to us. We maintain insurance against some, but not all, of the risks described above.

WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY AGAINST CURRENT AND FUTURE COMPETITORS.

The business in which we operate is highly competitive. Several of our competitors are substantially larger and have greater financial and other resources than we have. If other companies relocate or acquire vessels for operations in the Gulf or the North Sea, levels of competition may increase and our business could be adversely affected.

THE LOSS OF THE SERVICES OF ONE OR MORE OF OUR KEY EMPLOYEES, OR OUR FAILURE TO ATTRACT AND RETAIN OTHER HIGHLY QUALIFIED PERSONNEL IN THE FUTURE, COULD DISRUPT OUR OPERATIONS AND ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Our industry has lost a significant number of experienced subsea people over the years due to, among other reasons, the volatility in commodity prices. Our continued success depends on the active participation of our key employees. The loss of our key people could adversely affect our operations. We believe that our

success and continued growth are also dependent upon our ability to attract and retain skilled personnel. We believe that our wage rates are competitive; however, unionization or a significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in the wage rates we pay, or both. If either of these events occurs for any significant period of time, our revenues and profitability could be diminished and our growth potential could be impaired.

IF WE FAIL TO EFFECTIVELY MANAGE OUR GROWTH, OUR RESULTS OF OPERATIONS COULD BE HARMED.

We have a history of growing through acquisitions of large assets and acquisitions of companies. We must plan and manage our acquisitions effectively to achieve revenue growth and maintain profitability in our evolving market. If we fail to effectively manage current and future acquisitions, our results of operations could be adversely affected. Our growth has placed, and is expected to continue to place, significant demands on our personnel, management and other resources. We must continue to improve our operational, financial, management and legal/compliance information systems to keep pace with the growth of our business.

WE MAY NEED TO CHANGE THE MANNER IN WHICH WE CONDUCT OUR BUSINESS IN RESPONSE TO CHANGES IN GOVERNMENT REGULATIONS.

Our subsea construction, intervention, inspection, maintenance and decommissioning operations and our oil and gas production from offshore properties, including decommissioning of such properties, are subject to and affected by various types of government regulation, including numerous federal, state and local environmental protection laws and regulations. These laws and regulations are becoming increasingly complex, stringent and expensive to comply with, and significant fines and penalties may be imposed for noncompliance. We cannot assure you that continued compliance with existing or future laws or regulations will not adversely affect our operations.

CERTAIN PROVISIONS OF OUR CORPORATE DOCUMENTS AND MINNESOTA LAW MAY DISCOURAGE A THIRD PARTY FROM MAKING A TAKEOVER PROPOSAL.

In addition to the 55,000 shares of preferred stock issued or issuable to Fletcher International, Ltd. under the First Amended and Restated Agreement dated January 17, 2003, but effective as of December 31, 2002, by and between Cal Dive and Fletcher International, Ltd., our board of directors has the authority, without any action by our shareholders, to fix the rights and preferences on up to 4,945,000 shares of undesignated preferred stock, including dividend, liquidation and voting rights. In addition, our by-laws divide the board of directors into three classes. We are also subject to certain anti-takeover provisions of the Minnesota Business Corporation Act. We also have employment contracts with all of our senior officers that require cash payments in the event of a "change of control." Any or all of the provisions or factors described above may have the effect of discouraging a takeover proposal or tender offer not approved by management and the board of directors and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt.

ITEM 2. PROPERTIES

OUR VESSELS

We own a fleet of 22 vessels and 21 ROVs and trenchers. We believe that the Gulf market requires specially designed and/or equipped vessels to competitively deliver subsea construction services. Nine of our vessels have DP capabilities specifically designed to respond to the Deepwater market requirements. Eight of our vessels (seven of which are based in the Gulf) have the capability to provide saturation diving services. Recent developments in our fleet include:

Q4000: We began construction of our newest Ultra-Deepwater MSV, the Q4000, in 1999, and accepted her delivery in early 2002. The vessel cost $182 million and incorporates our latest semi-submersible technologies, including various patented elements such as the absence of lower hull cross bracing. A variable deck load of over 4,000 metric tons and upgraded well completions capability make

the vessel particularly well suited for large offshore construction projects in the Ultra-Deepwater. Its Huisman-Itrec multi-purpose tower has an open face which allows free access from three sides, an advantage for a construction and intervention vessel.

Intrepid: The Intrepid (formerly Sea Sorceress) offers customers a pipelay/construction vessel capable of carrying an 8,000 metric ton deck load. She began work in June of 2002.

Eclipse: This large DP DSV is 370 feet long, 67 feet wide and has recently been refitted into a DSV by installing a saturation diving system, restoring the ballast system and upgrading to DP-2. The Eclipse began work in March 2002.

Seawell: This purpose-built 364 foot mono-hull DP vessel, capable of supporting both manned diving and ROVs, was recently upgraded for coiled tubing deployment and well testing. The Seawell was purchased in July 2002.

Northern Canyon: Canyon took delivery of this purpose-built, 270 foot state-of-the-art ROV support vessel in July 2002. The vessel, which is deployed in the North Sea, is leased from a third party.

ROVs: To enable us to control critical path equipment involved in our deepwater projects, we acquired Canyon in January 2002. Canyon currently operates 17 ROVs and four trencher systems. In 2001, Canyon introduced the next-generation work-class ROV, the Quest. Advantages of the Quest include: electric instead of hydraulic systems, 50% smaller footprint, fewer moving parts (i.e., lower operating costs), a dynamic positioning system and improved depth rating. The average age of the Canyon ROV fleet is approximately two years. Furthermore, Canyon has ordered three new Triton XLS ROV systems and a state of the art 750 horsepower trenching unit to fulfill its future contract obligations under its agreement with Technip.

LISTING OF VESSELS, BARGE AND ROVS

DATE IN SERVICE	MOONPOOL (SQ. FEET)	FOUR POINT ANCHOR (TONS)	CAL DIVE DECK LENGTH (FEET)	CLEAR DECK SPACE (SQ. FEET)	DECK LOAD CAPACITY (TONS)	LAUNCH/ RECOVERY CRANE	SAT DIVING	PLACED MOORED BERTHS	CLASSIFICATION(1)
DP MSVS:									
Uncle John.....	11/96	254	11,834	460	102	X	--	2	X
Q4000(2).....	4/02	310	26,400	4,000	138	X	--	160; 350; ABS Derrick: 600	
FLOWLINE LAY:									
Intrepid(4).....	8/97	374	17,730	8,000	50	--	--	440	DNV
WELL OPERATIONS:									
Seawell(6).....	7/02	368	900	700	129	X	--	130	DNV
DP DSVS:									
Eclipse(5).....	3/02	380	8,611	2,436	109	X	--	A-Frame	DNV
Witch Queen.....	11/95	278	5,600	500	60	X	--	50	DNV
Mystic Viking.....	6/01	253	5,600	1,340	60	X	--	50	DNV
DP ROV SUPPORT Vessels:									
Merlin.....	12/97	198	955	308	42	--	--	A-Frame	ABS
Northern Canyon(3).....	2002	276	9,677	2,400	60	--	--	50	DNV
DSVS:									
Cal Diver I.....	7/84	196	2,400	220	40	X	X	20	ABS
Cal Diver II.....	6/85	166	2,816	300	32	X	X	A-Frame	ABS
Cal Diver V.....	9/91	168	2,324	490	30	--	X	A-Frame	ABS
Cal Diver IV.....	3/01	120	1,440	60	24	--	--	--	ABS
Mr. Fred.....	3/00	167	2,465	500	36	--	X	25	USCG
Mr. Sonny(7).....	3/01	175	3,480	409	28	--	X	35	ABS
UTILITY VESSELS:									
Mr. Jim.....	2/98	110	1,210	64					

19 -- -- -- USCG
Mr.
Jack.....
1/98 120 1,220 66
22 -- -- -- USCG
Polo
Pony(7).....
3/01 110 1,240 69
25 -- -- -- ABS
Sterling
Pony(7)... 3/01
110 1,240 64 25 --
-- -- ABS White
Pony(7)..... 3/01
116 1,230 64 25 --
-- -- ABS OTHER:
Cal Dive Barge
I... 8/90 150 N/A
200 26 -- X 200
ABS
Talisman.....
11/00 195 3,000
675 15 -- -- --
ABS 21 ROVs and
trenchers(8).....
Various(4) -- -- -
- -- -- -- -- --

- ---

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

(2) The Q4000 commenced work in April 2002.

(3) This leased vessel became available in June 2002.

(4) The Intrepid modifications were completed in May 2002 and the vessel began work in June 2002.

(5) The Eclipse was purchased in October 2001 and began work in March 2002.

(6) The Seawell was purchased and began work in July 2002.

(7) In March 2001, we acquired substantially all of the assets of Professional Divers including the Mr. Sonny (a 165-foot four-point moored DSV), three utility vessels and associated diving equipment including two saturation diving systems.

(8) Average age of ROV fleet is two years.

We incur routine drydock inspection, maintenance and repair costs pursuant to Coast Guard regulations and in order to maintain ABS or DNV classification for our vessels. In addition to complying with these requirements, we have our own vessel maintenance program that we believe permits us to continue to provide our customers with well maintained, reliable vessels. In the normal course of business, we charter other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels. All of our vessels are subject to ship mortgages to secure our $70.0 million revolving credit facility, except the Northern Canyon (leased),and the Q4000 (subject to liens to secure the MARAD financing guarantees).

SUMMARY OF NATURAL GAS AND OIL RESERVE DATA

The table below sets forth information, as of December 31, 2002, with respect to estimates of net proved reserves and the present value of estimated future net cash flows at such date, prepared in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 2002, excluding Gunnison, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. These non-Gunnison reserves totaled (as of December 31, 2002) 43,323 MMcf of natural gas and 6,727 MBbls of oil with a standardized measure of discounted future net cash flows (pre-tax) of $161,565,600 (see note (2) in table below). Since the Company does not own a license to the geophysical data, reserves attributable to Gunnison (which total 47% of the proved reserves as of December 31, 2002) have been determined based on information provided by the operator. These reserve estimates were reviewed by our engineers, including an assessment of the operator's assumptions and their engineering, geologic and evaluation principles and techniques. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

TOTAL PROVED	---------- Estimated Proved
Reserves(1): Natural gas (MMcf)	85,224
Oil and condensate (MBbls)	12,037
Standardized measure of discounted future net cash flows (pre-tax) (2)	$291,705,010

- ---

(1) Includes both Company's reserves reviewed by Miller & Lents (as noted above) and Gunnison reserves reviewed by Company's engineers.

(2) The standardized measure of discounted future net cash flows attributable to our reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum. As of December 31, 2002, we owned an interest in 157 gross (105 net) natural gas wells and 302 gross (265 net) oil wells located in federal and state offshore waters in the Gulf of Mexico.

FACILITIES

Our corporate headquarters are located at 400 N. Sam Houston Parkway E., Suite 400, Houston, Texas. Our primary subsea and marine services operations are based in Morgan City, Louisiana. All of our facilities are leased.

PROPERTIES AND FACILITIES SUMMARY

FUNCTION SIZE -------- ---- Houston, Texas..... Cal Dive International , Inc. 37,800 square feet (CDI) Corporate Headquarters, Project Management, and Sales Office; Energy Resource Technology, Inc.; 15,000 square feet and Well Ops Inc. Canyon Corporate Headquarters, Management and Sales Office Aberdeen, Scotland..... Canyon Sales Office 12,000 square feet Well Ops (U.K.) Limited Operations 4,600 square feet Singapore..... Canyon Operations 10,000 square feet Morgan City, Louisiana..... CDI Operations 28.5 acres CDI Warehouse 30,000 square feet CDI Offices 4,500 square feet Lafayette, Louisiana..... Aquatica Operations 8 acres Aquatica Warehouse 12,000 square feet Aquatica Offices 5,500 square feet New Orleans, Louisiana..... Aquatica Sales Office 2,724 square feet

ITEM 3. LEGAL PROCEEDINGS

INSURANCE AND LITIGATION

Our operations are subject to the inherent risks of offshore marine activity, including accidents resulting in personal injury and the loss of life or property, environmental mishaps, mechanical failures, fires and collisions. We insure against these risks at levels consistent with industry standards. We also carry workers' compensation, maritime employer's liability, general liability and other insurance customary in our business. All insurance is carried at levels of coverage and deductibles that we consider financially prudent. Our services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could occur, and litigation arising from such an event may result in our being named a defendant in lawsuits asserting large claims. To date, we have been involved in only one such claim, where the cost of our vessel, the Balmoral Sea, was fully covered by insurance. Although there can be no assurance that the amount of insurance we carry is sufficient to protect us fully in all events, or that such insurance will continue to be available at current levels of cost or coverage, we believe that our insurance protection is adequate for our business operations. A successful liability claim for which we are underinsured or uninsured could have a material adverse effect on our business.

We are involved in various legal proceedings, primarily involving claims for personal injury under the General Maritime Laws of the United States and the Jones Act as a result of alleged negligence. In addition, we from time to time incur other claims, such as contract disputes, in the normal course of business. In that regard, 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 CDN. Seacore has now made demand on Cal Dive Offshore Ltd. ("CDO"), a subsidiary of Cal Dive, for one-half of this amount. 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, management believes that in the event Seacore continues to seek contribution from our subsidiary, which would require another arbitration, it is anticipated that our subsidiary's exposure, if any, should be less than $500,000.

During 2002, the Company engaged in a large construction project and, in late September, 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. Of the amounts billed by CDI for this project, $12.1 million had not been collected as of February 18, 2003. Due to the size of the dispute, inherent uncertainties with respect to a mediation and relationship issues with the customer, CDI provided a reserve in the fourth quarter of 2002 resulting in a loss for the Company on the project as a whole. In another lengthy commercial dispute, EEX Corporation sued Cal Dive and others alleging breach of fiduciary duty by a former EEX employee and damages resulting from certain construction and property acquisition agreements. Cal Dive had responded alleging EEX Corporation breached various provisions of the same contracts. EEX's acquisition by Newfield during the fourth quarter 2002 enabled CDI to enter meaningful settlement discussions prior to the trial date, which was set for February 2003. This resulted in a settlement including CDI making a cash payment, subsequent to yearend, and agreeing to provide work credits for its services over the next three years. The total value of the settlement was recorded in the Company's statement of operations for the year ended December 31, 2002. This settlement combined with the reserves on the project discussed above resulted in approximately $10 million of pre-tax charges recorded in the accompanying statement of operations.

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

None.

ITEM (UNNUMBERED). EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of Cal Dive are as follows:

NAME	AGE	POSITION
Owen Kratz	48	Chairman and Chief Executive Officer and Director
Martin R. Ferron	46	President and Chief Operating Officer and Director
S. James Nelson, Jr.	61	Vice Chairman and Director
James Lewis Connor, III	45	Senior Vice President, General Counsel and Corporate Secretary
A. Wade Pursell	38	Senior Vice President, Chief Financial Officer and Treasurer
Johnny Edwards	49	President -- Energy Resource Technology, Inc.

Owen Kratz is Chairman and Chief Executive Officer of Cal Dive International, Inc. He was appointed Chairman in May 1998 and has served as our Chief Executive Officer since April 1997. Mr. Kratz served as President from 1993 until February 1999, and as a Director since 1990. He served as Chief Operating Officer from 1990 through 1997. Mr. Kratz joined Cal Dive in 1984 and has held various offshore positions, including saturation diving supervisor, and has had management responsibility for client relations, marketing and estimating. From 1982 to 1983, Mr. Kratz was the owner of an independent marine construction company operating in the Bay of Campeche. Prior to 1982, he was a superintendent for Santa Fe and various international diving companies, and a saturation diver in the North Sea.

Martin R. Ferron has served on our board of directors since September 1998. Mr. Ferron became President in February 1999 and has served as Chief Operating Officer since January 1998. Mr. Ferron has 20 years of experience in the oilfield industry, including seven in senior management positions with the international operations of McDermott Marine Construction and Oceaneering International Services, Limited. Mr. Ferron has a civil engineering degree, a master's degree in marine technology, an MBA and is a chartered civil engineer.

S. James Nelson, Jr. is Vice Chairman and has been a Director of Cal Dive since 1990. Prior to October 2000, he was Executive Vice President and Chief Financial Officer. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., the former parent of Cal Dive, at which time he had corporate responsibility for Cal Dive. From 1980 to 1985, Mr. Nelson served as Chief Financial Officer of Apache Corporation, an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen & Co., and, from 1976 to 1980, he was a partner serving on the firm's worldwide oil and gas industry team. Mr. Nelson received an undergraduate degree from Holy Cross College (B.S.) and an MBA from Harvard University; he is also a Certified Public Accountant.

James Lewis Connor, III became Senior Vice President and General Counsel of Cal Dive in May 2002 and Corporate Secretary in July 2002. He had previously served as Deputy General Counsel since May 2000. Mr. Connor has been involved with the oil and gas industry for nearly 20 years, including 11 years in his capacity as legal counsel to both companies and individuals. Prior to joining Cal Dive, Mr. Connor was a Senior Counsel at El Paso Production Company (formerly Sonat Exploration Company) from 1997 to 2000 and previously from 1995 to 1997 was a senior associate in the oil, gas and energy law section of Hutcheson & Grundy, L.L.P. Mr. Connor received his Bachelor of Science degree from Texas A&M University in 1979 and his law degree, with honors, from the University of Houston in 1991.

A. Wade Pursell is Senior Vice President and Chief Financial Officer of Cal Dive International, Inc. In this capacity, which he was appointed to in October 2000, Mr. Pursell oversees the treasury, accounting, information technology, tax, administration and corporate planning functions. He joined Cal Dive in May 1997, as Vice President -- Finance and Chief Accounting Officer. From 1988 through 1997 he was with Arthur Andersen LLP, lastly as an Experienced Manager specializing in the offshore services industry (which included servicing the Cal Dive account from 1990 to 1997). Mr. Pursell received an undergraduate degree (B.S.) from the University of Central Arkansas and is a Certified Public Accountant.

Johnny Edwards has been President of ERT since March 2000. He joined ERT in 1994 as Engineering and Acquisitions Manager, where he has been instrumental in the growth of the company. Prior to joining ERT, Mr. Edwards worked for ARCO Oil & Gas Company for 19 years and held various technical and management positions in engineering and operations. Mr. Edwards received a Bachelor of Science degree in Chemical Engineering from Louisiana Tech University in 1975.

PART II

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

Our common stock is traded on the Nasdaq National Market under the symbol "CDIS." The following table sets forth, for the periods indicated, the high and low closing sale prices per share of our common stock:

COMMON STOCK PRICE	HIGH	LOW
Calendar Year 2001 First quarter	$31.00	$22.00
Second quarter	30.66	21.88
Third quarter	23.04	15.98
Fourth quarter	25.86	16.01
Calendar Year 2002 First quarter	$25.20	$20.50
Second quarter	$27.22	$21.70
Third quarter	$21.90	$15.36
Fourth quarter	$25.20	$20.00
Calendar Year 2003 First quarter (through March 17, 2003)	$24.46	$16.99

On March 17, 2003, the closing sale price of our common stock on the Nasdaq National Market was $18.64 per share. As of March 17, 2003, there were an estimated 8,467 beneficial holders of our common stock.

On January 2, 2002, CDI purchased Canyon Offshore, Inc. for cash of $52.8 million, the assumption of $9.0 million of Canyon debt (offset by $3.1 million of cash acquired), securities exchangeable for 181,000 shares of Cal Dive common stock and a commitment to purchase the redeemable stock in Canyon for cash 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. The securities exchangeable for Cal Dive common stock were issued to certain former shareholders of Canyon in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. The three persons acquiring the securities exchangeable for Cal Dive common stock are sophisticated investors who represented to Cal Dive that the securities were being acquired for investment purposes and not with a view to distribution.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, for the future operation and growth of our business. In addition, our financing arrangements prohibit the payment of cash dividends on our common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

ITEM 6. SELECTED FINANCIAL DATA

The financial data presented below for each of the five years ended December 31, 2002, should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations

and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Form 10-K (in thousands, except per share amounts).

1998	1999	2000	2001	2002
--	--	--	--	--
Net Revenues	$151,887	$160,054	$181,014	$227,141	$302,705
Gross Profit	49,209	37,251	55,369	66,911	53,792
Net Income	24,125	16,899	23,326	28,932	12,377
Net Income per share:					
Basic	0.83	0.56	0.74	0.89	0.35
Diluted	0.81	0.55	0.72	0.88	0.35
Total Assets	164,235	243,722	347,488	473,122	845,858
Long-Term Debt	40,054	98,048	223,576	--	--
Shareholders' Equity	113,643	150,872	194,725	226,349	337,517

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

OVERVIEW

Oil and gas prices, the offshore mobile rig count, and Deepwater construction activity are three of the primary indicators we use to forecast the future performance of our business. Our construction services generally follow successful drilling activities by six to eighteen months on the OCS and twelve months or longer in the Deepwater arena. The level of drilling activity is related to both short- and long-term trends in oil and gas prices. In the second quarter of 1999, oil prices reached their highest levels since the First Gulf War and natural gas prices reached $10.00 per Mcf in early 2001, pushing offshore mobile rig utilization rates back to virtually full utilization. However, a slowing world economy and record levels of natural gas in storage resulted in significantly lower offshore mobile rig utilization rates in the second half of 2001 and throughout 2002. Commodity prices have recently recovered to very robust levels; however, with the instability in the Middle East and a slow world economy, drilling activity has yet to respond. Our primary leading indicator, the number of offshore mobile rigs contracted, is currently at approximately 115 rigs employed in the Gulf of Mexico, compared to 182 during the first quarter of 2001. The Deepwater Gulf is principally being developed for oil, with the complexity of developing these reservoirs resulting in significant lead times to first production.

Product prices impact our oil and gas operations in several respects. We seek to acquire producing oil and gas properties that are generally in the later stages of their economic life. The sellers' potential abandonment liabilities are a significant consideration with respect to the offshore properties we have purchased to date. Although higher natural gas prices tend to reduce the number of mature properties available for sale, these higher prices typically contribute to improved operating results for ERT. In contrast, lower natural gas prices, typically contribute to lower operating results for ERT and a general increase in the number of mature properties available for sale. We have expanded the scope of our gas and oil operations by taking a working interest in Gunnison, a Deepwater Gulf development of Kerr-McGee Oil & Gas Corporation which has discovered significant reserves, and participating in the ownership of the Marco Polo production facility.

Vessel utilization is historically lower during the first quarter due to winter weather conditions in the Gulf and the North Sea. Accordingly, we plan our drydock inspections and other routine and preventive maintenance programs during this period. During the first quarter, a substantial number of our customers finalize capital budgets and solicit bids for construction projects. The bid and award process during the first two quarters typically leads to the commencement of construction activities during the second and third quarters. As a result, we have historically generated up to 65% of our marine contracting revenues in the last six months of the year. Our operations can also be severely impacted by weather during the fourth quarter. Our salvage barge, which has a shallow draft, is particularly sensitive to adverse weather conditions, and its utilization rate tends to be lower during such periods. Operation of oil and gas properties and production facilities tends to offset the impact of weather since the first and fourth quarters are typically periods of high demand and strong prices for natural gas. Due to this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

The following table sets forth for the periods presented average U.S. natural gas prices, our equivalent natural gas production, the average number of offshore rigs under contract in the Gulf, the number of platforms installed and removed in the Gulf and the vessel utilization rates for each of the major categories of our fleet.

2002	2001	2002										
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
				U.S. natural gas								
prices(1).....	$2.52	$3.47										
$4.27	$5.29	$7.09	$4.67	$2.88								
$2.45	$2.19	$3.21	$3.00	$3.76								
ERT oil and gas production												
(MMcfe).....												
3,321	4,169	4,271	3,725	4,290								
3,552	3,289	2,797	2,910	3,487								
			3,967	6,230	Rigs under							
				contract in the								
Gulf(2).....												
148	160	175	178	182	189	165						
125	122	125	131	128	Platform							
installations(3).....	9	19										
27	19	12	19	20	11	14	19	14	11			
				Platform								
removals(3).....	--	25										
61	7	13	11	19	16	11	37	26	4			
				Our average vessel								
				utilization rate:(4)								
DP.....												
71%	38%	45%	56%	61%	76%	85%						
			95%	74%	81%	71%	81%					
				Saturation								
DSV.....	57	57	78									
60	72	67	82	91	45	68	75	89				
				Surface								
diving.....	31	58										
55	57	61	81	72	60	58	62	47	66			
				Derrick								
barge.....	8	41										
53	59	30	54	67	47	--	46	52	38			

- ---

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

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

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

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

CRITICAL ACCOUNTING POLICIES

Our results of operations and financial condition, as reflected in the accompanying financial statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, changing capital market conditions and other factors which could affect the ongoing viability of our business segments and/or our customers. We believe the most critical accounting policies in this regard are the estimation of revenue allowance on gross amounts billed and evaluation of recoverability of property and equipment and goodwill balances. While these issues require us to make judgments that are somewhat subjective, they are generally based on a significant amount of historical data and current market data. Another area which requires us to make subjective judgments is that of revenue recognition. Our revenues are derived from billings under contracts, which are typically of short duration, that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. We recognize revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on

such contracts are made in the period such losses are determined.

ERT acquisitions of producing offshore properties are recorded at the fair value exchanged at closing together with an estimate of its proportionate share of the undiscounted decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability assumed in offshore property acquisitions, we perform detailed estimating procedures, including engineering studies. We follow the successful efforts method of accounting for our interests in oil and gas properties. Under the successful efforts method, the costs of successful wells and leases containing productive reserves are capitalized. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized.

The Company also considers the following accounting policies to be the most critical to the preparation of its financial statements:

GOODWILL AND INDEFINITE-LIVED INTANGIBLES

In accordance with SFAS No. 142, Goodwill and Indefinite-Lived Intangibles ("SFAS No. 142"), the Company tests for the impairment of goodwill and other intangible assets with indefinite lives on at least an annual basis. The Company's goodwill impairment test involves a comparison of the fair value of each of the Company's reporting units, as defined under SFAS No. 142, with its carrying amount. The Company's indefinite-lived asset impairment test involves a comparison of the fair value of the intangible and its carrying value. The fair value is determined using discounted cash flows and other market-related valuation models, such as earnings multiples and comparable asset market values. These tests are influenced significantly by management estimates of future cash flows and the related expected utilization of assets. Prior to the adoption of SFAS No. 142, goodwill was amortized on a straight line basis over 25 years. In conjunction with the adoption of this statement, the Company has discontinued the amortization of goodwill.

PROPERTY AND EQUIPMENT

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

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"), long-lived assets, excluding goodwill and indefinite-lived intangibles, to be held and used by the Company are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. SFAS No. 144 modifies SFAS No. 121, Accounting for the Impairment or Disposal of Long-Lived Assets to be Disposed of ("SFAS No. 121"). For long-lived assets to be held and used, the Company bases its evaluation on impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that my be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flows analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the fair value of the asset. The fair value of the asset is measured using quoted market prices or, in the absence of quoted market prices, is based on management's estimate of discounted cash flows. Assets are classified as held for sale when the Company has a plan for disposal of certain assets and those assets meet the held for sale criteria of SFAS No. 144.

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 gain of $2.5 million, net of taxes, in 2002 is accumulated as a component of shareholders' equity. All foreign currency transaction gains and losses are recognized currently in the statements of operations.

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 year ended December 31, 2002 were not material to the Company's results of operations or cash flows.

ACCOUNTING FOR PRICE RISK MANAGEMENT ACTIVITIES

The Company's price risk management activities involve the use of derivative financial instruments to hedge the impact of market price risk exposures primarily related 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 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 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 market 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 market 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, the Company entered into various cash flow hedging swap contracts 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 extended beyond a year and a half. The aggregate fair market value of the swaps was a liability of $4.1 million as of December 31, 2002. The Company recorded $2.6 million of loss, net of taxes, in other comprehensive loss within shareholders' equity as these hedges were highly effective.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") released SFAS No. 143, Accounting for Asset Retirement Obligations, which is required to be adopted no later than January 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 will require 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 Company will adopt this standard, as required, effective January 1, 2003. Management currently believes adoption of this standard will result in additional diluted earnings per share in the first quarter of 2003 of between $0.01 and $.03 and adjustments to certain balance sheet accounts including a decrease in Decommissioning Liabilities of approximately $30 million due to discounting.

In November 2002, FASB interpretation ("FIN") No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN No. 45") was issued. FIN No. 45 requires a guarantor to recognize at the inception of a guarantee a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Initial recognition and measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or

modified. The disclosure requirements are effective immediately. The Company does not expect FIN No. 45 to have a material effect on its consolidated financial statements.

In January 2003, FIN No. 46, Consolidation of Variable Interest Entities was issued which requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and applies in the first interim period beginning after June 15, 2003 to variable interest entities created before February 1, 2003. The related disclosure requirements are effective immediately. The Company does not believe that the adoption of this interpretation will have a material impact on its consolidated financial statements.

RESULTS OF OPERATIONS

COMPARISON OF YEARS ENDED 2002 AND 2001

Revenues. During the year ended December 31, 2002, the Company's revenues increased $75.6 million, or 33%, to $302.7 million compared to $227.1 million for the year ended December 31, 2001 with the Subsea and Salvage segment contributing all of the increase. Subsea and Salvage revenues increased to $239.9 million for the year ended December 31, 2002 as compared to $163.7 million in the prior year. Our acquisitions of Canyon Offshore and Well Ops UK Ltd added $37.5 million and $21.4 million, respectively. The remainder of the increase is due to the addition of three deepwater construction vessels: the Q4000, the Intrepid and the Eclipse.

Oil and Gas Production revenue for the year ended December 31, 2002 decreased less than 1% to $62.8 million from $63.4 million during the prior year. An increase in production, lead by the significant Shell and Hess acquisitions made late in the third quarter of 2002, was offset by lower average realized commodity prices. Oil and gas production increased 19% to 16.6 Bcfe in 2002 from 13.9 Bcfe during 2001, while our average realized commodity price declined 15% to $3.71 per Mcfe ($3.39 per Mcf of natural gas and $25.54 per barrel of oil) in 2002 as compared to $4.37 per Mcfe ($4.44 per Mcf of natural gas and $24.54 per barrel of oil) in the prior year. Oil and condensate represented 38% of ERT revenue in 2002 compared to 30% in 2001.

Gross Profit. Gross profit of $53.8 million for the year ended December 31, 2002 was $13.1 million, or 20%, below the $66.9 million gross profit recorded in the prior year with both segments contributing to the decline. Subsea and Salvage gross profit decreased $9.6 million, or 26%, to $27.0 million during the year ended December 31, 2002 compared to $36.7 million during 2001. Our DP vessels generated $8.6 million of gross profit, only 43% of the $20.1 million generated in the prior year, due in part to the charges recorded in the fourth quarter related to a contract dispute. Margins for this segment decreased to 11% for the year ended December 31, 2002 compared to 22% in 2001. While Aquatica margins held strong at 30% due to a large amount of shelf repair work following Hurricane Lili, the DP fleet only contributed 7% margins in 2002 compared to 25% in the prior year.

Oil and Gas Production gross profit decreased $3.5 million from $30.2 million in the year ended December 31, 2001 to $26.7 million for the year ended December 31, 2002 due mainly to the aforementioned decrease in average realized commodity prices. Margins declined to 43% during 2002 from 48% during 2001 due to platform repairs and the time necessary for pipelines to return to full production following Hurricane Lili.

Selling and Administrative Expenses. Selling and administrative expenses of $32.8 million in 2002 were $11.5 million, or 54%, higher than the $21.3 million incurred during 2001. The increase is primarily due to the acquisitions of Canyon and Well Ops UK Ltd. and a charge taken for the settlement of litigation in the fourth quarter of 2002.

Net Interest (Income) Expense and Other. The Company reported net interest expense and other of $2.0 million for the year ended December 31, 2002 in contrast to $1.3 million for the prior year. This increase is due to the increase in debt from our capital program, which resulted in an additional $2.2 million in interest expense, offset by a $1.1 million gain on our foreign currency hedge related to the Well Ops (U.K.) Limited acquisition included in other income in the third quarter of 2002.

Income Taxes. Income taxes decreased to $6.7 million for the year ended December 31, 2002, compared to $15.5 million in the prior year due to decreased profitability. Federal income taxes were provided at the statutory rate of 35% in 2002. However, our deduction of Q4000 construction costs as Research and Development expenditures for federal tax purposes resulted in CDI paying no federal income taxes in 2002 and 2001. Since the deduction of Q4000 construction costs affects financial and taxable income in different years, the entire 2002 and 2001 provisions for federal taxes were reflected as deferred income taxes.

Net Income. Net income of $12.4 million for the year ended December 31, 2002 was $16.6 million, or 57%, less than the $28.9 million earned in 2001 as a result of factors described above.

COMPARISON OF YEAR ENDED DECEMBER 31, 2001 AND 2000

Revenues. During the year ended December 31, 2001, the Company's revenues increased 25% to $227.1 million compared to $181.0 million for the year ended December 31, 2000 with the Subsea and Salvage segment contributing all of the increase. Aquatica revenues increased 80% to $37.0 million for 2001 from $20.6 million in the prior year due, in part, to added capacity as a result of our acquisition of Professional Divers of New Orleans, Inc. in February 2001 and improved OCS activity. Revenues generated from our DP fleet increased 54% to $79.3 million during 2001 compared to $51.4 million in 2000 due mainly to vessel utilization improving from 56% during 2000 to 87%. This increased utility reflects improved CDI market share, an expansion in the scope of Deepwater services provided and expansion into other regions (Mexico and Trinidad).

Oil and Gas Production revenue for the year ended December 31, 2001 decreased 10% to $63.4 million from $70.8 million during the prior year due to a 10% decrease in production from 15.5 Bcfe in 2000 compared to 13.9 Bcfe during 2001. ERT received an average of $4.44 per Mcf for natural gas and $24.54 per Bbl for oil during 2001 compared to $4.04 per Mcf and $28.91 per Bbl in 2000. Oil and condensate represented 30% of ERT's revenues in 2001 versus 27% in 2000.

Gross Profit. Gross profit of $66.9 million for the year ended December 31, 2001 was 21% greater than the $55.4 million gross profit recorded in the prior year with Subsea and Salvage contracting gross profit providing all of the increase and offsetting a $9.1 million decline in oil and gas production gross profit. Subsea and Salvage margins improved from 15% for the year ended December 31, 2000 to 22% during the year ended December 31, 2001 due mainly to the increase in utilization due to increased marine construction activity, even though we earned only 5% margins on $15 million of Nansen/Boomvang volume that was mostly pass-through revenue.

Oil and Gas Production gross profit decreased $9.1 million from $39.3 million in the year ended December 31, 2000 to $30.2 million for the year ended December 31, 2001 due mainly to the aforementioned 10% decline in production, higher amortization rates in 2001 than 2000 and a $1.0 million charge for accounts receivable exposure related to the Enron bankruptcy.

Selling and Administrative Expenses. Selling and administrative expenses were $21.3 million in 2001, which is relatively flat (3% increase) with the $20.8 million incurred during 2000. Given the increased revenues, this tight cost control provided a two point margin improvement (i.e., 9% margin for the year ended December 31, 2001 as compared to 11% for the year ended December 31, 2000).

Net Interest (Income) Expense and Other. The Company reported net interest expense and other of $1.3 million for the year ended December 31, 2001 in contrast to $554,000 for the prior year as average cash balances (net of MARAD financing) declined during 2001 as compared to 2000 due mainly to costs associated with construction of the Q4000 and the Intrepid conversion.

Income Taxes. Income taxes increased to $15.5 million for the year ended December 31, 2001, compared to $11.6 million in the prior year due to increased profitability. Federal income taxes were provided at the statutory rate of 35% in 2001. However, our deduction of Q4000 construction costs as Research and Development expenditures for federal tax purposes resulted in CDI paying no federal income taxes in 2001 and 2000. Since the deduction of Q4000 construction costs affects financial and taxable income in different years, the entire 2001 and 2000 provisions for federal taxes were reflected as deferred income taxes. In

addition, the balance sheet includes a $10.0 million income tax receivable as of December 31, 2000 which reflects our amending prior year tax returns to reflect the deduction of such costs (these tax refunds were received in January 2001).

Net Income. Net income of $28.9 million for the year ended December 31, 2001 was $5.6 million, or 24%, more than 2000 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. 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. Through December 31, 2002, 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 have 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 have caused our working capital to decrease from $48.6 million at December 31, 2001 to $4.4 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 cumulated 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.

Operating Activities. Net cash provided by operating activities was $65.2 million during the year ended December 31, 2002, as compared to $89.1 million during 2001. This decrease was due mainly to decreased profitability and to last year's collection of a $10 million tax refund from the Internal Revenue Service relating to the deduction of Q4000 construction costs as research and development expenditures for federal tax purposes. Depreciation and amortization also increased $10.2 million to $44.8 million due to the depreciation of new vessels placed in service during 2002 and to increased depletion related to increased production levels from ERT. This was offset by an increase in funding required for accounts receivable collections during 2002 compared to 2001.

Net cash provided by operating activities was $89.1 million during the year ended December 31, 2001, as compared to $53.7 million during 2000. This increase was due mainly to increased profitability and collection of the $10 million tax refund from the Internal Revenue Service noted above. Timing of accounts payable payments provided $22.3 million of the increase due mainly to expenses accrued at December 31, 2001 on the Nansen/Boomvang project which carries a large component of pass-through costs. This project also accounted for the significant increase in unbilled revenue at December 31, 2001 ($10.7 million versus $1.9 million at December 31, 2000), as the next scheduled invoicing milestone was achieved in January 2002. This was offset by a $20.3 million decrease in funding from accounts receivable collections during 2001 compared to 2000 as we have extended payment terms to Horizon Offshore. In addition, depreciation and amortization increased $3.8 million to $34.5 million for 2001 due mainly to the depreciation of newly acquired vessels in service.

Investing Activities. Capital expenditures have consisted principally of strategic asset acquisitions related to the purchase of DP vessels, the Eclipse and Mystic Viking; construction of the Q4000 and conversion of the Intrepid; acquisition of Aquatica, Professional Divers, Canyon Offshore, Inc. and Well Ops (U.K.) Limited; improvements to existing vessels and the acquisition of oil and gas properties. As a result of our anticipation of an acceleration in Deepwater demand over the next several years, we incurred $316.4 million of capital expenditures (including the acquisitions of Canyon and Well Ops (U.K.) Limited and investments in

the two Deepwater developments, Gunnison and Deepwater Gateway L.L.C.) during 2002, $151.3 million during 2001 and $95.1 million in 2000.

We incurred $161.8 million of capital expenditures during the year ended December 31, 2002, compared to $151.3 million during the prior year. Included in the capital expenditures in 2002 is $29.1 million for the construction of the Q4000 and $20.8 million relating to the Intrepid DP conversion and Eclipse upgrade. Also included is over $25 million in ERT offshore property acquisitions (see discussion below) as well as approximately $53 million related to Gunnison development costs, including the spar. Included in the $151.3 million of capital expenditures in 2001 is $53 million for the construction of the Q4000, $33 million for the conversion of the Intrepid, $40 million relating to the purchase of two DP vessels (the 240-foot by 52-foot Mystic Viking and the 370-foot by 67-foot Eclipse), and production partnering expenditures of $20 million for initial Gunnison development costs and the ERT 2001 Well Enhancement Program. In addition, in March 2001, CDI acquired substantially all of the assets of Professional Divers of New Orleans in exchange for $11.5 million. The assets purchased included the 165-foot four-point moored DSV the Mr. Sonny, three utility vessels and associated diving equipment including two saturation diving systems. This acquisition was accounted for as a purchase with the acquisition price of $11.5 million being allocated to the assets acquired and liabilities assumed based upon their estimated fair values with the balance of the purchase price ($2.8 million) being recorded as goodwill.

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). Well Ops (U.K.) Limited performs life of field well operations and marine construction tasks primarily in the North Sea. The assets purchased include the Seawell, a 368-foot DPDSV capable of supporting manned diving, ROVs and well operations. The acquisition was accounted for as a business purchase with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with the excess being recorded as goodwill. During the fourth quarter of 2002 the Company completed its purchase price allocation, including obtaining an appraisal of the Seawell, resulting in $50 million allocated to this vessel, $1.5 million allocated to patented technology (to be amortized over 20 years) and goodwill of approximately $20.6 million as of December 31, 2002. The results of Well Ops (U.K.) Limited are included in the accompanying statements of operations since the date of the purchase, July 1, 2002.

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 our common stock (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. As they are employees, amounts paid, if any, in excess of the $13.53 per share will be recorded as compensation expense. No such expense was recorded in 2002. These remaining shares have been classified as redeemable stock in subsidiary in the accompanying balance sheet and will be adjusted to their estimated redemption value at each reporting period based on Canyon's performance. The acquisition was accounted for as a purchase with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with the excess being recorded as goodwill. The allocation of the $70.5 million purchase price was as follows: ROVs and equipment ($22.9 million); net working capital assumed ($4.0 million) and goodwill ($43.6 million). The results of Canyon are included in the accompanying statements of operations since the date of the purchase, January 2, 2002.

In April 2002, ERT acquired a 100% interest in East Cameron Block 374, including existing wells, equipment and improvements. The property, located in 425 feet of water, was jointly owned by Murphy Exploration & Production Company and Callon Petroleum Operating Company. Terms included a cash payment of approximately $3 million to reimburse the owners for the inception-to-date cost of the subsea wellhead and umbilical and an overriding royalty interest in future production. Cal Dive completed the temporarily abandoned number one well and performed a subsea tie-back to host platform. The cost of completion and tie-back was approximately $7 million with first production occurring in August 2002.

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 $110 million (approximately $43 million of which had been incurred as of December 31, 2002). In August 2002, the Company along with El Paso, completed a non-recourse project financing for this venture, terms of which include a minimum equity investment for CDI of $33 million, all of which had been paid as of December 31, 2002 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 does not believe performance is likely to occur.

In April 2000, ERT acquired a 20% working interest in Gunnison, a Deepwater Gulf of Mexico prospect 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 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 ($63.3 million of which had been incurred by December 31, 2002) 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, the sale of common stock 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 2001 and 2002, we borrowed $59.5 million and $43.9 million, respectively, on this facility bringing the total to $142.1 million at December 31, 2002. The MARAD debt is payable in equal semi-annual installments beginning in August 2002 and maturing 25 years from such date. 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 2% as of December 31, 2002). 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 worth, working capital and debt-to-equity requirements. As of December 31, 2002, we were in compliance with these covenants.

The Company has a revolving credit facility which was increased from $40 million to $70 million during 2002 and the term extended for three years. This facility is collateralized by accounts receivable and most of the remaining vessel fleet, bears interest at LIBOR plus 125-250 basis points depending on CDI leverage ratios (approximately 4.2% as of December 31, 2002) and, among other restrictions, includes three financial covenants (cash flow leverage, minimum interest coverage and fixed charge coverage). As of December 31, 2002, the Company had drawn $52.6 million under this revolving credit facility and was in compliance with these covenants with the exception of the cash flow leverage covenant, for which the Company obtained a waiver.

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 ("Gunnison 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 4.4% as of December 31, 2002) 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 December 31, 2002 with the exception of the cash flow leverage covenant, for which the Company obtained a waiver. The debt ($29.3 million at December 31, 2002) and related asset have been reflected on CDI's balance sheet beginning in the third quarter of 2002. The purchase price was allocated entirely to construction in progress.

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 Coflexip Well Operation acquisition, ERT acquisitions and to retire debt under the Company's revolving line of credit.

During 2002, we made payments of $5.2 million on capital leases assumed in the Canyon acquisition. The only other financing activity during 2002, 2001 and 2000 involved the exercise of employee stock options.

In January 2003, CDI completed the private placement of $25 million of preferred stock which is convertible into 833,334 shares of CDI 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 price of Cal Dive common stock, subject to a minimum conversion price of $30 per common share. After the second anniversary, the holder may redeem the value of its original investments in the preferred shares to be settled in common stock or cash at the discretion of the Company. Under certain conditions, the holder could redeem its investment prior to the second anniversary. Prior to the conversion, shares will be included in the Company's fully diluted earnings per share under the if converted method based on the Company's average common share price during the applicable period. Subsequent to year-end the Company filed a registration statement registering approximately 7.5 million shares of common stock relating to this transaction, the maximum potential total number of shares of common stock redeemable under certain circumstances, subject to the Company's ability to redeem with cash, under the terms of the agreement.

The following table summarizes our contractual cash obligations as of December 31, 2002 and the scheduled years in which the obligation are contractually due:

	LESS THAN (IN THOUSANDS) TOTAL	1 YEAR	2-3 YEARS	4-5 YEARS	THEREAFTER
MARAD debt	$142,128	$ 2,766	$ 6,093	$ 6,925	$126,344
Gunnison term debt	29,270	--	14,000	15,270	--
Revolving debt	52,591	--	52,591	--	--
Gunnison development	46,700	41,000	5,700	--	--
Investments in Deepwater Gateway L.L.C. (A)	--	--	--	--	--
Operating Leases	19,018	8,848	9,231	552	387
Redeemable stock in subsidiary	7,528	2,509	5,019	--	--
Canyon capital leases and other	3,788	1,435	1,967	386	--
Total Cash Obligation	$301,023	$56,558	$94,601	$23,133	$126,731

(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 7A. 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 all of the Company's debt at December 31, 2002 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 December 31, 2002 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 December 31, 2002, 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: January -- December 2003	Swap	46 MBbl	$26.50

January -- December 2003.....
Swap 30 MBbl $26.82
Natural Gas: January - - March 2003.....
Swap 800,000 MMBtu $ 4.21 April -- December 2003.....
Swap 400,000 MMBtu $ 4.02 April -- December 2003.....
Swap 200,000 MMBtu $ 4.21

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.

Subsequent to December 31, 2002, the Company entered into natural gas swaps for the period April through December 2003. The contracts cover 200,000 MMBtu per month at $4.97.

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 twelve months ended December 31, 2002 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 loss in the stockholders' equity section of our balance sheet. Approximately 12% of our net assets are impacted by changes in foreign currencies in relation to the U.S. dollar. We recorded a $2.5 million adjustment, net of taxes, to our equity account for the twelve months ended December 31, 2002 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 year ended December 31, 2002 were not material to the Company's results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying 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. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Cal Dive International, Inc. as of December 31, 2001 and for each of the years in the two year period ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements in their report dated February 18, 2002 before the reclassification adjustments and conforming disclosures described in Note 10.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cal Dive International, Inc. and Subsidiaries at December 31, 2002 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the accompanying consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" in 2002.

As described above, the consolidated financial statements of Cal Dive International, Inc. and Subsidiaries as of December 31, 2001 and 2000, and for the years then ended were audited by other auditors who have ceased operations. As described in Note 10, the consolidated financial statements as of and for the year ended December 31, 2001 have been revised. We audited the reclassification adjustments and conforming disclosures described in Note 10 applied to revise the 2001 financial statements. In our opinion, such reclassification adjustments and conforming disclosures are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such reclassification adjustments and conforming disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 17, 2003

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Cal Dive International Inc. (a Minnesota corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal Dive International, Inc., and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
February 18, 2002

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2002 AND 2001
(IN THOUSANDS)

DECEMBER 31,	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ --	$ 37,123
Restricted cash	2,506	--
Accounts receivable -- Trade, net of revenue allowance on gross amounts billed of $7,156 and $4,262	52,808	45,527
Unbilled revenue	22,610	10,659
Other current assets	28,266	20,055
Total current assets	106,190	113,364
Property and equipment	726,878	423,742
Less -- Accumulated depreciation	(130,527)	(92,430)
	596,351	331,312
Other assets:		
Goodwill, net	79,758	14,973
Investment in Deepwater Gateway, L.L.C.	32,688	--
Other assets, net	52,045	34,647
	$ 867,032	$494,296
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 62,798	$ 42,252
Accrued liabilities	34,790	21,011
Income taxes payable	--	--
Current maturities of long-term debt	4,201	1,500
Total current liabilities	101,789	64,763
Long-term debt	223,576	98,048
Deferred income taxes	102,230	75,805
Decommissioning liabilities	92,420	29,331
Other long term liabilities	1,972	--
Total liabilities	521,987	267,947
Redeemable stock in subsidiary	7,528	--
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par, 120,000 shares authorized, 51,060 and 46,239 shares issued	195,405	99,105
Retained earnings	145,947	133,570
Treasury stock, 13,602 and 13,783 shares, at cost	(3,741)	(6,326)
Accumulated other comprehensive loss	(94)	--
Total shareholders' equity	337,517	226,349
	$ 867,032	$494,296

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

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED DECEMBER 31,		
2002	2001	2000
Net revenues:		
Subsea and salvage	$239,916	$163,740
$110,217		
Oil and gas production	62,789	63,401
70,797		
	302,705	227,141
181,014		
Cost of sales:		
Subsea and salvage	212,868	127,047
94,104		
Oil and gas production	36,045	33,183
31,541		
Gross profit	53,792	66,911
55,369		
Selling and administrative expenses	32,783	21,325
20,800		
Income from operations	21,009	45,586
34,569		
Net interest expense and other	1,968	1,290
554		
Income before income taxes	19,041	44,296
34,015		
Provision for income taxes	6,664	15,504
11,555		
Minority Interest	--	(140)
(866)		
Net income	$ 12,377	$ 28,932
$ 23,326		
Net income per share:		
Basic	$ 0.35	$ 0.89
$ 0.74		
Diluted	0.35	0.88
0.72		
Weighted average common shares outstanding:		
Basic	35,504	32,449
31,588		
Diluted	35,749	33,055
32,341		

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

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(IN THOUSANDS)

	COMMON STOCK		RETAINED	ACCUMULATED OTHER COMPREHENSIVE	TREASURY STOCK		TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	EARNINGS	LOSS	SHARES	AMOUNT	EQUITY
Balance, December 31, 1999	44,790	$ 73,311	$ 81,312	$ --	(13,640)	$(3,751)	$150,872
Net income	--	--	23,326	--	--	--	23,326
Activity in company stock plans, net	485	5,740	--	--	--	--	5,740
Sale of common stock, net	610	14,787	--	--	--	--	14,787
Balance, December 31, 2000	45,885	93,838	104,638	(3,751)	(13,640)	--	194,725
Net income	--	--	28,932	--	--	--	28,932
Activity in company stock plans, net	354	5,267	--	--	--	--	5,267
Purchase of treasury shares	--	--	--	(143)	(2,575)	--	(2,575)
Balance, December 31, 2001	46,239	99,105	133,570	(6,326)	(13,783)	--	226,349
Comprehensive income Net income	--	--	12,377	--	--	--	12,377
Foreign currency translation adjustments	--	--	--	2,548	--	--	2,548
Unrealized loss on commodity hedges	--	--	--	(2,642)	--	--	(2,642)
Comprehensive income							12,283
Sale of common stock, net	3,961	87,219	--	--	--	--	87,219
Activity in company stock plans, net	860	7,376	--	--	--	--	7,376
Issuance of shares in business acquisition	--	1,705	--	181	2,585	--	4,290
Balance, December 31, 2002	51,060	$195,405	$145,947	(13,602)	$(3,741)	$ (94)	$337,517

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

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(IN THOUSANDS)

YEAR ENDED DECEMBER 31,		
2002	2001	2000
Cash flows from operating activities:		
Net income	$ 12,377	$ 28,932	$ 23,326
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation and amortization	44,755	34,533	30,730
Deferred income taxes	6,130	15,504	21,085
Gain on sale of assets	(10)	(1,881)	(3,292)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,728)	(13,594)	6,723
Other current assets	(7,086)	2,760	(4,298)
Accounts payable and accrued liabilities	14,730	21,263	(1,030)
Income taxes receivable/payable	1,476	10,014	(7,256)
Other noncurrent, net	(5,443)	(8,424)	(12,287)
Net cash provided by operating activities	65,201	89,107	53,701
Cash flows from investing activities:		
Capital expenditures	(161,766)	(151,261)	(95,124)
Acquisition of businesses, net of cash acquired	(118,331)	(11,500)	--
Investment in Deepwater Gateway, L.L.C.	(32,688)	--	--
Restricted cash	(2,506)	2,624	6,062
Prepayments and deposits related to salvage operations	--	782	826
Proceeds from sales of property	483	1,530	3,124
Insurance proceeds from loss of vessel	--	--	7,118
Net cash used in investing activities	(314,808)	(157,825)	(77,994)
Cash flows from financing activities:		
Sale of common stock, net of transaction costs	87,219	--	14,787
Borrowings under MARAD loan facility	43,899	59,494	40,054
Repayment of MARAD borrowings	(1,318)	--	--
Borrowing on line of credit	52,591	--	--
Borrowings on term loan	29,270	--	--
Repayment of capital leases	(5,183)	--	--
Exercise of stock options, net	5,900	4,084	2,980
Purchase of treasury stock	--	(2,575)	--
Net cash provided by financing activities	212,378	61,003	57,821
Effect of exchange rate changes on cash and cash equivalents	106	--	--
Net increase (decrease) in cash and cash equivalents	(37,123)	(7,715)	33,528
Cash and cash equivalents:		
Balance, beginning of year	37,123	44,838	11,310
Balance, end of year	$ --	$ 37,123	$ 44,838

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

CAL DIVE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Cal Dive International, Inc. (Cal Dive, CDI or the Company), headquartered in Houston, Texas, is an energy services company specializing in subsea construction and well operation. CDI operates primarily in the Gulf of Mexico (Gulf), and recently in the North Sea, with services that cover the lifecycle of an offshore oil or gas field. CDI's current diversified fleet of 23 vessels and 21 remotely operated vehicles (ROVs) and trencher systems perform services that support drilling, well completion, intervention, construction and decommissioning projects involving pipelines, production platforms, risers and subsea production systems. The Company also has a significant investment in oil and gas properties and related production facilities as part of its Production Partnering business. CDI's customers include major and independent oil and gas producers, pipeline transmission companies and offshore engineering and construction firms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company accounts for its 50% interest in Deepwater Gateway L.L.C. using the equity method of accounting as the Company does not have voting or operational control of this entity.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis the Company evaluates its estimates including those related to bad debts, investments, intangible assets and goodwill, property plant and equipment, income taxes, workers' insurance and contingent liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

GOODWILL AND INDEFINITE-LIVED INTANGIBLES

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Indefinite-Lived Intangibles ("SFAS No. 142"), the Company tests for the impairment of goodwill and other intangible assets with indefinite lives on at least an annual basis. The Company's goodwill impairment test involves a comparison of the fair value of each of the Company's reporting units, as defined under SFAS No. 142, with its carrying amount. The Company's indefinite-lived asset impairment test involves a comparison of the fair value of the intangible and its carrying value. The fair value is determined using discounted cash flows and other market-related valuation models, such as earnings multiples and comparable asset market values. Prior to the adoption of SFAS No. 142, goodwill was amortized on a straight line basis over 25 years. In conjunction with the adoption of this statement, the Company has discontinued the amortization of goodwill.

PROPERTY AND EQUIPMENT

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

All of the Company's interests in oil and gas properties are located offshore in United States waters. The Company follows the successful efforts method of accounting for its interests in oil and gas properties. Under the successful efforts method, the costs of successful wells and leases containing productive reserves are capitalized. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized.

Energy Resource Technology, Inc. ("ERT") acquisitions of producing offshore properties are recorded at the value exchanged at closing together with an estimate of its proportionate share of the undiscounted decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability assumed in offshore property acquisitions, the Company performs detailed estimating procedures, including engineering studies. All capitalized costs are amortized on a unit-of-production basis (UOP) based on the estimated remaining oil and gas reserves. Properties are periodically assessed for impairment in value, with any impairment charged to expense.

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

	ESTIMATED USEFUL LIFE	2002	2001
Construction in progress	N/A	$ 32,943	$221,916
Vessels	15 to 30	465,158	103,929
Offshore leases and equipment	UOP	210,542	82,334
Machinery, equipment and leasehold improvements	5	18,235	15,563
Total property and equipment		$726,878	$423,742

In July 1999, the CDI Board of Directors approved the construction of the Q4000, a newbuild, ultra-deepwater multi-purpose vessel, for a total estimated cost of $150 million and, in June 2001, approved modification to the original construction contract increasing the total estimated costs to $182 million. Amounts incurred on this project and the conversion of the Intrepid pipelay vessel were included in Construction in Progress as of December 31, 2001. Both of these vessels were placed in service during 2002 and are included in Vessels as of December 31, 2002. Construction in progress as of December 31, 2002 includes costs incurred relating to construction of the spar at Gunnison (see note 9). The Company capitalized interest totaling $4.4 million and $1.9 million during the years ended December 31, 2002 and 2001, respectively. During 2001, the Company acquired two additional DP marine construction vessels (the Mystic Viking and the Eclipse). The total cost of the two vessels acquired and related upgrades was approximately $40 million, the majority of which was expended and capitalized as of December 31, 2001.

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Total repair and maintenance charges were $11,489,000, $8,501,000 and $4,343,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets, excluding goodwill and indefinite-lived intangibles, to be held and used by the Company are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. SFAS No. 144 modifies SFAS No. 121, Accounting for the Impairment or Disposal of Long-Lived Assets to be Disposed of. For long-lived assets to be held and used, the Company bases its evaluation on impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that my be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flows analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, the Company recognizes a loss for the difference between the

carrying amount and the fair value of the asset. The fair value of the asset is measured using quoted market prices or, in the absence of quoted market prices, is based on an estimate of discounted cash flows. Assets are classified as held for sale when the Company has a plan for disposal of certain assets and those assets meet the held for sale criteria of SFAS No. 144.

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 gain of $2.5 million, net of taxes of $1.4 million, in 2002 is included as accumulated other comprehensive loss, as a component of shareholders' equity. All foreign currency transaction gains and losses are recognized currently in the statements of operations. These amounts for the year ended December 31, 2002 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 year ended December 31, 2002 were not material to the Company's results of operations or cash flows.

ACCOUNTING FOR PRICE RISK MANAGEMENT ACTIVITIES

The Company's price risk management activities involve the use of derivative financial instruments to hedge the impact of market price risk exposures primarily related 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 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 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 market 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 market 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, the Company entered into various cash flow hedging swap contracts 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 extended beyond a year and a half. The aggregate fair value of the hedges was a liability of $4.1 million as of December 31, 2002. The Company recorded $2.6 million of loss, net of taxes of $1.4 million, in other comprehensive loss within shareholders' equity as these hedges were highly effective.

As of December 31, 2002, the Company has the following volumes under derivative contracts related to its oil and gas producing activities:

INSTRUMENT	AVERAGE WEIGHTED PRODUCTION PERIOD	TYPE	MONTHLY VOLUMES	AVERAGE PRICE
Swap	January -- December 2003	Crude Oil:	46 MBbl	$26.50
Swap	January -- December 2003	Natural Gas:	30 MBbl	$26.82
Swap	January -- March 2003		800,000 MMBtu	$ 4.21
Swap	April -- December 2003		400,000 MMBtu	$ 4.02
Swap	April -- December 2003		200,000 MMBtu	$ 4.21

Subsequent to December 31, 2002, the Company entered into additional natural gas hedges for the period April through December 2003. The contracts cover 200,000 MMBtu per month at $4.97.

In June 2002, CDI signed an agreement with Coflexip to acquire the Subsea Well Operations Business Unit for 44.8 million British pounds (which at the time equaled $67.5 million) which subsequently closed in July. CDI entered into a foreign currency forward contract to lock in the British pound to U.S. dollar exchange rate. Under SFAS No. 133, we accounted for this transaction with changes in its fair value reported in earnings. Accordingly, a $1.1 million gain was recorded in other income for the year ended December 31, 2002 as a result of the change in market value of the contract as of June 30, 2002. This contract settled in July 2002 for $1.1 million.

EARNINGS PER SHARE

The Company computes and presents earnings per share 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, which were stock options, less the number of treasury shares assumed to be purchased from the proceeds with the exercise of stock options.

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("SFAS No. 148") 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. If SFAS No. 123 had been used for the accounting of these plans, the Company's pro forma net income for 2002, 2001 and 2000 would have been $7.9 million, $25.9 million and $21.7 million, respectively, and the Company's pro forma diluted earnings per share would have been $0.22,

$0.79 and $0.67, respectively. These pro forma results exclude consideration of options granted prior to January 1, 1995, and therefore may not be representative of that to be expected in future years.

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 5.0 percent in 2000, 4.5 percent in 2001 and 4.0 percent in 2002, and expected volatility to be 62 percent in 2000, 61 percent in 2001 and 59 percent in 2002. The fair value of shares issued under the Employee Stock Purchase Plan was based on the 15% discount received by the employees. The weighted average per share fair value of the options granted in 2002, 2001 and 2000 was $15.20, $14.47, and $8.05, respectively. The estimated fair value of the options is amortized to pro forma expense over the vesting period.

REVENUE RECOGNITION

The Company earns the majority of its subsea service and salvage contracting revenues during the summer and fall months. Revenues are derived from billings under contracts (which are typically of short duration) that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. The Company recognizes revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on such contracts are made in the period such losses are determined. Unbilled revenue represents revenue attributable to work completed prior to year-end which has not yet been invoiced. All amounts included in unbilled revenue at December 31, 2002 are expected to be billed and collected within one year.

The Company records revenues from the sales of crude oil and natural gas when delivery to the customer has occurred and title has transferred. This occurs when production has been delivered to a pipeline or a barge lifting has occurred. The Company may have an interest with other producers in certain properties. In this case the Company used the entitlements method to account for sales of production. Under the entitlements method the Company may receive more or less than its entitled share of production. If the Company receives more than its entitled share of production, the imbalance is treated as a liability. If the Company receives less than its entitled share, the imbalance is recorded as an asset.

REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED

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

MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The market for the Company's products and services is primarily the offshore oil and gas industry. Oil and gas companies make capital expenditures on exploration, drilling and production operations offshore, the level of which is generally dependent on the prevailing view of the future oil and gas prices, which have been characterized by significant volatility in recent years. The Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. The Company performs ongoing credit evaluations of its customers and provides allowances for probable credit losses when necessary. The percent of consolidated revenue of major customers was as follows: 2002 -- BP Trinidad & Tobago LLC (11%); Horizon Offshore, Inc. (10%); 2001 -- Horizon Offshore, Inc. (18%), Enron Corp. (10%); and 2000 -- Enron Corp. (13%).

In March 2001, CDI and Horizon Offshore, Inc. announced that the Alliance Agreement covering operation on the Outer Continental Shelf was extended for a three-year period. Principal features of the Alliance are that CDI provides Dive Support Vessel services behind Horizon pipelay barges while Horizon supplies pipelay, derrick barge and heavy lift capacity to Cal Dive. The Alliance was also expanded to include CDI providing the diving personnel working from Horizon barges, a service Horizon handled internally in 2000. During 2001 and 2002 the Company also provided dynamically positioned vessels to support Horizon projects for Pemex in Mexican waters of the Gulf of Mexico.

INCOME TAXES

Deferred income taxes are based on the differences between financial reporting and the tax bases of assets and liabilities in accordance with SFAS No. 109, Accounting for Income Taxes. The statement requires, among other things, the use of the liability method of computing deferred income taxes. The liability method is based on the amount of current and future taxes payable using tax rates and laws in effect at the balance sheet date. Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

DEFERRED DRYDOCK CHARGES

The Company accounts for regulatory (U.S. Coast Guard, American Bureau of Shipping and Det Norske Veritas) related drydock inspection and certification expenditures by capitalizing the related costs and amortizing them over the 30-month period between regulatory mandated drydock inspections and certification. During the years ended December 31, 2002, 2001 and 2000, drydock amortization expense was $4.9 million, $3.1 million and $2.2 million, respectively. This predominant industry practice provides appropriate matching of expenses with the period benefitted (i.e., certification to operate the vessel for a 30-month period).

STATEMENT OF CASH FLOW INFORMATION

The Company defines cash and cash equivalents as cash and all highly liquid financial instruments with original maturities of less than three months. The Company had $2.5 million of restricted cash as of December 31, 2002 representing amounts securing a performance bond which management believes will be released during 2003. During the years ended December 31, 2002, 2001 and 2000, the Company made cash payments for interest charges, net of interest capitalized, of $811,000, $662,000 and $-0-, respectively, and made cash payments for federal income taxes of approximately $-0-, $-0- and $1,800,000 respectively.

RECLASSIFICATIONS

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

NEW REPORTING REQUIREMENTS

In July 2001, the FASB released SFAS No. 143, Accounting for Asset Retirement Obligations, which is required to be adopted no later than January 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 will require oil and gas companies to reflect decommissioning liabilities on the face of the balance sheet at fair market value on a discounted basis. Historically, ERT has reflected this liability on the balance sheet on an undiscounted basis. The Company will adopt this standard, as required, effective January 1, 2003. Management currently believes adoption of this standard will result in a cumulative effect adjustment in the first quarter of 2003 of between $0.01 and $0.03 per share and adjustments to certain balance sheet accounts including a decrease in Decommissioning Liabilities of approximately $30 million due to discounting.

In November 2002, FASB interpretation ("FIN") No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN No. 45") was issued. FIN No. 45 requires a guarantor to recognize at the inception of a guarantee a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Initial recognition and measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified. The disclosure requirements are effective immediately. Adoption of FIN No. 45 did not have a material effect on CDI's consolidated financial statements.

In January 2003, FIN No. 46, Consolidation of Variable Interest Entities was issued. FIN No. 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and applies in the first interim period beginning after June 15, 2003 to variable interest entities created before February 1, 2003. The related disclosure requirements are effective immediately. The Company does not believe that the adoption of this interpretation will have a material impact on its consolidated financial statements.

3. OFFSHORE PROPERTY TRANSACTIONS

In August 2002 ERT, a wholly owned subsidiary of Cal Dive International, Inc. acquired the 74.8% working interest of Shell Exploration & Production Company in the South Marsh Island 130 (SMI 130) field (Shell acquisition). ERT paid $10.3 million in cash and assumed Shell's pro-rata share of the related decommissioning liability. SMI 130 consists of two blocks, located in approximately 215 feet of water, with approximately 155 wells on five 8-pile platforms. Unaudited pro forma combined operating results of CDI and the Shell acquisition for the twelve months ended December 31, 2002 and 2001, respectively are summarized as follows (in thousands, except per share data):

	2002	2001
	--------	--------
	(UNAUDITED)	
Net revenues	$321,186	$259,762
Income before taxes	23,690	54,892
Net income	15,399	35,828
Earnings per share:		
Basic	$ 0.43	$ 1.10
Diluted	0.43	1.08

In August 2002, ERT also completed the purchase of 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's pro-rata share of the related decommissioning liability. As a result, ERT took over as operator with an effective 100% working interest in that field.

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 April 2002, ERT acquired a 100% interest in East Cameron Block 374, including existing wells, equipment and improvements. Terms included a cash payment of approximately $3 million to reimburse the owners for the inception-to-date cost of the subsea wellhead and umbilical, and an overriding royalty interest in future production. Cal Dive completed the temporarily abandoned number one well and performed a subsea tie-back to a host platform. The cost of completion and tie-back was approximately $7 million, with first production occurring in August 2002.

ERT purchased working interests of 3% to 75% in four offshore blocks during 2001 in exchange for assumption of the pro-rata share of the decommissioning obligations. In addition, during 2001 ERT purchased a working interest of 55% in Vermilion 201 for $2.5 million (see footnote 4). In the first quarter of 2000, ERT acquired interests in six offshore blocks with working interests from 40% to 75% in five platforms, one caisson and 13 wells. ERT agreed to a purchase price of $4.9 million and assumed the prorated share of the abandonment obligation for the acquired interests, and entered into a two-year contract to manage certain properties. Additionally, in April 2000, ERT acquired a 20% interest in Gunnison. See further discussion in footnote 4. In connection with 2002, 2001 and 2000 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately $63.6 million, $3.1 million and $4.2 million respectively.

ERT production activities are regulated by the federal government and require significant third-party involvement, such as refinery processing and pipeline transportation. The Company records revenue from its offshore properties net of royalties paid to the Minerals Management Service (MMS). Royalty fees paid totaled approximately $9.2 million, $15.2 million and $11.7 million for the years ended 2002, 2001 and 2000, respectively. In accordance with federal regulations that require operators in the Gulf of Mexico to post an area wide bond of $3 million, the MMS has allowed the Company to fulfill such bonding requirements through an insurance policy.

During each of the past three years ERT has sold its interests in certain fields as well as the platforms and a pipeline. An ERT operating policy provides for the sale of assets when the expected future revenue stream can be accelerated in a single transaction. The net result of these sales had no impact for the year ended December 31, 2002 and added two cents and four cents to diluted earnings per share for the years ending December 31, 2001 and 2000, respectively. These sales were structured as Section 1031 "Like Kind" exchanges for tax purposes. Accordingly, the cash received was restricted to use for subsequent acquisitions of additional oil and gas properties.

4. RELATED PARTY TRANSACTIONS

In April 2000, ERT acquired a 20% working interest in Gunnison, a Deepwater Gulf of Mexico prospect 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 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 ($63.3 million of which had been incurred by December 31, 2002) with over half of that for construction of the spar. See footnote 9 for discussion of financing relating to the spar construction.

During the fourth quarter of 2000 another investment partnership composed of Company management and industry sources funded the drilling of a deep exploratory well at ERT's Vermilion 201 field. Effective January 1, 2001, ERT acquired approximately 55% of this investment partnership's interest in the reserves discovered for $2.5 million.

As part of the process of obtaining funding for the exploratory costs of the above projects, several outside third parties were solicited. Management believes that the structure of these transactions was both consistent

with the guidelines and at least as favorable to the Company and ERT as could have been obtained from the third parties.

During 2002 and 2001, the Company was paid fees of $200,000 and $500,000, respectively, by Ocean Energy, Inc. ("Ocean"), an oil and gas industry customer of subsea services. A member of the Company's board of directors, is a member of senior management of Ocean.

5. ACQUISITION OF BUSINESSES

CANYON OFFSHORE, INC.

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). As they are employees, amounts paid, if any, in excess of the $13.53 per share will be recorded as compensation expense. No such expense was recorded in 2002. These remaining shares have been classified as redeemable stock in subsidiary in the accompanying balance sheet and will be adjusted to their estimated redemption value at each reporting period based on Canyon's performance. The acquisition was accounted for as a purchase with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with the excess being recorded as goodwill. The allocation of the $70.5 million purchase price was as follows: ROVs and equipment ($22.9 million); net working capital assumed ($4.0 million) and goodwill ($43.6 million). The results of Canyon are included in the accompanying statements of operations since the date of the purchase, January 2, 2002.

WELL OPS (U.K.) LIMITED

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). Well Ops (U.K.) Limited performs life of field well operations and marine construction tasks primarily in the North Sea. The assets purchased include the Seawell (a 368-foot DPDSV capable of supporting manned diving, ROVs and well operations). The acquisition was accounted for as a business purchase with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with the excess being recorded as goodwill. During the fourth quarter of 2002 the Company completed its purchase price allocation, including obtaining an appraisal of the Seawell,resulting in $50 million allocated to this vessel $1.5 million allocated to patented technology (to be amortized over 20 years) and goodwill of approximately $20.6 million as of December 31, 2002. The results of Well Ops (U.K.) are included in the accompanying statements of operations since the date of the purchase, July 1, 2002.

PROFESSIONAL DIVERS OF NEW ORLEANS, INC. (PDNO)

In March 2001, CDI acquired substantially all of the assets of Professional Divers of New Orleans, Inc. (PDNO) in exchange for $11.5 million. The assets purchased included a 165-foot four-point moored DSV, the Mr. Sonny, three utility vessels and associated diving equipment including two saturation diving systems. This acquisition was accounted for as a purchase with the acquisition price of $11.5 million being allocated to the assets acquired and liabilities assumed based upon their estimated fair values with the balance of the purchase price ($2.8 million) being recorded as goodwill. Total goodwill relating to shallow water diving company acquisitions (i.e., PDNO and Aquatica) was $15 million as of December 31, 2002.

The 2002 and 2001 acquisitions presented above are not material individually or in the aggregate with same year acquisitions, therefore pro forma information is not presented.

6. EQUITY INVESTMENT IN DEEPWATER GATEWAY L.L.C.

In June 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. CDI's share of the construction costs is estimated to be approximately $110 million. In August 2002 the Company, along with El Paso, completed a non-recourse project financing for this venture, terms of which include a minimum CDI equity investment of $33 million, all of which had been paid as of December 31, 2002. This 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 due 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.

7. GOODWILL

In June 2001, the FASB issued SFAS No. 142, which provides for the non-amortization of goodwill and other intangible assets with indefinite lives and requires that such assets be tested for impairment at least on an annual basis. The impact of adopting SFAS No. 142 would have been immaterial to the Company's results of operations for the years ended December 31, 2001 and 2000, respectively. The Company adopted SFAS No. 142 effective January 1, 2002 and has applied the non-amortization provision. During the second quarter of 2002, the Company completed the transitional goodwill impairment test prescribed in SFAS No. 142 with respect to existing goodwill at the date of adoption. In addition, the Company completed its annual goodwill impairment test as of November 1, 2002. The Company's goodwill impairment test involves a comparison of the fair value of each of the Company's reporting units, as defined under SFAS No. 142, with its carrying amount. All of the Company's goodwill as of December 31, 2002 and 2001 related to its subsea and salvage segment. The fair value is determined using discounted cash flows and other market-related valuation models. As both calculations indicated that the fair value of each reporting unit exceeded its carrying amount, none of the Company's goodwill was impaired. The Company will continue to test its goodwill annually on a consistent measurement date unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

8. ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of December 31, 2002 and 2001 (in thousands):

	2002	2001
Accrued payroll and related benefits	$ 6,874	$ 6,880
Workers' compensation claims	1,724	1,537
Workers' compensation claims to be reimbursed	5,534	6,276
Royalties payable	3,238	3,207
Hedging liability	4,064	--
Other	13,356	3,111
Total accrued liabilities	$34,790	$21,011

9. LONG-TERM DEBT

In August 2000, the Company closed a $138.5 million 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"). 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. To date the Company has drawn $143.5 million on this facility, which approximates the maximum of qualified expenditures. The MARAD Debt is payable in equal semi-annual installments beginning in August 2002 and maturing 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 2% as of December 31, 2002). For a period up to ten years from delivery of the vessel in April 2002, CDI has options 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 December 31, 2002 the Company was in compliance with these covenants.

The Company has a revolving credit facility ("Revolver") which was increased from $40 million to $70 million during 2002 and the term extended for three years. This facility is collateralized by accounts receivable and most of the remaining vessel fleet, bears interest at LIBOR plus 125-250 basis points depending on CDI leverage ratios (approximately 4.2% as of December 31, 2002) and, among other restrictions, includes three financial covenants (cash flow leverage, minimum interest coverage and fixed charge coverage). As of December 31, 2002, the Company had drawn $52.6 million under this revolving credit facility and was in compliance with these covenants with the exception of the cash flow leverage covenant, for which the Company obtained a waiver.

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 ("Gunnison 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 4.4% as of December 31, 2002) 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 December 31, 2002 with the exception of the cash flow leverage covenant, for which the Company obtained a waiver. The debt ($29.3 million at December 31, 2002) and related asset have been reflected on CDI's balance sheet beginning in the third quarter of 2002. The purchase price was allocated entirely to construction in progress as the purchase price approximated the fair value of the spar.

Scheduled maturities of Long-term Debt outstanding as of December 31, 2002 were as follows (in thousands):

	GUNNISON MARAD DEBT	REVOLVER		
	TERM LOAN	OTHER	TOTAL	
2003	$ 2,766	$ --	$ --	$ 1,435	$ 4,201
2004	2,949	--	7,000	1,395	11,344
2005	3,144	52,591	7,000	572	63,307
2006	3,352	--	15,270	386	19,008
2007	3,573	--	--	--	3,573
Thereafter	126,344	--	--	--	126,344
Long-term debt	142,128	52,591	29,270	3,788	227,777
Current maturities	(2,766)	(--)	(--)	(1,435)	(4,201)
Long-term debt, less current maturities	$139,362	$52,591	$29,270	$ 2,353	$223,576

10. INCOME TAXES

CDI and its subsidiaries, including acquired companies from their respective dates of acquisition, file a consolidated U.S. federal income tax return. The Company conducts its international operations in a number of locations that have varying laws and regulations with regard to taxes. Management believes that adequate provisions have been made for all taxes that will ultimately be payable. $2.5 million of the Company's $19.0 million pre-tax income was derived from foreign operations. Income taxes have been provided based on the statutory rate of 35 percent adjusted for items which are allowed as deductions for federal income tax reporting purposes, but not for book purposes. The primary differences between the statutory rate and the Company's effective rate are as follows:

	2002	2001	2000
Statutory rate	35%	35%	35%
Foreign provision	4	--	-
Foreign tax credit	(4)	--	--
Research and development tax credits	--	(2)	(2)
Other	--	2	1
Effective rate	35%	35%	34%

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

	2002	2001	2000
Current	$ 534	$ --	$ --
Deferred	6,130	15,504	11,555
	$6,664	$15,504	$11,555

2002 2001 2000 ------ ------- -------
Domestic.....
$5,996 $15,504 $11,555
Foreign.....
668 -- -- ------ ------- ------- $6,664 $15,504 $11,555
====== ======= =======

Deferred income taxes result from differences between the tax bases of assets and liabilities and their carrying value. The nature of these differences and the income tax effect of each as of December 31, 2002 and 2001, is as follows (in thousands):

2002 2001 -------- -------- Deferred tax
liabilities -- Depreciation and
other..... $102,230 $ 75,805 Deferred tax
assets -- Net operating loss
carryforward.....
(28,385) (13,761) R&D credit
carryforward.....
(17,087) (15,987) Reserves, accrued
liabilities and other.....
(9,929) (7,548) Valuation allowance (R&D
credit)..... 14,450
13,528 -------- -------- Net deferred tax
liability..... $
61,279 $ 52,037 ======== ========

The detail of deferred tax balances as of December 31, 2001 described above contain reclassification adjustments totaling $21.2 million and conforming disclosures to provide a detail of deferred tax assets that were previously offset against deferred tax liabilities. The Company's consolidated balance sheet as of December 31, 2001 has been adjusted to conform with the above presentation.

CDI effectively paid no federal income taxes in 2002 and 2001 due primarily to the deduction of Q4000 construction costs as research and development for federal tax purposes. The Company paid $1.8 million of federal income taxes during 2000, but the amount was refunded in January 2001 upon completing our research and development analysis and filing for the refund. In addition, we filed amended tax returns for 1998 and 1999, deducting such costs, resulting in refunds of $8.2 million which were collected in January 2001.

The Company has provided additional taxes for the anticipated repatriation of earnings of its foreign subsidiaries.

At December 31, 2002, the Company had $81.1 million of net operating losses. Loss carryforwards, if not utilized, will expire at various dates from 2019 through 2022.

11. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

During 1999, CDI acquired an interest in Cal Dive Aker CAHT I, L.L.C. (CAHT I), the company which owned the Cal Dive Aker Dove (a newbuild DP anchor handling and subsea construction vessel which commenced operations in September 1999) for a total of $18.9 million. CDI effectively owned 56% of CAHT I and, accordingly, results of operations of this company were consolidated in the accompanying financial statements with Aker's share being reflected as minority interest. In December, 1999 CAHT I entered into a sale-leaseback of the Cal Dive Aker Dove. Cal Dive's portion of the sale proceeds received totaled $20 million. The lease was accounted for as an operating lease. Effective April 1, 2001, Coflexip's acquisition of Aker enabled CDI to "put" its interest in CAHT I back to Aker in return for Aker assuming all of CDI's obligations and guarantees under the sale-leaseback.

The Company leases several facilities, ROVs and a vessel under noncancelable operating leases, with the more significant leases expiring in the years 2004 and 2005. Future minimum rentals under these leases are $19,018,000 at December 31, 2002 with $8,848,000 due in 2003, $7,033,000 in 2004, $2,198,000 in 2005, $276,000 in 2006, $276,000 in 2007 and $387,000 thereafter. Total rental expense under these operating leases was $6,885,000, $779,000 and $721,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

INSURANCE

The Company carries Hull and Increased Value insurance which provides coverage for physical damage to an agreed amount for each vessel. The deductibles are based on the value of the vessel with a maximum deductible of $500,000 on the Q4000. Other vessels carry deductibles between $100,000 and $350,000. The Company also carries Protection and Indemnity insurance which covers liabilities arising from the operation of the vessel and General Liability insurance which covers liabilities arising from construction operations. The deductible on both the P&I and General Liability is $100,000 per occurrence. Onshore employees are covered by Workers' Compensation. Offshore employees, including divers and tenders and marine crews, are covered by an Excess Maritime Employers Liability insurance policy which covers Jones Act exposures and includes a deductible of $100,000 per occurrence plus a $1 million annual aggregate. In addition to the liability policies named above, the Company carries various layers of Umbrella Liability for total limits of $200,000,000 excess of primary for all vessels. The Company's self insured retention on its medical and health benefits program for employees is $100,000 per claim.

In June 2000, the DP DSV Balmoral Sea caught fire while dockside in New Orleans, Louisiana as the vessel was being prepared to enter drydock for an extended period. The vessel was deemed a total loss by insurance underwriters. Her book value (approximately $7 million) was fully insured as were all salvage and removal costs. Payments from the insurance companies were received during the fourth quarter of 2000.

The Company incurs workers' compensation claims in the normal course of business, which management believes are covered by insurance. The Company, its insurers and legal counsel analyze each claim for potential exposure and estimate the ultimate liability of each claim. Amounts accrued and receivable from insurance companies, above the applicable deductible limits, are reflected in other current assets in the consolidated balance sheet. Such amounts were $5,534,000 and $6,276,000 as of December 31, 2002 and 2001, respectively. See related accrued liabilities at footnote 8. The Company has not incurred any significant losses as a result of claims denied by its insurance carriers.

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 engaged in a large construction project and, in late September, 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. Of the amounts billed by CDI for this project, $12.1 million had not been collected as of February 18, 2003. Due to the size of the dispute, inherent uncertainties with respect to an arbitration and relationship issues with the customer, CDI provided a reserve in the fourth quarter of 2002 resulting in a loss for the Company on the project as a whole. In another lengthy commercial dispute, EEX Corporation sued Cal Dive and others alleging breach of fiduciary duty by a former EEX employee and damages resulting from certain construction and property acquisition agreements. Cal Dive had responded alleging EEX Corporation breached various provisions of the same contracts. EEX's acquisition by Newfield during the fourth quarter 2002 enabled CDI to enter meaningful settlement discussions prior to the trial date,

which was set for February 2003. This resulted in a settlement including CDI making a cash payment, subsequent to yearend, and agreeing to provide work credits for its services over the next three years. The total value of the settlement was recorded in the Company's statement of operations for the year ended December 31, 2002. This settlement combined with the reserves on the project discussed above resulted in approximately $10 million of pre-tax charges recorded in the accompanying statement of operations.

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 CDN. Seacore has now made demand on Cal Dive Offshore Ltd. ("CDO"), a subsidiary of Cal Dive, for one-half of this amount. 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, management believes that in the event Seacore continues to seek contribution from our subsidiary, which would require another arbitration, 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.

12. EMPLOYEE BENEFIT PLANS

DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution 401(k) retirement plan covering substantially all of its employees. The Company's contributions are in the form of cash and are determined annually as 50 percent of each employee's contribution up to 5 percent of the employee's salary. The Company's costs related to this plan totaled $811,000, $595,000 and $423,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

STOCK-BASED COMPENSATION PLANS

During 2000, the Board of Directors approved a "Stock Option in Lieu of Salary Program" for the Company's Chief Executive Officer. Under the terms of the program, the participant may annually elect to receive non-qualified stock options (with an exercise price equal to the closing stock price on the date of grant) in lieu of cash compensation with respect to his base salary and any bonus earned under the annual incentive compensation program. The number of options granted is determined utilizing the Black-Scholes valuation model as of the date of grant with a risk premium included. The participant made such election for 2002, 2001 and 2000 resulting in a total of 105,000, 180,000 and 115,000 options being granted during 2002, 2001 and 2000, respectively (which includes bonuses earned under the annual incentive compensation program in 2001 and 2000).

During 1995, the Board of Directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted to key executives and selected employees who are likely to make a significant positive impact on the reported net income of the Company. The Incentive Plan is administered by a committee which determines, subject to approval of the Compensation Committee of the Board of Directors, the type of award to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. The committee may grant stock options, stock appreciation rights, or stock and cash awards. Options granted to employees under the Incentive Plan vest 20%

per year for a five year period or 33% per year for a three year period, have a maximum exercise life of three, five or ten years and, subject to certain exceptions, are not transferable.

Effective May 12, 1998, the Company adopted a qualified, non-compensatory Employee Stock Purchase Plan ("ESPP"), which allows employees to acquire shares of common stock through payroll deductions over a six month period. The purchase price is equal to 85 percent of the fair market value of the common stock on either the first or last day of the subscription period, whichever is lower. Purchases under the plan are limited to 10 percent of an employee's base salary. Under this plan 44,158, 38,849 and 25,391 shares of common stock were purchased in the open market at a weighted average share price of $21.86, $22.22 and $21.55 during 2002, 2001 and 2000, respectively.

All of the options outstanding at December 31, 2002, have exercise prices as follows: 127,191 shares at $18.00, 111,596 at $18.06, 129,000 shares at $19.63, 100,000 shares at $21.38, 412,000 shares at $21.83, 283,004 shares at $21.88, 120,000 shares at $24.00, 80,000 shares at $26.75 and 627,955 shares ranging from $3.95 to $23.72 and a weighted average remaining contractual life of 6.11 years.

Options outstanding are as follows:

2002 2001 2000 ------- ------------- -------- ------------ --------- ---------- WEIGHTED WEIGHTED WEIGHTED AVERAGE AVERAGE AVERAGE EXERCISE EXERCISE EXERCISE SHARES PRICE SHARES PRICE SHARES PRICE --- ------ -------- ------ --- -------- --------- -------- Options outstanding, beginning of year.... 2,179,246 $13.66 2,238,600 $11.34 1,957,208 $ 5.59 Granted..... 732,670 21.88 589,000 21.84 810,420 19.26 Exercised..... (862,241) 7.18 (354,838) 9.43 (484,344) 4.24 Terminated..... (58,929) 15.12 (293,516) 15.69 (44,684) 4.10 -------- - ------ --------- --- --- --------- ------ Options outstanding, December 31..... 1,990,746 $19.52 2,179,246 $13.66 2,238,600 $11.34 Options exercisable, December 31..... 704,191 $18.76 732,787 $ 8.97 518,308 $ 7.10 ========= ====== ========= ====== ========= ======

13. SHAREHOLDERS' EQUITY

The Company's amended and restated Articles of Incorporation provide for authorized Common Stock of 120,000,000 shares with no par value per share and 5,000,000 shares of preferred stock in one or more series.

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.

During the fourth quarter of 2001, CDI purchased 143,000 shares of its common stock for $2.6 million.

In October 2000, the Board of Directors declared a two-for-one split of

CDI's common stock in the form of a 100% stock distribution on November 13, 2000 to all holders of record at the close of business on October 30, 2000. All share and per share data in these financial statements have been restated to reflect the stock split.

In September 2000, CDI completed a Secondary Stock Offering with Coflexip selling its 7.4 million shares of common stock at $26.31 per share. The over-allotment option was exercised resulting in the Company issuing 609,936 shares of common stock and receiving net proceeds of $14.8 million, and the Chief Executive Officer, selling 500,000 shares receiving net proceeds of $12.1 million.

14. BUSINESS SEGMENT INFORMATION (IN THOUSANDS)

The following summarizes certain financial data by business segment:

YEAR ENDED DECEMBER 31,	2002	2001	2000
-- Revenues -- Subsea and salvage	$239,916	$163,740	$110,217
Oil and gas production	62,789	63,401	70,797
Total	$302,705	$227,141	$181,014
Income from operations -- Subsea and salvage	$ 742	$ 21,705	$ 2,368
Oil and gas production	20,267	23,881	32,201
Total	$ 21,009	$ 45,586	$ 34,569
Net interest (income) expense and other -- Subsea and salvage	$ 1,359	$ 739	$ (63)
Oil and gas production	609	551	617
Total	$ 1,968	$ 1,290	$ 554
Provision for income taxes -- Subsea and salvage	$ (793)	$ 7,145	$ 436
Oil and gas production	7,457	8,359	11,119
Total	$ 6,664	$ 15,504	$ 11,555
Identifiable assets -- Subsea and salvage	$621,405	$436,085	$301,416
Oil and gas production	224,453	37,037	46,072
Total	$845,858	$473,122	$347,488
Capital expenditures -- Subsea and salvage	$ 66,297	$131,062	$ 82,697
Oil and gas production	95,469	20,199	12,427
Total	$161,766	$151,261	$ 95,124
Depreciation and amortization -- Subsea and salvage	$ 27,220	$ 14,586	$ 11,621
Oil and gas production	17,535	19,947	19,109
Total	$ 44,755	$ 34,533	$ 30,730

During the year ended December 31, 2002, the Company derived $27.1 million of its revenues from the U.K. sector utilizing $91.7 million of its total assets in this region. Additionally, $66.1 million of revenues were derived from the Latin America sector during the year ended December 31, 2002. The majority of the remaining revenues were generated in the U.S. Gulf of Mexico.

15. SUPPLEMENTAL OIL AND GAS DISCLOSURES (UNAUDITED)

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

CAPITALIZED COSTS

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

AS OF DECEMBER 31,			
2002	2001	2000	Gunnison
Capitalized costs	$ 63,294	$ 10,177	$ --
Proved developed properties being amortized	180,256	72,157	60,679
Less -- Accumulated depletion, depreciation and amortization	(71,151)	(54,482)	(35,835)
Net capitalized costs	$172,399	$ 27,852	$ 24,844

Included in capitalized costs proved developed properties being amortized is the Company's estimate of its proportionate share of decommissioning liabilities assumed relating to these properties which are also reflected as decommissioning liabilities in the accompanying consolidated balance sheets.

COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

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

YEAR ENDED DECEMBER 31,		
2002	2001	2000
Proved property acquisition costs	$ 94,034	$ 4,350	$ 7,635
Development costs	67,241	18,247	8,160
Total costs incurred	$161,275	$22,597	$15,795

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

YEAR ENDED DECEMBER 31,		
2002	2001	2000
Revenues	$62,789	$63,401	$70,797
Production (lifting) costs	19,153	13,236	12,432
Depreciation, depletion and amortization	17,535	19,947	19,109
Pretax income from producing activities	26,101	30,218	39,256
Income tax expenses	7,457	8,359	11,119
Results of oil and gas producing activities	$18,644	$21,859	$28,137

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES

Proved oil and gas reserve quantities are based on estimates prepared by Company engineers in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 2002, excluding Gunnison, have been reviewed by Miller and Lents,

Ltd., independent petroleum engineers. Since the Company does not own a license to the geophysical data, reserves attributable to Gunnison (which total 47% of the proved reserves as of December 31, 2002) have been determined based on information provided by the operator. These reserve estimates were reviewed by our engineers, including an assessment of the operator's assumptions and their engineering, geologic and evaluation principles and techniques. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

As of December 31, 2000, -0- Bbls of oil and -0- Mcf of gas of the Company's proven reserves were undeveloped. As of December 31, 2001, 6,829,000 Bbls of oil and 35,525,000 Mcf of gas were undeveloped, all of which is attributable to Gunnison. As of December 31, 2002 6,375,000 Bbls of oil and 51,807,000 Mcf of gas were undeveloped, 82% of which is attributable to Gunnison.

OIL	GAS
RESERVE QUANTITY INFORMATION	(MBBLS) (MMCF)
Total proved reserves at December 31, 1999	1,702 25,381
Revisions of previous estimates	24 3,024
Production	(739) (14,959)
Purchases of reserves in place	99 9,416
Sales of reserves in place	(5) (1,151)
Total proved reserves at December 31, 2000	1,081 21,711
Revision of previous estimates	623 4,479
Production	(743) (9,473)
Purchases of reserves in place	53 1,644
Sales of reserves in place	-- (22)
Extensions and discoveries	6,844 35,597
Total proved reserves at December 31, 2001	7,858 53,936
Revision of previous estimates	(1,442) 11,049
Production	(922) (11,062)
Purchases of reserves in place	6,543 31,302
Sales of reserves in place	-- --
Extensions and discoveries	-- --
Total proved reserves at December 31, 2002	12,037 85,225

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

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

2002	2001	2000
Future cash inflows	$ 693,023	$ 261,613	$219,620
Future costs -- Production	(129,375)	(46,031)	(42,608)
Development and abandonment	(147,885)	(27,690)	(176,094)
Future net cash flows before income taxes	387,554	67,697	149,322
Future income taxes	(106,258)	(24,223)	(57,018)
Future net cash flows	281,296	43,474	92,304
Discount at 10% annual rate	(69,569)	(22,029)	(14,591)
Standardized measure of discounted future net cash flows	$ 211,727	$ 21,445	$ 77,713

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

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

2002	2001	2000
Standardized measure, beginning of year	$ 21,445	$77,713	$ 22,843
Sales, net of production costs	(43,729)	(50,165)	(57,720)
Net change in prices, net of production costs	69,085	(68,811)	87,427
Changes in future development costs	28,958	(2,421)	(3,695)
Development costs incurred	67,241	18,247	8,160
Accretion of discount	6,390	3,013	3,785
Net change in income taxes	(62,166)	30,192	(32,996)
Purchases of reserves in place	124,322	433	48,229
Extensions and discoveries	--	16,612	--
Sales of reserves in place	--	20	2,021
Net change due to revision in quantity estimates	899	1,604	20,084
Changes in production rates (timing) and other	(718)	(4,992)	(20,425)
Standardized measure, end of year	$211,727	$21,445	$ 77,713

16. REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED

The following table sets forth the activity in the Company's Revenue Allowance on Gross Amounts Billed for each of the three years in the period ended December 31, 2002 (in thousands):

2002	2001	2000
Beginning balance	$ 4,262	$ 1,770
$ 1,789		
Additions	12,008	6,875
4,535		
Deductions	(9,114)	(4,383)
(4,554)		
Ending balance	$ 7,156	$ 4,262
$ 1,770		

See Note 2 for a detailed discussion regarding the Company's accounting policy on the Revenue Allowance on Gross Amounts Billed and Note 11 for a discussion of a large construction project in 2002.

17. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The offshore marine construction industry in the Gulf of Mexico is highly seasonal as a result of weather conditions and the timing of capital expenditures by the oil and gas companies. Historically, a substantial portion of the Company's services has been performed during the summer and fall months. As a result, historically a disproportionate portion of the Company's revenues and net income is earned during such period. The following is a summary of consolidated quarterly financial information for 2002 and 2001.

QUARTER ENDED			
MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Fiscal 2002			
Revenues	$53,928	$72,305	$84,015
$92,457			
Gross profit	11,118	17,185	11,573
13,916			
Net income	3,001	7,214	2,952
(790)			
Net income per share:			
Basic	.09	.21	.08
(.02)			
Diluted	.09	.21	.08
(.02)			
Fiscal 2001			
Revenues	$58,482	$48,786	$51,570
$68,303			
Gross profit	22,258	16,914	13,207
14,532			
Net income	10,774	7,546	5,244
5,368			
Net income per share:			
Basic	.33	.23	.16
.17			
Diluted	.33	.23	.16
.16			

18. SUBSEQUENT EVENTS

SALE OF 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 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 price of Cal Dive common stock, subject to a minimum conversion price of $30 per common share.

The preferred stock will have a minimum annual dividend rate of 4%, subject to adjustment, payable in cash or common shares at Cal Dive's option. After the second anniversary, the holder may redeem the value of its original investments in the preferred shares to be settled in common stock 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, will be classified outside of shareholders' equity on the balance sheet below total liabilities. The transaction costs will be accreted through the statement of operations over two years. Prior to the conversion, shares will be included in the Company's fully diluted earnings per share under the if converted method based on the Company's average common share price during the applicable period.

Subsequent to year-end, the Company filed a registration statement registering approximately 7.5 million shares of common stock relating to this transaction, the maximum potential total number of shares of common stock redeemable under certain circumstances, subject to the Company's ability to redeem with cash, under the terms of the agreement.

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

On June 13, 2002, the Company's Board of Directors, upon the recommendation of its Audit Committee, dismissed Arthur Andersen LLP and appointed Ernst & Young LLP to serve as the Company's independent auditors for fiscal year 2002.

Arthur Andersen's reports on Cal Dive's consolidated financial statements for the two fiscal years ended December 31, 2000 and December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Additionally, during the two fiscal years ended December 31, 2000 and December 31, 2001 through the date of Arthur Andersen's dismissal, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused Arthur Andersen to make reference to the subject matter in connection with its reports on the Company's consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

The Company provided Arthur Andersen a copy of the foregoing disclosures and Arthur Andersen advised the Company by letter dated June 18, 2002, that it has found no basis for disagreement with such statements.

During the fiscal years ended December 31, 2000 and December 31, 2001 through the date of engagement of Ernst & Young, the Company did not consult with Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2003 Annual Meeting of Shareholders. See also "Executive Officers of the Registrant" appearing in Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2003 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2003 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2003 Annual Meeting of Shareholders.

ITEM 14. CONTROLS AND PROCEDURES

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation

of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2002. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2002.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(1) Financial Statements

The following financial statements included on pages 34 through 55 in this Annual Report are for the fiscal year ended December 31, 2002.

Report of Independent Auditors

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 2002 and 2001.

Consolidated Statements of Operations for the Years Ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000.

Notes to Consolidated Financial Statements.

Financial Statement Schedules

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

(2) Report on Form 8-K.

October 1, 2002 -- Item 5.

November 1, 2002 -- Item 9.

November 13, 2002 -- Form 8-K/A filed to include financial statements of business acquired and the pro forma financial information required by Item 7 for the acquisition of oil and gas properties purchased from Shell Oil Company by ERT, as previously reported on Form 8-K filed on August 30, 2002.

(3) Exhibits.

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

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

EXHIBITS NUMBER	DESCRIPTION
3.1 --	Amended and Restated Articles of Incorporation of registrant, incorporated by reference to Exhibit 3.1 to the Form S-1 Registration Statement filed by registrant

with the Securities and Exchange Commission on May 1, 1997 (Reg. No. 333-26357) (the "Form S-1").

3.2 -- By-Laws of registrant, incorporated by reference to Exhibit 3.2 to the Form S-1.

EXHIBITS NUMBER	DESCRIPTION
3.3	Articles of Correction, incorporated by reference to Exhibit 3.3 to the Form S-3 Registration Statement filed by registrant with the Securities and Exchange Commission on May 22, 2002 (Reg. No. 333- 87620) (the "Form S-3").
3.4	Amendment to the 1997 Amended and Restated Articles of Incorporation of registrant, incorporated by reference to Exhibit 3.4 to the Form S-3.
3.5	Certificate of Rights and Preferences, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed by registrant with the Securities and Exchange Commission on January 22, 2003 (the "Form 8-K").
4.1	Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc., Aquatica, Inc. and Canyon Offshore, Inc., as

Borrowers, dated February 22, 2002, incorporated by reference to Exhibit 4.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed by the registrant with the Securities and Exchange Commission on March 28, 2002 (the "2001 Form 10-K"). 4.2* -- First Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc., Aquatica, Inc. and Canyon Offshore, Inc., as Borrowers, dated August 9, 2002. 4.3* -- Second Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc. and Canyon Offshore, Inc., as Borrowers, dated August 30, 2002. 4.4 -- Third

Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc. and Canyon Offshore, Inc., as Borrowers, dated October 24, 2002, incorporated by reference to Exhibit 4.1 to the Form S-3 Registration Statement filed by the registrant with the Securities and Exchange Commission on February 26, 2003 (Reg. 333-103451) (the "2003 Form S-3"). 4.5* -- Fourth Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc. and Canyon Offshore, Inc., as Borrowers, dated February 14, 2003. 4.6 -- Participation Agreement among ERT, Cal Dive International, Inc., Cal Dive/Gunnison Business Trust No. 2001-1 and

Bank One, N.A., et. al., dated as of November 8, 2001, incorporated by reference to Exhibit 4.2 to the 2001 Form 10-K. 4.7 -- Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to the Form S-1. 4.8 -- Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of August 16, 2000, incorporated by reference to Exhibit 4.4 to the 2001 Form 10-K. 4.9* -- Amendment No. 1 to Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of January 25, 2002. 4.10 -- Amendment No. 2 to Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of November 15, 2002, incorporated by reference to Exhibit 4.4 to the 2003 Form S-3. 4.11 -- First Amended and Restated Agreement dated January 17, 2003, but effective as of December 31, 2002, by and between Cal Dive International, Inc. and Fletcher International,

Ltd., incorporated by reference to Exhibit 10.1 to the Form 8-K.

4.12* -- Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Cal Dive International, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated July 26, 2002.

EXHIBITS NUMBER DESCRIPTION - -------- ---- ------- 4.13* -- First Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Cal Dive International, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated January 7, 2003. 4.14* -- Second Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Cal Dive International, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated February 14, 2003. 10.1 -- 1995 Long Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.3 to the Form S-1. 10.2 -- Employment Agreement between Owen Kratz and

Company dated February 28, 1999, incorporated by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed by the registrant with the Securities and Exchange Commission on March 31, 1999 (Reg. 000-22739) (the "1998 Form 10-K"). 10.3 -- Employment Agreement between Martin R. Ferron and Company dated February 28, 1999, incorporated by reference to Exhibit 10.6 of the 1998 Form 10-K. 10.4 -- Employment Agreement between S. James Nelson and Company dated February 28, 1999, incorporated by reference to Exhibit 10.7 of the 1998 Form 10-K. 10.5 -- Employment Agreement between A. Wade Pursell and Company dated January 1, 2002, incorporated by reference to Exhibit 10.7 of the 2001 Form 10-K. 10.6* -- Employment Agreement between Johnny Edwards and Company dated October 2, 1995. 21.1 -- Subsidiaries of registrant -- The registrant has seven subsidiaries: Energy Resource Technology, Inc.; Canyon Offshore,

	Inc.; Cal Dive ROV, Inc.; Cal Dive I-Title XI, Inc.; Cal Dive Offshore, Ltd.; Well Ops (U.K.) Limited; and Well Ops Inc.	
23.1*	Consent of Ernst & Young LLP.	
23.2*	Consent of Miller & Lents, Ltd.	
99.1*	Certification of Periodic Report by Chief Executive Officer	
99.2*	Certification of Periodic Report by Chief Financial Officer	

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* Filed herewith.

SIGNATURES

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

CAL DIVE INTERNATIONAL, INC.

By: /s/ A. WADE PURSELL

A. Wade Pursell
Senior Vice President,
Chief Financial Officer

March 24, 2003

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

SIGNATURE	TITLE	DATE
/s/ OWEN KRATZ	Chairman, Chief Executive Officer and Director	March 24, 2003
Owen Kratz	(principal executive officer)	
/s/ MARTIN R. FERRON	President, Chief Operating Officer and Director	March 24, 2003
Martin R. Ferron		
/s/ S. JAMES NELSON	Vice Chairman and Director	March 24, 2003
S. James Nelson		
/s/ A. WADE PURSELL	Senior Vice President	March 24, 2003

--- and Chief Financial Officer A. Wade Pursell (principal financial and accounting officer) /s/ GORDON F. AHALT Director March 24, 2003 ----------
--- Gordon F. Ahalt /s/ BERNARD J. DUROC-DANNER Director March 24, 2003 ----------
--- Bernard J. Duroc-Danner /s/ WILLIAM L. TRANSIER Director March 24, 2003 ----------
--- William L. Transier /s/ JOHN V. LOVOI Director March 24, 2003 ----------
--- John V. Lovoi /s/ ANTHONY TRIPODO Director March 24, 2003 ----------
--- Anthony Tripodo

CERTIFICATIONS

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

1. I have reviewed this annual report on Form 10-K of Cal Dive International, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ OWEN KRATZ

Owen Kratz
Chairman and
Chief Executive Officer

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

1. I have reviewed this annual report on Form 10-K of Cal Dive International, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ A. WADE PURSELL

A. Wade Pursell
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1*	Amended and Restated Articles of Incorporation of registrant, incorporated by reference to Exhibit 3.1 to the Form S-1 Registration Statement filed by registrant with the Securities and Exchange Commission on May 1, 1997 (Reg. No. 333-26357) (the "Form S-1").
3.2	By-Laws of registrant, incorporated by reference to Exhibit 3.2 to the Form S-1.
3.3	Articles of Correction, incorporated by reference to Exhibit 3.3 to the Form S-3 Registration Statement filed by registrant with the Securities and Exchange Commission on May 22, 2002 (Reg. No. 333- 87620) (the "Form S-3").
3.4	Amendment to the 1997 Amended and Restated Articles of Incorporation of registrant, incorporated by reference to Exhibit 3.4 to the Form S-3.
3.5	Certificate of Rights and Preferences, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed by

registrant with the Securities and Exchange Commission on January 22, 2003 (the "Form 8-K"). 4.1 -- Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc., Aquatica, Inc. and Canyon Offshore, Inc., as Borrowers, dated February 22, 2002, incorporated by reference to Exhibit 4.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed by the registrant with the Securities and Exchange Commission on March 28, 2002 (the "2001 Form 10-K"). 4.2* -- First Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc., Aquatica, Inc. and Canyon Offshore,

Inc., as Borrowers, dated August 9, 2002. 4.3* -- Second Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc. and Canyon Offshore, Inc., as Borrowers, dated August 30, 2002. 4.4 -- Third Amendment to Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc. and Canyon Offshore, Inc., as Borrowers, dated October 24, 2002, incorporated by reference to Exhibit 4.1 to the Form S-3 Registration Statement filed by the registrant with the Securities and Exchange Commission on February 26, 2003 (Reg. 333-103451) (the "2003 Form S-3"). 4.5* -- Fourth Amendment to Second Amended and Restated Loan and Security

Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc. and Canyon Offshore, Inc., as Borrowers, dated February 14, 2003. 4.6 -- Participation Agreement among ERT, Cal Dive International, Inc., Cal Dive/Gunnison Business Trust No. 2001-1 and Bank One, N.A., et. al., dated as of November 8, 2001, incorporated by reference to Exhibit 4.2 to the 2001 Form 10-K. 4.7 -- Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to the Form S-1. 4.8 -- Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of August 16, 2000, incorporated by reference to Exhibit 4.4 to the 2001 Form 10-K. 4.9* -- Amendment No. 1 to Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of January 25, 2002. 4.10 --

Amendment No. 2 to Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of November 15, 2002, incorporated by reference to Exhibit 4.4 to the 2003 Form S-3.

EXHIBIT NUMBER	DESCRIPTION
4.11	First Amended and Restated Agreement dated January 17, 2003, but effective as of December 31, 2002, made by and between Cal Dive International, Inc. and Fletcher International, Ltd., incorporated by reference to Exhibit 10.1 to the Form 8-K.
4.12*	Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Cal Dive International, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated July 26, 2002.
4.13*	First Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Cal Dive International, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party

thereto, and Bank One, NA, as Agent, dated January 7, 2003. 4.14* -- Second Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Cal Dive International, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated February 14, 2003. 10.1 -- 1995 Long Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.3 to the Form S-1. 10.2 -- Employment Agreement between Owen Kratz and Company dated February 28, 1999, incorporated by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed by the registrant with the Securities and Exchange Commission on March 31, 1999 (Reg. 000-22739) (the "1998 Form 10-K"). 10.3 -- Employment Agreement between Martin R. Ferron and Company dated February 28,

1999, incorporated by reference to Exhibit 10.6 of the 1998 Form 10-K. 10.4 -- Employment Agreement between S. James Nelson and Company dated February 28, 1999, incorporated by reference to Exhibit 10.7 of the 1998 Form 10-K. 10.5 -- Employment Agreement between A. Wade Pursell and Company dated January 1, 2002, incorporated by reference to Exhibit 10.7 of the 2001 Form 10-K. 10.6* -- Employment Agreement between Johnny Edwards and Company dated October 2, 1995. 21.1 -- Subsidiaries of registrant -- The registrant has seven subsidiaries: Energy Resource Technology, Inc.; Canyon Offshore, Inc.; Cal Dive ROV, Inc.; Cal Dive I-Title XI, Inc.; Cal Dive Offshore, Ltd.; Well Ops (U.K.) Limited; and Well Ops Inc. 23.1* -- Consent of Ernst & Young LLP. 23.2* -- Consent of Miller & Lents, Ltd. 99.1* -- Certification of Periodic Report by Chief Executive Officer. 99.2* -- Certification of Periodic Report by Chief Financial Officer.

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* Filed herewith.

EXHIBIT 4.2

FIRST AMENDMENT TO

SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment") is made and entered into this 9th day of August, 2002, by and among FLEET CAPITAL CORPORATION, a Rhode Island corporation (in its individual capacity, "Fleet"), successor in interest by assignment to Shawmut Capital Corporation ("Shawmut"), SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Southwest"); WHITNEY NATIONAL BANK, a national banking association ("Whitney"); (Fleet, Whitney and Southwest being referred to herein collectively as the "Lenders"), Fleet as Agent for the Lenders (the "Agent"); AQUATICA, INC. ("Aquatica"), a Louisiana corporation; CANYON OFFSHORE, INC. ("Canyon"), a Texas corporation; CAL DIVE INTERNATIONAL, INC., a Minnesota corporation ("Cal Dive") and ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation ("ERT") (Cal Dive, ERT, Aquatica and Canyon being referred to individually and collectively as the "Borrower").

RECITALS

A. The Borrower, the Agent and the Lenders entered into that certain Second Amended and Restated Loan and Security Agreement (as amended, modified and supplemented from time to time, the "Loan Agreement"), dated as of February 22, 2002.

B. The Borrower, the Agent and the Lenders have agreed to amend the Loan Agreement to, among other things, modify the defined terms and modify a financial covenant based upon the terms and conditions set forth in this Amendment.

NOW THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS

1.01 Capitalized terms used in this Amendment are defined in the Loan Agreement, as amended hereby, unless otherwise stated.

ARTICLE II
AMENDMENTS

2.01 AMENDMENTS TO DEFINED TERMS.

(a) The definition of "Applicable Margin Amount" in Section 1.1 of the Loan Agreement, is hereby amended to read as follows:

"Applicable Margin Amount - at any time with respect to all Eurodollar or Base Rate Loans, the basis points as set forth in the table below.

APPLICABLE MARGIN

Cash Flow Leverage Ratio	Eurodollar	Base Rate
<1.75	125	-25.0
>or = to 1.75 < 2.00	150	0.0
>or = to 2.00 < 2.25	175	25.0
>or = to 2.25 < 2.50	200	50.0
>or = to 2.50 < 2.75	225	75.0
>or = to 2.75 < 3.00	250	100.0
>or = to 3.00	275	125.0"

(b) Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"Income From Operations - with respect to any fiscal period, means the Consolidated EBITDA of the Borrower, less (a) Unfunded Capital Expenditures, (b) accrued Taxes for such period (excluding deferred taxes, which shall be deducted from Income From Operations for the quarter in which they are due and payable), and (c) any plug and abandonment obligations, as permitted by Section 8.2(c) (viii) below, which are paid to entities not related to Borrower and which are not offset by payments from such unrelated entities for such services."

2.02 AMENDMENT TO FINANCIAL COVENANTS. Section 8.3(a) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(a) Cash Flow Leverage Test. The Borrower will not permit its Cash Flow Leverage Ratio to be greater than 3.25 to 1.00."

ARTICLE III
CONDITIONS PRECEDENT

3.01 CONDITIONS TO EFFECTIVENESS. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived in writing by the Agent:

(a) The Agent shall have received this Amendment, duly executed by each Borrower;

(b) The Agent shall have received a company general certificate from each Borrower certified by the Secretary or Assistant Secretary of each Borrower acknowledging (A) that such Borrower's Board of Directors has adopted, approved, consented to and ratified resolutions which authorize the execution, delivery and performance by such Borrower of this Amendment and all other documents and agreements contemplated herein, and (B) the names of the officers of such Borrower authorized to sign this Amendment and all other documents and agreements contemplated herein (including the certificates contemplated herein) together with specimen signatures of such officers,

(c) The representations and warranties contained herein and in the Loan Agreement and the other Loan Documents shall be true and correct as of the date hereof, as if made on the date hereof,

(d) No Default or Event of Default shall have occurred and be continuing, unless such Default or Event of Default has been specifically waived in writing by the Agent; and

(e) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to the Agent and its legal counsel.

ARTICLE IV
RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

4.01 RATIFICATIONS. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Borrower, the Agent and the Lenders agree that the Loan Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

4.02 REPRESENTATIONS AND WARRANTIES. Each Borrower hereby represents and warrants to the Agent and the Lenders that (a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed or delivered in connection herewith have been authorized by all requisite corporate action on the part of such Borrower and will not violate the Articles or Certificate of Incorporation or Bylaws of such Borrower; (b) presently effective resolutions of such Borrower's Board of Directors authorize the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith; (c) the representations and warranties contained in the Loan Agreement, as amended hereby, and any other Loan Document are true and correct on and as of the date hereof and on and as of the date of execution hereof as though made on and as of each such date; (d) no Default or Event of Default under the Loan Agreement, as amended hereby, has occurred and is continuing, unless such Default or Event of Default has been specifically waived in writing by the Agent on behalf of the Lenders; (e) each Borrower is in full compliance with all

covenants and agreements contained in the Loan Agreement and the other Loan Documents, as amended hereby; and (f) each Borrower has not amended its Articles or Certificate of Incorporation or its Bylaws since the date of the Loan Agreement, except for such amendments, if any, which are attached as exhibits to the certificates referred to in Section 3.01(b) above.

ARTICLE V
MISCELLANEOUS PROVISIONS

5.01 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made in the Loan Agreement or any other Loan Document, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents in accordance with Section 7.3 of the Loan Agreement, and no investigation by the Agent or Lenders or any closing shall affect the representations and warranties or the right of the Agent or the Lenders to rely upon them.

5.02 REFERENCE TO LOAN DOCUMENTS. Each of the Loan Agreement and the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Loan Documents, as amended hereby, are hereby amended so that any reference in the Loan Agreement and such other Loan Documents to any other Loan Document shall mean a reference to the Loan Documents as amended hereby.

5.03 EXPENSES OF LENDER. As provided in the Loan Agreement, the Borrower agrees to pay on demand all costs and expenses incurred by the Agent and the Lenders in connection with the preparation, negotiation, and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of the Agent's legal counsel, and all costs and expenses incurred by the Agent and the Lenders in connection with the enforcement or preservation of any rights under the Loan Agreement, as amended hereby, or any other Loan Document, including, without limitation, the costs and fees of the Agent's and the Lenders' legal counsel.

5.04 SEVERABILITY. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

5.05 SUCCESSORS AND ASSIGNS. This Amendment is binding upon and shall inure to the benefit of the Agent, the Lenders and the Borrower and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Agent.

5.06 COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

5.07 EFFECT OF WAIVER. No consent or waiver, express or implied, by the Agent or Lenders to or for any breach of or deviation from any covenant or condition by the Borrower shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

5.08 HEADINGS. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

5.09 APPLICABLE LAW. THIS AMENDMENT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

5.10 FINAL AGREEMENT. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HERE, OF ON THE DATE THIS AMENDMENT IS EXECUTED. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY BORROWERS AND LENDER.

5.11 RELEASE. EACH BORROWER HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE "OBLIGATIONS" OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDER. THE BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES THE AGENT AND THE LENDERS, THEIR PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY (EXCEPT FOR POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES AND LIABILITIES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE AGENT OR THE LENDERS, THEIR PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS), ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH SUCH BORROWER MAY NOW OR HEREAFTER HAVE AGAINST THE AGENT OR THE LENDERS, THEIR PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS), IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY "LOANS", INCLUDING, WITHOUT

LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT.

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IN WITNESS WHEREOF, this Amendment has been executed as of August 9, 2002.

CAL DIVE INTERNATIONAL, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Senior Vice President & CFO

ENERGY RESOURCE TECHNOLOGY, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Senior Vice President & Treasurer

AQUATICA, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Vice President & Treasurer

CANYON OFFSHORE, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Vice President & Treasurer

FLEET CAPITAL CORPORATION, as Agent for the Lenders

By: /s/ E. JAMES BECKEMEIER

Name: E. James Beckemeier
Title: Vice President

FLEET CAPITAL CORPORATION

By: /s/ E. JAMES BECKEMEIER

Name: E. James Beckemeier
Title: Vice President

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ PAUL W. COLE

Name: Paul W. Cole
Title: Vice President

WHITNEY NATIONAL BANK

By: /s/ HARRY C. STAHEL

Name: Harry C. Stahel
Title: Senior Vice President

SECOND AMENDMENT TO
SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Second Amendment") is made and entered into this 30th day of August, 2002, by and among FLEET CAPITAL CORPORATION, a Rhode Island corporation (in its individual capacity, "Fleet"), successor in interest by assignment to Shawmut Capital Corporation ("Shawmut"), SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Southwest"); WHITNEY NATIONAL BANK, a national banking association ("Whitney"); (Fleet, Whitney and Southwest being referred to herein collectively as the "Lenders"), Fleet as Agent for the Lenders (the "Agent"); CANYON OFFSHORE, INC. ("Canyon"), a Texas corporation; CAL DIVE INTERNATIONAL, INC., a Minnesota corporation ("Cal Dive") and ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation ("ERT") (Cal Dive, ERT, and Canyon being referred to individually and collectively as the "Borrower").

RECITALS

A. The Borrower, Aquatica, Inc., the Agent and the Lenders entered into that certain Second Amended and Restated Loan and Security Agreement (as amended, modified and supplemented from time to time, the "Loan Agreement"), dated as of February 22, 2002.

B. The Borrower, Aquatica, Inc., the Agent and the Lenders entered into that certain First Amendment to Second Amended and Restated Loan and Security Agreement dated August 9, 2002.

C. Aquatica, Inc., a Borrower under the Loan Agreement merged with Cal Dive, with Cal Dive as the surviving entity, pursuant to the Articles of Merger dated June 27, 2002.

ARTICLE I
DEFINITIONS

1.01 The Borrower, the Agent and the Lenders have agreed to amend the Loan Agreement to, among other things, temporarily increase the Revolving Credit Commitment, to waive breaches of certain covenants and to modify certain covenants, based upon the terms and conditions set forth in this Second Amendment.

NOW THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE II
DEFINITIONS

2.01 Capitalized terms used in this Second Amendment are defined in the Loan Agreement, as amended hereby, unless otherwise stated.

ARTICLE III
AMENDMENTS

3.01 TEMPORARY INCREASE IN REVOLVING CREDIT COMMITMENT.

(a) From the date of this Second Amendment up to and including October 29, 2002 the Revolving Credit Commitment as at any date of determination shall be increased to an amount equal to (a) Sixty Seven Million Dollars ($67,000,000) minus ((b) the face amount of all Credit Enhancements outstanding on such date.

(b) Each Lender's portion of the temporary Seven Million Dollars ($7,000,000) increase in the Revolving Credit Commitment is set forth on Schedule 1 to this Second Amendment.

(c) After October 29, 2002, the Revolving Credit Commitment shall automatically and without any further action by the Agent or the Lenders revert to an amount equal to (a) Sixty Million Dollars ($60,000,000) minus (b) the face amount of all Credit Enhancements outstanding on the date of determination.

(d) In consideration for the temporary increase in the Revolving Credit Commitment provided for in this Section 2.01, the Borrower shall pay to the Agent on the date of this Second Amendment, for distribution to those Lenders participating in such temporary increase, a commitment increase fee of $50,000.00.

3.02 BORROWING BASE REPORTS. Section 8.1(j) is hereby amended by adding the following new subsection (v):

"(v) borrowing base reports substantially in the form of Exhibit X attached hereto on a weekly basis as to the business of ERT and on a monthly basis as to the combined businesses of Cal Dive and Canyon Offshore, with the total Borrowing Base of the Borrower to be brought true with any Accounts no longer meeting the requirements of an Eligible Account on a monthly basis."

3.03 AMENDMENT TO SECTION 8.2(c). Paragraph (viii) of Section 8.2 (c) is hereby amended to read as follows:

"(viii) plug and abandonment obligations not to exceed $100,000,000 at any time; and"

3.04 CONSENT TO RESTRICTED INVESTMENT AND ADDITIONAL INDEBTEDNESS.

(a) ERT wishes to acquire

(i) Amerada Hess's interest in the oil and gas leases in the Gulf of Mexico fields known as South Marsh Island 130, High Island A-556/557, Vermilion 331/314, South Marsh Island 107/114, West Cameron 215, South Timbalier 213 and West Cameron 277 for a purchase price not to exceed $15,000,000, together with the assumption of approximately $28,000,000 in future plug and abandonment liability (the "Hess Acquisition").

(ii) Shell's interest in the oil and gas lease in the Gulf of Mexico field known as South Marsh Island 130 for a purchase price not to exceed $12,200,000, together with the assumption of approximately $25,000,000 in future plug and abandonment liability (the "Shell Acquisition").

(b) The Hess Acquisition and Shell Acquisition would violate the covenants contained in Sections 8.2(c) as to Total Indebtedness and 8.2(r) as to Restricted Investments of the Loan Agreement.

(c) The Lenders hereby waive the requirements of Sections 8.2(c) and 8.2(r) in connection with the Hess Acquisition and the Shell Acquisition. The waivers contained in this Section 2.04 shall not serve as a precedent to any future consents, waivers or modifications concerning the Loan Agreement requested by any party, nor bind the Lenders to agree to any other requests by the Borrower for modifications or waivers to any provision of the Loan Agreement or any other Loan Document.

ARTICLE IV
CONDITIONS PRECEDENT

4.01 CONDITIONS TO EFFECTIVENESS. The effectiveness of this Second Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived in writing by the Agent:

(a) The Agent shall have received this Second Amendment, duly executed by each Borrower;

(b) The Agent shall have received a company general certificate from each Borrower certified by the Secretary or Assistant Secretary of each Borrower acknowledging (A) that such Borrower's Board of Directors has adopted, approved, consented to and ratified resolutions which authorize the execution, delivery and performance by such Borrower of this Amendment and all other documents and agreements contemplated herein, and (B) the names of the officers of such Borrower authorized to sign this Second Amendment and all other documents and agreements

contemplated herein (including the certificates contemplated herein) together with specimen signatures of such officers;

(c) The representations and warranties contained in this Second Amendment and in the Loan Agreement and the other Loan Documents shall be true and correct as of the date hereof, as if made on the date hereof;

(d) No Default or Event of Default shall have occurred and be continuing, unless such Default or Event of Default has been specifically waived in writing by the Agent; and

(e) All corporate proceedings taken in connection with the transactions contemplated by this Second Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to the Agent and its legal counsel.

ARTICLE V
RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

5.01 RATIFICATIONS. The terms and provisions set forth in this Second Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Second Amendment, the terms and provisions of the Loan Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Borrower, the Agent and the Lenders agree that the Loan Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

5.02 REPRESENTATIONS AND WARRANTIES. Each Borrower hereby represents and warrants to the Agent and the Lenders that (a) the execution, delivery and performance of this Second Amendment and any and all other Loan Documents executed or delivered in connection herewith have been authorized by all requisite corporate action on the part of such Borrower and will not violate the Articles or Certificate of Incorporation or Bylaws of such Borrower; (b) presently effective resolutions of such Borrower's Board of Directors authorize the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith; (c) the representations and warranties contained in the Loan Agreement, as amended hereby, and any other Loan Document are true and correct on and as of the date hereof and on and as of the date of execution hereof as though made on and as of each such date; (d) no Default or Event of Default under the Loan Agreement, as amended hereby, has occurred and is continuing, unless such Default or Event of Default has been specifically waived in writing by the Agent on behalf of the Lenders; (e) each Borrower is in full compliance with all covenants and agreements contained in the Loan Agreement and the other Loan Documents, as amended hereby; and (f) each Borrower has not amended its Articles or Certificate of Incorporation or its Bylaws since the date of the Loan Agreement, except for such amendments, if any, which are attached as exhibits to the certificates referred to in Section 3.01(b) above.

ARTICLE VI
MISCELLANEOUS PROVISIONS

6.01 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made in the Loan Agreement or any other Loan Document, including, without limitation, any document furnished in connection with this Second Amendment, shall survive the execution and delivery of this Second Amendment and the other Loan Documents in accordance with Section 7.3 of the Loan Agreement, and no investigation by the Agent or Lenders or any closing shall affect the representations and warranties or the right of the Agent or the Lenders to rely upon them.

6.02 REFERENCE TO LOAN DOCUMENTS. Each of the Loan Agreement and the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Loan Documents, as amended hereby, are hereby amended so that any reference in the Loan Agreement and such other Loan Documents to any other Loan Document shall mean a reference to the Loan Documents as amended hereby.

6.03 EXPENSES OF LENDER. As provided in the Loan Agreement, the Borrower agrees to pay on demand all costs and expenses incurred by the Agent and the Lenders in connection with the preparation, negotiation, and execution of this Second Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of the Agent's legal counsel, and all costs and expenses incurred by the Agent and the Lenders in connection with the enforcement or preservation of any rights under the Loan Agreement, as amended hereby, or any other Loan Document, including, without limitation, the costs and fees of the Agent's and the Lenders' legal counsel.

6.04 SEVERABILITY. Any provision of this Second Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.05 SUCCESSORS AND ASSIGNS. This Second Amendment is binding upon and shall inure to the benefit of the Agent, the Lenders and the Borrower and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Agent.

6.06 COUNTERPARTS. This Second Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

6.07 EFFECT OF WAIVER. No consent or waiver, express or implied, by the Agent or Lenders to or for any breach of or deviation from any covenant or condition by the Borrower shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

6.08 HEADINGS. The headings, captions, and arrangements used in this Second Amendment are for convenience only and shall not affect the interpretation of this Second Amendment.

6.09 APPLICABLE LAW. THIS SECOND AMENDMENT SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS.

6.10 FINAL AGREEMENT. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS SECOND AMENDMENT IS EXECUTED. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS SECOND AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY BORROWERS AND LENDER.

6.11 RELEASE. EACH BORROWER HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM THE LENDERS. THE BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES THE AGENT AND THE LENDERS, THEIR PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY (EXCEPT FOR POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES AND LIABILITIES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE AGENT OR THE LENDERS, THEIR PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS), ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS SECOND AMENDMENT IS EXECUTED, WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE AGAINST THE AGENT OR THE LENDERS, THEIR PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS), IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY LOANS, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES

UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS SECOND AMENDMENT.

IN WITNESS WHEREOF, this Second Amendment has been executed as of August 30, 2002.

CAL DIVE INTERNATIONAL, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Senior Vice President & CFO

ENERGY RESOURCE TECHNOLOGY, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Senior Vice President & Treasurer

CANYON OFFSHORE, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Vice President & Treasurer

FLEET CAPITAL CORPORATION, as Agent for the Lenders

By: /s/ E. JAMES BECKEMEIER

Name: E. James Beckemeier
Title: Vice President

FLEET CAPITAL CORPORATION

By: /s/ E. JAMES BECKEMEIER

Name: E. James Beckemeier
Title: Vice President

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ PAUL W. COLE

Name: Paul W. Cole
Title: Vice President

WHITNEY NATIONAL BANK

By: /s/ HARRY C. STAHEL

Name: Harry C. Stahel
Title: Senior Vice President

SCHEDULE 1 TO SECOND AMENDMENT

Lender	Portion of Increase in Revolving Credit Commitment
Fleet Capital Corporation	USD 4,083,334
Whitney National Bank	USD 2,333,000
Southwest Bank of Texas, N.A.	USD 583,333

EXHIBIT 4.5

FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Fourth Amendment") is made and entered into this 14th day of February, 2003, by and among FLEET CAPITAL CORPORATION, a Rhode Island corporation (in its individual capacity, "Fleet"), successor in interest by assignment to Shawmut Capital Corporation ("Shawmut"), SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Southwest"); WHITNEY NATIONAL BANK, a national banking association ("Whitney"); (Fleet, Whitney and Southwest being referred to herein collectively as the "Lenders"), Fleet as Agent for the Lenders (the "Agent"); CANYON OFFSHORE, INC. ("Canyon"), a Texas corporation; CAL DIVE INTERNATIONAL, INC., a Minnesota corporation ("Cal Dive") and ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation ("ERT") (Cal Dive, ERT, and Canyon being referred to individually and collectively as the "Borrower").

RECITALS

A. The Borrower, Aquatica, Inc., the Agent and the Lenders entered into that certain Second Amended and Restated Loan and Security Agreement (as amended, modified and supplemented from time to time, the "Loan Agreement"), dated as of February 22, 2002.

B. The Borrower, Aquatica, Inc., the Agent and the Lenders entered into that certain First Amendment to Second Amended and Restated Loan and Security Agreement dated August 9, 2002.

C. Aquatica, Inc., a Borrower under the Loan Agreement merged with Cal Dive, with Cal Dive as the surviving entity, pursuant to the Articles of Merger dated June 27, 2002.

D. The Borrower, the Agent and the Lenders entered into that certain Second Amendment to Second Amended and Restated Loan and Security Agreement dated August 30, 2002.

E. The Borrower, the Agent and the Lenders entered into that certain Third Amendment to Second Amended and Restated Loan Agreement dated October 24, 2002.

F. The Borrower, the Agent and the Lenders have agreed to amend the Loan Agreement to, among other things, modify the defined terms and to add a new subsidiary of Cal Dive as a Borrower under the Loan Agreement.

NOW THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE I
Definitions

1.01 Capitalized terms used in this Fourth Amendment are used with the definitions given to them in the Loan Agreement, as amended hereby, unless otherwise stated.

ARTICLE II
Amendments

2.01 Amendments to Defined Terms.

(a) The definition of EBIT in Section 1.1 of the Loan Agreement is hereby amended to read as follows: "EBIT - means for any period, on a Consolidated basis, the sum of the amounts for such period, without duplication of: (i) Net Income, plus (ii) charges against income for foreign, federal, state and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (v) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income; provided, however, that a one-time charge in the fourth quarter of 2002 in an amount not to exceed USD 5,200,000 arising out of the settlement of a lawsuit brought by EEX, Inc. against Cal Dive may be excluded from the determination of EBIT."

(b) The definition of EBITDA in Section 1.1 of the Loan Agreement is hereby amended to read as follows: "EBITDA - means, for any period, on a Consolidated basis, the sum of the amounts for such period, without duplication of (i) Net Income, plus (ii) charges against income for foreign, federal, state and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) depreciation

expense, to the extent deducted in computing Net Income, plus (v) amortization expense, including without limitation amortization of goodwill, other intangible assets and transaction expenses, to the extent deducted in computing Net Income, plus (vi) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (vii) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income; provided, however, that a one-time charge in the fourth quarter of 2002 in an amount not to exceed USD 5,200,000 arising out of the settlement of a lawsuit brought by EEX, Inc. against Cal Dive may be excluded from the determination of EBITDA."

2.02 Addition of Borrower.

(a) From and after the date of this Fourth Amendment, Well Ops Inc., a Texas corporation having its chief executive office at 400 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060-3500 shall be a Borrower under the Loan Agreement.

(b) From and after the date of this Fourth Amendment, all references to the Borrower in the Loan Agreement shall include Well Ops Inc. and all provisions of the Loan Agreement affecting the Borrower shall affect Wells Ops Inc.

(c) The addition of Well Ops Inc. as a Borrower shall be evidenced by the Amended and Restated Revolving Credit Notes of the Borrower substantially in the form of Exhibits A-1, A-2 and A-3 attached hereto (the "Restated Notes").

2.03 Cash Flow Leverage Test. Compliance by the Borrower with the Cash Flow Leverage Test contained in Section 8.3(a) of the Loan Agreement is hereby waived for the fourth calendar quarter of 2002 only. The waiver contained in this Section 2.03 shall not serve as a precedent to any future consents, waivers or modifications concerning the Loan Agreement requested by any party, nor bind the Lenders to agree to any other requests by the Borrower for modifications or waivers to any provision of the Loan Agreement or any other Loan Document.

ARTICLE III
Conditions Precedent

3.01 Conditions to Effectiveness. The effectiveness of this Fourth Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived in writing by the Agent:

(a) The Agent shall have received this Fourth Amendment and the Restated Notes, duly executed by each Borrower and Well Ops Inc.;

(b) The Agent shall have received a certificate from each Borrower certified by the Secretary or Assistant Secretary of such company acknowledging (A) that such company's Board of Directors has adopted, approved, consented to and ratified resolutions which authorize the execution, delivery and performance by such company of this Fourth Amendment and all other documents and agreements contemplated herein, and (B) the names of the officers of such company authorized to sign this Fourth Amendment and all other documents and agreements contemplated herein (including the certificates contemplated herein) together with specimen signatures of such officers;

(c) The Agent shall have received a certificate from the Secretary or Assistant Secretary of Well Ops Inc. attaching copies of (A) the Articles of Incorporation and Bylaws of such company, (B) Resolutions of the Board of Directors of such company authorizing the execution and delivery and performance of this Fourth Amendment and all other documents and agreements contemplated herein and (C) the names of the officers of such company authorized to sign this Fourth Amendment and all other documents contemplated herein together with specimen signatures of such officers.

(d) The representations and warranties contained in this Fourth Amendment and in the Loan Agreement and the other Loan Documents shall be true and correct as of the date hereof, as if made on the date hereof;

(e) No Default or Event of Default shall have occurred and be continuing, unless such Default or Event of Default has been specifically waived in writing by the Agent; and

(f) All corporate proceedings taken in connection with the transactions contemplated by this Fourth Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to the Agent and its legal counsel.

ARTICLE IV
Ratifications, Representations and Warranties

4.01 Ratifications. The terms and provisions set forth in this Fourth Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Fourth Amendment, the terms and provisions of the Loan Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Borrower, the Agent and the Lenders agree that the Loan Agreement and the other Loan Documents, as amended by this Fourth Amendment, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

4.02 Representations and Warranties. Each Borrower and Well Ops Inc. hereby represents and warrants to the Agent and the Lenders that (a) the execution, delivery and performance of this Fourth Amendment and any and all other Loan Documents executed or delivered in connection herewith have been authorized by all requisite corporate action on the part of such company and will not violate the Articles or Certificate of Incorporation or Bylaws of such company; (b) presently effective resolutions of such company's Board of Directors authorize the execution, delivery and performance of this Fourth Amendment and any and all other Loan Documents executed and/or delivered in connection herewith; (c) the representations and warranties contained in the Loan Agreement, as amended by this Fourth Amendment, and any other Loan Document are true and correct on and as of the date hereof and on and as of the date of execution hereof as though made on and as of each such date; (d) no Default or Event of Default under the Loan Agreement, as amended by this Fourth Amendment, has occurred and is continuing, unless such Default or Event of Default has been specifically waived in writing by the Agent on behalf of the Lenders; (e) each Borrower and Well Ops Inc. is in full compliance with all covenants and agreements contained in the Loan Agreement and the other Loan Documents, as amended by this Fourth Amendment; and (f) no Borrower has amended its Articles or Certificate of Incorporation or its Bylaws since the date of the Loan Agreement, except for such amendments, if any, which are attached as exhibits to the certificates referred to in Section 3.01(b) above.

ARTICLE V
Miscellaneous Provisions

5.01 Survival of Representations and Warranties. All representations and warranties made in the Loan Agreement or any other Loan Document, including, without limitation, any document furnished in connection with this Fourth Amendment, shall survive the execution and delivery of this Fourth Amendment and the other Loan Documents in accordance with Section 7.3 of the Loan Agreement, and no investigation by the Agent or the Lenders or any closing shall affect the representations and warranties or the right of the Agent or the Lenders to rely upon them.

5.02 Reference to Loan Documents. Each of the Loan Agreement and the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Loan Documents, as amended hereby, are hereby amended so that any reference in the Loan Agreement and such other Loan Documents to any other Loan Document shall mean a reference to the Loan Documents as amended by this Fourth Amendment.

5.03 Expenses of Lender. As provided in the Loan Agreement, the Borrower agrees to pay on demand all costs and expenses incurred by the Agent and the Lenders in connection with the preparation, negotiation, and execution of this Fourth Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of the Agent's legal counsel, and all costs and expenses incurred by the Agent and the Lenders in connection with the enforcement or preservation of any rights under the Loan Agreement, as amended by this Fourth Amendment, or any other Loan Document, including, without limitation, the costs and fees of the Agent's and the Lenders' legal counsel.

5.04 Severability. Any provision of this Fourth Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Fourth Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

5.05 Successors and Assigns. This Fourth Amendment is binding upon and shall inure to the benefit of the Agent, the Lenders and the Borrower and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Agent.

5.06 Counterparts. This Fourth Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

5.07 Effect of Waiver. No consent or waiver, express or implied, by the Agent or the Lenders to or for any breach of or deviation from any covenant or condition by the Borrower shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

5.08 Headings. The headings, captions, and arrangements used in this Fourth Amendment are for convenience only and shall not affect the interpretation of this Fourth Amendment.

5.09 Applicable Law. THIS FOURTH AMENDMENT SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS.

5.10 Final Agreement. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED BY THIS FOURTH AMENDMENT, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS FOURTH AMENDMENT IS EXECUTED. THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED BY THIS FOURTH AMENDMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS FOURTH AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE BORROWER AND THE LENDERS.

5.11 Release. EACH BORROWER HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM THE LENDERS. THE BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES THE AGENT AND THE LENDERS, THEIR PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY (EXCEPT FOR POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES AND LIABILITIES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE AGENT OR THE LENDERS, THEIR PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS), ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS FOURTH AMENDMENT IS EXECUTED, WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE AGAINST THE AGENT OR THE LENDERS, THEIR PREDECESSORS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS), IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY LOANS, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS FOURTH AMENDMENT.

IN WITNESS WHEREOF, this Fourth Amendment has been executed as of February 14, 2003.

CAL DIVE INTERNATIONAL, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Senior Vice President and Chief Financial Officer

ENERGY RESOURCE TECHNOLOGY, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Senior Vice President and Treasurer

CANYON OFFSHORE, INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Vice President and Treasurer

WELL OPS INC.

By: /s/ A. WADE PURSELL

Name: A. Wade Pursell
Title: Vice President and Treasurer

FLEET CAPITAL CORPORATION,
as Agent for the Lenders

By: /s/ HANCE VANBEBER

Name: Hance VanBeber
Title: Senior Vice President

FLEET CAPITAL CORPORATION

By: /s/ HANCE VANBEBER

Name: Hance VanBeber
Title: Senior Vice President

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ PAUL W. COLE

Name: Paul W. Cole
Title: Vice President

WHITNEY NATIONAL BANK

By: /s/ HARRY C. STAHEL

Name: Harry C. Stahel
Title: Senior Vice President

EXHIBIT A-1

AMENDED AND RESTATED REVOLVING CREDIT NOTE

$39,000,000.00 February 14, 2003
Houston, Texas

FOR VALUE RECEIVED, the undersigned (hereinafter referred to collectively as "Borrower"), hereby PROMISES TO PAY to the order of FLEET CAPITAL CORPORATION, a Rhode Island corporation ("Lender"), or its registered assigns, at the office of Fleet Capital Corporation, as Agent for such Lender, or at such other place in the United States of America as the holder of this Note may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of THIRTY-NINE MILLION AND NO/100 Dollars ($39,000,000.00), or such lesser principal amount as may be outstanding pursuant to the Loan Agreement (as hereinafter defined) with respect to the Revolving Credit Loan, together with interest on the unpaid principal amount of this Note outstanding from time to time.

This Note is one of the Notes referred to in, and issued pursuant to, that certain Second Amended and Restated Loan and Security Agreement dated as of February 22, 2002, as amended, by and among Borrower, the lenders signatory thereto (including Lender) and Fleet Capital Corporation ("FCC"), as agent for such Lenders (FCC in such capacity, the "Agent") (as amended, modified or restated, from time to time, the "Loan Agreement"), and is entitled to all of the benefits and security of the Loan Agreement. All of the terms, covenants and conditions of the Loan Agreement and the other Loan Documents are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms herein, unless otherwise defined, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Loan Agreement.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement and, if not sooner paid in full, on the last day of the Term, unless the term hereof is extended in accordance with the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times as are specified in the Loan Agreement. Upon and after the occurrence, and during the continuation, of an Event of Default, this Note shall or may, as provided in the Loan Agreement, become or be declared immediately due and payable. The right to receive principal of, and stated interest on, this Note may only be transferred in accordance with the provisions of the Loan Agreement.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

This Note is the amendment, restatement, renewal and extension of the promissory note of the Borrower dated October 24, 2002.

This Note shall be interpreted, governed by, and construed in accordance with, the internal laws of the State of Texas.

CAL DIVE INTERNATIONAL, INC.,
a Minnesota corporation
By:

Name: A. Wade Pursell
Title: Senior Vice President and Chief Financial Officer

ENERGY RESOURCE TECHNOLOGY, INC.,
a Delaware corporation
By:

Name: A. Wade Pursell
Title: Senior Vice President and Treasurer

CANYON OFFSHORE, INC., a Texas corporation
By:

Name: A. Wade Pursell
Title: Vice President and Treasurer

WELL OPS INC., a Texas corporation
By:

Name: A. Wade Pursell
Title: Vice President and Treasurer

EXHIBIT A-2

AMENDED AND RESTATED REVOLVING CREDIT NOTE

$25,000,000.00 February 14, 2003
Houston, Texas

FOR VALUE RECEIVED, the undersigned (hereinafter referred to collectively as "Borrower"), hereby PROMISES TO PAY to the order of WHITNEY NATIONAL BANK, a national banking association ("Lender"), or its registered assigns, at the office of Fleet Capital Corporation, as Agent for such Lender, or at such other place in the United States of America as the holder of this Note may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of TWENTY-FIVE MILLION AND NO/100 Dollars ($25,000,000.00), or such lesser principal amount as may be outstanding pursuant to the Loan Agreement (as hereinafter defined) with respect to the Revolving Credit Loan, together with interest on the unpaid principal amount of this Note outstanding from time to time.

This Note is one of the Notes referred to in, and issued pursuant to, that certain Second Amended and Restated Loan and Security Agreement dated as of February 22, 2002, as amended, by and among Borrower, the lenders signatory thereto (including Lender) and Fleet Capital Corporation ("FCC"), as agent for such Lenders (FCC in such capacity, the "Agent") (as amended, modified or restated, from time to time, the "Loan Agreement"), and is entitled to all of the benefits and security of the Loan Agreement. All of the terms, covenants and conditions of the Loan Agreement and the other Loan Documents are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms herein, unless otherwise defined, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Loan Agreement.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement and, if not sooner paid in full, on the last day of the Term, unless the term hereof is extended in accordance with the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times as are specified in the Loan Agreement.

Upon and after the occurrence, and during the continuation, of an Event of Default, this Note shall or may, as provided in the Loan Agreement, become or be declared immediately due and payable.

The right to receive principal of, and stated interest on, this Note may only be transferred in accordance with the provisions of the Loan Agreement.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

This Note is the amendment, restatement, renewal and extension of the promissory note of the Borrower dated October 24, 2002.

This Note shall be interpreted, governed by, and construed in accordance with, the internal laws of the State of Texas.

CAL DIVE INTERNATIONAL, INC.,
a Minnesota corporation
By:

Name: A. Wade Pursell
Title: Senior Vice President and Chief Financial Officer

ENERGY RESOURCE TECHNOLOGY, INC.,
a Delaware corporation
By:

Name: A. Wade Pursell
Title: Senior Vice President and Treasurer

CANYON OFFSHORE, INC., a Texas corporation
By:

Name: A. Wade Pursell
Title: Vice President and Treasurer

WELL OPS INC., a Texas corporation
By:

Name: A. Wade Pursell
Title: Vice President and Treasurer

EXHIBIT A-3

AMENDED AND RESTATED REVOLVING CREDIT NOTE

$6,000,000.00 February 14, 2003
Houston, Texas

FOR VALUE RECEIVED, the undersigned (hereinafter referred to collectively as "Borrower"), hereby PROMISES TO PAY to the order of SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Lender"), or its registered assigns, at the office of Fleet Capital Corporation, as Agent for such Lender, or at such other place in the United States of America as the holder of this Note may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of SIX MILLION AND NO/100 Dollars ($6,000,000.00), or such lesser principal amount as may be outstanding pursuant to the Loan Agreement (as hereinafter defined) with respect to the Revolving Credit Loan, together with interest on the unpaid principal amount of this Note outstanding from time to time.

This Note is one of the Notes referred to in, and issued pursuant to, that certain Second Amended and Restated Loan and Security Agreement dated as of February 22, 2002, as amended, by and among Borrower, the lenders signatory thereto (including Lender) and Fleet Capital Corporation ("FCC"), as agent for such Lenders (FCC in such capacity, the "Agent") (as amended, modified or restated, from time to time, the "Loan Agreement"), and is entitled to all of the benefits and security of the Loan Agreement. All of the terms, covenants and conditions of the Loan Agreement and the other Loan Documents are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms herein, unless otherwise defined, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Loan Agreement.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement and, if not sooner paid in full, on the last day of the Term, unless the term hereof is extended in accordance with the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times as are specified in the Loan Agreement.

Upon and after the occurrence, and during the continuation, of an Event of Default, this Note shall or may, as provided in the Loan Agreement, become or be declared immediately due and payable.

The right to receive principal of, and stated interest on, this Note may only be transferred in accordance with the provisions of the Loan Agreement.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

This Note is the amendment, restatement, renewal and extension of the promissory note of the Borrower dated October 24, 2002.

This Note shall be interpreted, governed by, and construed in accordance with, the internal laws of the State of Texas.

CAL DIVE INTERNATIONAL, INC.,
a Minnesota corporation
By:

Name: A. Wade Pursell
Title: Senior Vice President and Chief Financial Officer

ENERGY RESOURCE TECHNOLOGY, INC.,
a Delaware corporation
By:

Name: A. Wade Pursell
Title: Senior Vice President and Treasurer

CANYON OFFSHORE, INC., a Texas corporation
By:

Name: A. Wade Pursell
Title: Vice President and Treasurer

WELL OPS INC., a Texas corporation
By:

Name: A. Wade Pursell
Title: Vice President and Treasurer

AMENDMENT NO. 1
TO
CREDIT AGREEMENT

THIS AMENDMENT NO. 1, dated as of January 25, 2002 (this "Amendment No. 1"), to that certain Credit Agreement, dated as of August 16, 2000 (the "Credit Agreement"), is made by and among CAL DIVE I-TITLE XI, INC., a Texas corporation (the "Shipowner"), GOVCO INCORPORATED, a Delaware corporation (the "Primary Lender"), CITIBANK, N.A., a national banking association (the "Alternate Lender"), CITIBANK INTERNATIONAL PLC, a bank organized and existing under the laws of England, as facility agent for both the Primary Lender and the Alternate Lender (and their respective successors and assigns) with respect to the Floating Rate Note, and its permitted successors and assigns (in such capacity, the "Facility Agent"), and CITICORP NORTH AMERICA, INC., a Delaware corporation, as administrative agent for the Primary Lender and the commercial paper holders of the Primary Lender (and their respective successors and assigns) (in such capacity, together with its permitted successors and assigns, the "Administrative Agent," and together with the Facility Agent, the "Agents").

WHEREAS, pursuant to Title XI of the Merchant Marine Act, 1936, the Secretary, pursuant to the Guarantee Commitment, determined that the aggregate of the Actual Cost of the Q4000 vessel (the "Vessel") was $158,260,932 as of the August 16, 2000 Closing Date, and agreed to guarantee Obligations in an amount which will not exceed 87-1/2% of Actual Cost, as determined pursuant to the Security Agreement and as reflected in Table A thereto, as the same may be redetermined from time to time;

WHEREAS, on July 31, 2001, the Shipowner and AMFELS, Inc. (the "Shipyard") entered into Amendment No. 2 to the Construction Contract (the "Amendment No. 2") for the Vessel, providing for additional work to be performed on the Vessel pursuant to change orders, and a revised Delivery Date for the Vessel, which Amendment No. 2 was approved by the Secretary;

WHEREAS, pursuant to Amendment No.1 to Security Agreement, dated the date hereof, the Secretary has agreed to a redetermination of the Actual Cost relating to such additional work on the Vessel, for a total revised Actual Cost of $183,065,667. The Shipowner has entered into Supplement No. 1 to Trust Indenture, dated the date hereof, providing for the issuance of Obligations up to the aggregate principal amount of $160,182,000, and the Secretary has agreed to the revisions to the Indenture reflecting the revised Delivery Date and certain other technical amendments; and

WHEREAS, the Parties wish to amend the Credit Agreement pursuant to which the Lenders will agree inter alia to revise the Available Amount thereunder to $160,182,000, and to change the Final Disbursement Date, Interest Payment Dates, Payment Dates and Stated Maturity of the Floating Rate Note.

NOW THEREFORE, in consideration of the mutual rights and obligations set forth herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1.01. (a) Exhibit 1 to the Credit Agreement is hereby amended by amending the following definitions:

> "Interest Payment Date" means, with respect to the Floating Rate Note, the date or dates when any installment of interest on such Note is due and payable, which are January 28 and July 28 of each year, beginning on January 28, 2001, and ending on July 28, 2001, and each February 1 and August 1 thereafter, beginning on February 1, 2002, and the date of any prepayment of the Floating Rate Note.
>
> "Payment Date" shall mean February 1 and August 1 of each year, beginning on the earlier of the Payment Date next succeeding the Delivery Date of the Vessel, or February 1, 2003.
>
> "Floating Rate Note" shall mean the First Amended and Restated Floating Rate Note substantially identical to the form of Exhibit A to Supplement No. 1 to Trust Indenture, appropriately completed.

(b) Exhibit 1 to the Credit Agreement is hereby further amended by adding thereto the following definitions:

> "Amendment No. 1 to Credit Agreement" means the Amendment No. 1 to Credit Agreement, dated as of January 25, 2002, among the Shipowner, the Lenders and the Agents.

SECTION 1.02. Whereas Clause (A) and Section 2.01 of the Credit Agreement are hereby amended by changing the Credit Facility Amount from $138,478,000 to $160,182,000.

SECTION 1.03. The definition of "Final Disbursement Date" appearing in Section 2.02 of the Credit Agreement is hereby amended by changing the date "January 28, 2002" to "February 1, 2003."

SECTION 1.04. Sections 2.04 and 4.03(d) of the Credit Agreement are hereby amended by deleting the amount of "$50,000,000" appearing in each such Section, and by inserting in lieu thereof the amount "$20,000,000." Section 2.04 of the Credit Agreement is hereby further amended by changing the date "January 28, 2006" to "February 1, 2007."

SECTION 1.05. Section 2.05(a) of the Credit Agreement is hereby amended by deleting the date "January 28, 2027" appearing in clause (i) thereof and by inserting in lieu thereof the date "August 1, 2027."

SECTION 1.06. Section 4.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

> "4.01 Principal Repayment. The Shipowner shall repay the Outstanding Principal of the Floating Rate Note as follows:
>
> (i) In installments in the principal amounts set forth in the First Revised Amortization Schedule, Exhibit B to Supplement No. 1 to Trust Indenture, as the same may be revised in accordance with the Indenture, adopted in accordance with its terms, on each Payment Date commencing with the Payment Date occurring on the earlier of the Payment Date next succeeding the Delivery Date of the Vessel, or February 1, 2003, and continuing until the Payment Date before the earlier of (x) the Payment Date next preceding four (4) years from the Delivery Date, or (y) February 1, 2007; and
>
> (ii) The full amount of remaining Outstanding Principal, on the earliest of (x) the Payment Date next preceding four (4) years from the Delivery Date, (y) February 1, 2007, or (x) the date upon which the Trigger Event shall occur."

SECTION 1.07. The second sentence of Section 4.05 of the Credit Agreement is revised to read as follows:

> "The Floating Rate Note shall (ii) be in the form of Exhibit A to Supplement No. 1 to the Indenture, (ii) bear the Secretary's Guarantee, and (iii) be valid and enforceable as to its principal amount at any time only to the extent of the aggregate amounts then disbursed and outstanding thereunder, and, as to interest, only to the extent of the interest accrued thereon at the rate guaranteed by the Secretary, with any interest in excess thereof being evidenced by this Agreement."

All capitalized terms used herein and not defined shall have the meanings set forth in Exhibit 1 to the Credit Agreement.

Except as amended, the provisions of the Credit Agreement shall apply to and govern this Amendment No. 1.

This Amendment No. 1 may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, this Amendment No. 1 to Credit Agreement has been duly executed and delivered by the Parties hereto as of the day and year first above written.

CAL DIVE I-TITLE XI, INC.,
as the Shipowner

By /s/ A.WADE PURSELL

Name: A. Wade Pursell
Title: Vice President

GOVCO INCORPORATED,
as the Primary Lender, by
Citicorp North America,
Inc., its Attorney-in-fact

By /s/ PATRICK A. BOTTICELLI

Name: Patrick A. Botticelli
Title: Vice President

CITIBANK INTERNATIONAL PLC,
as the Facility Agent

By /s/ PATRICK A. BOTTICELLI

Name: Patrick A. Botticelli
Title: Vice President

CITIBANK, N.A.,
as the Alternate Lender

By /s/ AE KYONG CHUNG

Name: Ae Kyong Chung
Title: Vice President

CITICORP NORTH AMERICA, INC.,
as the Administrative Agent

By /s/ PATRICK A. BOTTICELLI

Name: Patrick A. Botticelli
Title: Vice President

CONSENT

Pursuant to Section 11.08 of the Credit Agreement, the Secretary hereby consents to this Amendment No. 1 to Credit Agreement and confirms the continued Guarantee of the Obligation of the United States of America pursuant to Title XI of the Merchant Marine Act, 1936, as amended.

(SEAL)

UNITED STATES OF AMERICA,
SECRETARY OF TRANSPORTATION

BY: MARITIME ADMINISTRATOR

ATTEST:

By /s/ JOEL C. RICHARD

Secretary
Maritime Administration

By /s/ SARAH J. WASHINGTON

Assistant Secretary
Maritime Administration

EXHIBIT 4.12

AMENDED AND RESTATED

CREDIT AGREEMENT
MULTIBANK
ABR/EURODOLLAR OPTION

AMENDED AND RESTATED

CREDIT AGREEMENT

This Agreement, dated as of July 26, 2002, is among CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1, a Delaware business trust, ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation, CAL DIVE INTERNATIONAL, INC., a Minnesota corporation, WILMINGTON TRUST COMPANY, a Delaware banking corporation, the Lenders and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Agent. The parties hereto agree as follows:

RECITALS

WHEREAS, the Borrower, the Beneficiary (as lessee and construction agent), the Parent Guarantor, the Agent (all such terms as defined below) and other parties entered into that certain Participation Agreement dated as of November 8, 2001 (the "Lease Participation Agreement") relating to the lease financing of a 20% undivided interest in the Platform (as defined below), and certain "Operative Documents described therein;

WHEREAS, contemporaneously herewith, the Beneficiary will purchase the beneficial interest in the Borrower (such beneficial interest being evidenced by a certificate issued pursuant to the Trust Agreement (the "Certificate")) from the current holder thereof, Banc One Leasing Services Corporation ("BOLSC"), for the aggregate outstanding amount thereof (i.e., $2,391,497.29) (the "Certificate Purchase Price") and become the sole owner and beneficiary of the Borrower;

WHEREAS, in connection with such purchase, the parties hereto will amend and restate the Original Loan Agreement (hereinafter defined) with this Credit Agreement, and as a result thereof, the Notes issued pursuant to the Original Loan Agreement will be amended and restated by the Note or Notes issued pursuant to this Credit Agreement;

WHEREAS, contemporaneously herewith, in order to effect such amendments and restatements, the parties hereto and the parties to the Lease Participation Agreement will enter into various other documents to amend, restate or terminate the transactions contemplated by the Lease Participation Agreement, including (without limitation) (i) an absolute assignment by the Beneficiary of all of its right, title and interest in and to any construction documents relating to

Construction of the Platform, and (ii) amendments to various security documents currently securing the Original Loan Agreement;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement:

"Abandonment Costs" is defined in Section 6.21.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Advance" means a borrowing hereunder, (i) made by the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise; provided, however, that in no case shall Wilmington Trust Company be deemed to be an Affiliate of any of the Borrower, the Trustee or any Certificate holder, nor shall any of the Borrower, the Trustee or any Certificate holder be deemed to be an Affiliate of Wilmington Trust Company. Notwithstanding the foregoing, in the event that the Beneficiary shall have an investment in a Property which investment is through a joint venture or other entity which would constitute an Affiliate by virtue of the foregoing, if the operator of such Property shall be another investor in such Property which other investor is not otherwise an Affiliate of the Beneficiary, the existence of such investment by the Beneficiary shall not cause the joint venture or other entity to constitute an "Affiliate" of the Beneficiary for purposes of this Agreement.

"After-Tax Basis" means, with respect to any payment to be received, the amount of such payment increased so that, after deduction of the amount of all taxes required to be paid by the recipient (less any tax savings realized and the present value (using as a discount rate the then current interest rate under the Loan Agreement) of any tax savings projected to be realized by the recipient as a result of the payment of the indemnified amount) with respect to the receipt by the recipient of such amounts, such increased payment (as so reduced) is equal to the payment otherwise required to be made.

"Agency Fee" means that certain quarterly fee set forth in the term sheet attached to the Fee Letter.

"Agent" means Bank One in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to Article X.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders, as reduced from time to time pursuant to the terms hereof.

"Agreement" means this credit agreement, as it may be amended or modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4.

"Alterations" means any alterations, renovations, improvements and additions to the Platform or any part thereof and substitutions and replacements therefor, all to the extent not included in the Construction with respect to the Platform.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Applicable Fee Rate" means, at any time, the percentage rate per annum at which Commitment Fees are accruing on the unused portion of the Aggregate Commitment at such time as set forth in the Pricing Schedule.

"Applicable Law" at any time means all then existing applicable laws (including Environmental Laws), rules, regulations, statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority, and applicable judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment (including, without limitation, wetlands) and those pertaining to the construction, use or occupancy of the Property or any part thereof) and any restrictive covenant or deed restriction or easement of record encumbering the Property or any part thereof.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Appraisal" shall mean a report, in form and substance satisfactory to the Lenders and the Agent (including appraisal methods satisfactory to the Agent and the Lenders), in good faith, of the Appraiser opining, among other things, with respect to the Platform and the Property:

(i) as of the Completion Date, the Property or the Platform, as the context shall require, will have a Fair Market Sales Value equal to the cost therefor paid by the Borrower,

(ii) at any point on or prior to the Facility Termination Date, the Fair Market Sales Value of the Platform will be not less than the Construction Cost, and

(iii) as of the Funding Period Termination Date and the Facility Termination Date, the Fair Market Sales Value of the Platform as built will be not less than the Construction Cost as of such date and the Fair Market Sales Value of the Property will be not less than the Construction Cost of the Property as of such date.

Such Appraisal shall also confirm that the Construction Cost, assuming construction of the Platform in accordance with the Plans and Specifications and the Joint Operating Agreement, will be at least equal to the Fair Market Sales Value of the Platform upon the Funding Period Termination Date (the "Projected Completion Value"). Each Appraisal will be prepared in accordance with all Applicable Laws, as determined by the judgment of the Agent.

"Appraiser" means an appraiser or appraisal firm selected by the Agent.

"Approved Budget" means the Budget, dated November 8, 2001, when approved by the Beneficiary and the Agent for implementation.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors, in its capacity as Lead Arranger and Sole Book Runner.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Assignment of Leases and Rents" means the Amended and Restated Assignment of Leases and Rents dated as of the date hereof from the Borrower to the Agent.

"Authorized Officer" means, with respect to each Obligor, the respective Persons set forth on Schedule 10, each, acting singly.

"Balance Sheet Leverage Ratio" means, as of the last day of any fiscal quarter of the Parent Guarantor, the ratio of (a) Consolidated Indebtedness to (b) Consolidated Capitalization.

For purposes of this definition, the liabilities described in Section 1(l) of Schedule 6 shall be excluded.

"Bank One" means Bank One, NA, a national banking association having its principal office in Chicago, Illinois, in its individual capacity, and its successors.

"Beneficiary" means Energy Resource Technology, Inc., a Delaware corporation, a Wholly-Owned subsidiary of Parent Guarantor, its successors and assigns.

"Beneficiary Guaranty" means that certain Amended and Restated Guaranty dated as of the date hereof, executed by the Beneficiary in favor of the Agent, for the ratable benefit of the Lenders, as it may be amended or modified and in effect from time to time.

"BOLSC" is defined in the Recitals.

"Borrower" means CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1, a Delaware business trust, the sole beneficiary of which is Energy Resource Technology, Inc., a Delaware corporation, and the successors and assigns of such business trust.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.9.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Cal Dive Deepwater Interest" shall initially mean 50%, but if the Parent Guarantor shall sell or transfer any portion of its interest in Deepwater, from and after the date of such transfer, the Cal Dive Deepwater Interest shall be reduced to be the remaining percentage interest in Deepwater held by the Parent Guarantor.

"Cal Dive Property" is defined in Schedule 6 hereto.

"Canyon" means Canyon Offshore, Inc., a Texas corporation.

"Canyon Debt" means (x) the indebtedness or obligations of Canyon, not to exceed $8,000,000 which the Parent Guarantor assumed pursuant to and in accordance with the consummation of the acquisition of the stock of Canyon by the Parent Guarantor, and (y) the earn-out obligation of the Parent Guarantor in favor of certain prior shareholders of Canyon based upon an existing contractual formula with is based upon Canyon's "earnings before interest, taxes, depreciation and amortization" with a multiple of seven, in the minimum aggregate amount of $7,500,000 (subject to reduction in certain specified circumstances),

payable in 2003, 2004 and 2005, based upon the audited financial statements for Canyon for the calendar years 2002, 2003 and 2004 and shown on such financial statements as "redeemable stock."

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investments" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by S&P or P-1 or better by Moody's, (iii) demand deposit accounts maintained in the ordinary course of business, and (iv) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of $100,000,000; provided in each case that the same provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest.

"Cash Flow Leverage Ratio" means, on any day, the ratio of (a) the total Consolidated Indebtedness to (b) EBITDA for the period of four consecutive fiscal quarters of the Parent Guarantor ending on the last day of the most recent fiscal quarter of the Parent Guarantor. For purposes of this definition, the liabilities described in Section 1(l) of Schedule 6 shall be excluded.

"Casualty" means any damage or destruction of all or any portion of the Platform as a result of a fire or other casualty.

"Certificate" is defined in the Recitals.

"Certificate Holder" means the holder of a Certificate (as defined in the Trust Agreement), or their successors or permitted assigns expressly permitted under the Loan Documents.

"Certificate Purchase Price" is defined in the Recitals.

"Change in Control" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 40% or more of the outstanding shares of voting stock of the Parent Guarantor; or (ii) Parent Guarantor shall cease to own, free and clear of all Liens or other encumbrances, 100% of the outstanding shares of voting stock of the Beneficiary on a fully diluted basis; or (iii) Beneficiary shall cease to own, free and clear of all Liens or other encumbrances, 100% of the beneficial interest in Borrower.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Collateral" means the Property and rights subject to the Collateral Documents.

"Collateral Documents" means, collectively, the Lender Mortgages, the Assignment of Leases and Rents, the Construction Documents, the Construction Documents Assignment and the UCC financing statements (as each of such terms are defined in Schedule 8), each as amended as of the date hereof and as may be further amended, modified or supplemented.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth opposite its signature below, as it may be modified as a result of any assignment that has become effective pursuant to Section 12.3.2 or as otherwise modified from time to time pursuant to the terms hereof.

"Completion" of the Platform means such time as all of the following conditions are satisfied with respect to the Platform:

(1) the Construction relating to the Platform shall have been substantially completed in accordance with the Plans and Specifications and all Applicable Law;

(2) the Platform shall be ready for occupancy and operation for its intended purpose in accordance with the Plans and Specifications, as evidenced by the issuance of the applicable approved "Structural Permit" and a Facilities Permit" by the Minerals Management Service for the Platform contemplated by the Plans and Specifications; and

(3) the Agent shall have received a Completion Certificate from the Beneficiary.

"Completion Appraisal" is defined in Section 6.19.2 hereof.

"Completion Certificate" means a completion certificate from the Beneficiary substantially in the form of Exhibit F hereto.

"Completion Date" means the date on which Completion of the Platform has occurred.

"Condemnation" means any condemnation, requisition, confiscation, seizure or other taking or sale of the use, access, occupancy, easement rights or title to the Platform or any part thereof, wholly or partially (temporarily or permanently), by or on account of any actual or threatened eminent domain proceeding or other taking of action by any Person having the power of eminent domain, or by or on account of an eviction by paramount title or any transfer made in lieu of any such proceeding or action. A "Condemnation" shall be deemed to have occurred on the earliest of the dates that use, occupancy or title vests in the condemning authority.

"Consolidated Capitalization" means the sum of Consolidated Indebtedness plus consolidated stockholders' equity of the Parent Guarantor and its Consolidated Subsidiaries.

"Consolidated Indebtedness" means at any time the Indebtedness and obligations under any Guaranty of the Parent Guarantor and its Consolidated Subsidiaries calculated on a consolidated basis as of such time.

"Consolidated Subsidiaries" means, with respect to the Parent Guarantor on any date, all Subsidiaries, including the Beneficiary, and other entities whose accounts are consolidated with the accounts of the Parent Guarantor as of such date in accordance with the Agreement Accounting Principles.

"Construction" means the construction and installation of the Platform as contemplated by the Plans and Specifications and the Joint Operating Agreement.

"Construction Consultant" means ABS Group, Inc. or such other Construction Consultant as may be appointed from time to time by the Agent.

"Construction Consultant's Report" means, with respect to each Borrowing Date, the report of the Construction Consultant required to be delivered in connection therewith.

"Construction Costs" means the sum of (a) 100% of the Advances in respect of interest, fees and transaction expenses under the Loan Documents, plus (b) 20% of all other amounts set forth in the Approved Budget (including in respect of payments under the Construction Documents) in order to achieve Completion of the Platform.

"Construction Documents" means such agreements with agents, architects, engineers, consultants and contractors as the Beneficiary (or Kerr-McGee, on its behalf) has entered into for the Construction of the Platform.

"Construction Documents Assignment" means the Construction Documents Assignment dated as of the date hereof, made by the Borrower to the Agent.

"Construction Milestones" means those matters set forth on Schedule 11.

"Construction Person" means (v) each Obligor, (w) the Operator, (x) any contractor, subcontractor or person performing services or providing materials, property or equipment with respect to the Construction of the Improvements, (y) any other third party for which the any Obligor or Operator as agent of the Beneficiary has control or supervisory authority (by contract or otherwise) or (z) any Affiliate of any Obligor.

"Construction Site" means one or more sites at which the Platform or the Equipment which comprises or is to be included as part of the Platform is manufactured, fabricated, assembled, stored or tested including, without limitation (i) the site of CSO Aker Maritime, Inc. at the Aker Mantyluoto shipyard in Pori, Finland, (ii) the assembly site of Gulf Island, L.L.C., in Houma, Louisiana, (iii) the site of Mustang Engineering, Inc., in Houston, Texas, (iv) the site of Heerema Marine Contractors Nederland B.V. in Ingleside, Texas, (v) the site of Gulf Marine Fabricators in Corpus Christi, Texas, (vi) the site of Allison Marine in Fourchon, Louisiana and (vii) the location in Texas or Louisiana, as the case may be from which the Platform (or part thereof) will be towed to the Site.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other

financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

"Conversion/Continuation Notice" is defined in Section 2.9.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Parent Guarantor or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Deepwater" means Deepwater Gateway L.L.C., a Delaware limited liability company currently owned 50% by El Paso Energy Partners, L.P. and 50% by the Parent Guarantor, which will develop and operate the Marco Polo Project.

"Deepwater Clawback Obligations" is defined in Section 1(m) of Schedule 6.

"Default" means an event described in Article VII.

"EBIT" means, for any period, on a consolidated basis for the Parent Guarantor and its Consolidated Subsidiaries, the sum of the amounts for such period, without duplication, of: (i) Consolidated Net Income, plus (ii) charges against income for foreign, federal, state, and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (v) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income. EBIT shall not include for the Deepwater Clawback Obligations.

"EBITDA" means, for any period, on a consolidated basis, for the Parent Guarantor and its Consolidated Subsidiaries, the sum of the amounts for such period, without duplication, of: (i) Net Income, plus (ii) charges against income for foreign, federal, state, and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) depreciation expense, to the extent deducted in computing Net Income, plus (v) amortization expense, including without limitation amortization of goodwill, other intangible assets and transaction expenses, to the extent deducted in computing Net Income, plus (vi) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (vii) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income. EBITDA shall not include the Deepwater Clawback Obligations.

"Engineering Consultant" means Zentech Incorporated or such other Engineering Consultant as shall be appointed from time to time by the Agent.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing,

distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"Equipment" means equipment and apparatus, of every kind and nature whatsoever purchased, leased or otherwise acquired by the Borrower using (in part) the proceeds of the Loans.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the applicable British Bankers' Association LIBOR rate for deposits in U.S. dollars as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, provided that, if no such British Bankers' Association LIBOR rate is available to the Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Agent, taxes imposed on its net income (or apportioned or allocated net income) and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Event of Loss" with respect to the Platform, means any of the following events: (i) destruction, damage beyond reasonable repair by the Facility Termination Date or rendering of the Platform permanently unfit for the Beneficiary's normal use for any reason whatsoever; or (ii) the condemnation, confiscation or seizure of the whole or any significant part of the Platform, or requisition of title to, or use of, any significant part of the Platform rendering the Platform permanently unfit for the Beneficiary's normal use; or (iii) the Platform is permanently abandoned by the Beneficiary or the Borrower.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Facility Termination Date" means November 8, 2006.

"Fair Market Sales Value" for the Property or the Platform means the amount, which in any event shall not be less than zero, that would be paid in cash in an arm's-length transaction between an informed and willing purchaser and an informed and willing seller, neither of whom is under any compulsion to purchase or sell, respectively, for the ownership of the Property or the Platform, as the case may be.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Fee Letter" means collectively (i) that certain letter dated June 12, 2002 from Bank One, NA to, and accepted by, the Parent Guarantor regarding the transactions contemplated hereby, together with the term sheet attached thereto, and (ii) that certain letter dated as of the date hereof from Bank One, NA to, and accepted by, the Parent Guarantor regarding the annual administration fee.

"Financial Contract" means, for any Person, (a) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics or (b) any Rate Hedging Agreement.

"Fixed Charge Coverage Ratio" means, with reference to the periods referred to below, on a consolidated basis for the Parent Guarantor and its Consolidated Subsidiaries, the ratio of Income from Operations to Interest Expense and scheduled payments of principal, for the three-month period ending March 31, 2002, the six-month period ending June 30, 2002, the nine-month period ending September 30, 2002, and thereafter on a rolling four-quarter basis, calculated as of the last day of each such quarter; provided, however that for the three-month period ending March 31, 2002 up to $3,000,000 of capitalized interest for the MARAD Debt shall not be included in calculating Interest Expense. For purposes of this definition, the interest expense on the liabilities described in Section 1(l) of Schedule 6 shall be excluded.

"Floating Rate" means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"FMV Shortfall" is defined in Section 6.19.2 hereof.

"Force Majeure Event" means, with respect to the Construction relating to the Platform, any event (the existence of which, in the case of any event other than adverse weather conditions, was not known by any Obligor or any other Construction Person prior to the applicable date of determination) beyond the control of each Obligor and any other Construction Person, including, but not limited to, strikes, lockouts, acts of God, adverse weather conditions, inability to obtain labor or materials, government activities, civil commotion and enemy action; but excluding any event, cause or condition that results from the act or failure to act of, or the financial condition or failure to pay by, any Obligor or any other Construction Person, or any event, cause or condition which could have been avoided or which could be remedied through the exercise of commercially reasonable efforts or the commercially reasonable expenditure of funds.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funded Indebtedness" means the sum of the following items of the Parent Guarantor and its Consolidated Subsidiaries on a consolidated basis: (i) long term debt evidenced by contracts or instruments plus (ii) capitalized lease obligations.

"Funding Period Termination Balance" means the aggregate principal amount of Advances outstanding on the Funding Period Termination Date after giving effect to any Advances made or repaid on such date.

"Funding Period Termination Date" means the earlier of (x) February 8, 2004 and (y) the Completion Date.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranties" means the Beneficiary Guarantor and the Parent Guarantor.

"Guaranty" by any Person means any direct or indirect undertaking to assume, guaranty, endorse, contingently agree to purchase or to provide funds for the payment of, or otherwise become liable in respect of, any obligation of any other Person, excluding endorsements for collection or deposit in the ordinary course of business, including (without limitation) in the case of the Parent Guarantor, the Guaranties, and in the case of the Beneficiary, the Beneficiary Guaranty; provided, however, that the term "Guaranty" shall not include any Obligor's general obligation for Abandonment Costs satisfying the requirements of Section 6.21 (but notwithstanding the foregoing proviso, in the event that any Abandonment Costs are secured by a letter of credit, the obligations of the Obligors under or with respect to such letter of credit shall not be so excluded).

"Hazardous Substance" means any of the following: (i) any petroleum or petroleum product, crude oil or any fraction thereof, explosives, radioactive materials, asbestos, asbestos containing materials, ureaformaldehyde, polychlorinated biphenyls, lead and radon gas; (ii) any substance, material, product, derivative, compound or mixture, mineral, chemical, waste, gas, medical waste, or pollutant, in each case whether naturally occurring, man-made or the by-product of any process, that is toxic, harmful or hazardous to the environment or human health or safety, as defined under any Environmental Law; or (iii) any substance, material, product, derivative, compound or mixture, mineral, chemical, waste, gas, medical waste or pollutant that would support the assertion of any claim under any Environmental Law, whether or not defined as hazardous as such under any Environmental Law.

"Income From Operations" with respect to any fiscal period, means the EBITDA of the Parent Guarantor, less accrued Taxes for such period (excluding deferred taxes, which shall be deducted from Income From Operations for the quarter in which they are due and payable).

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) obligations of such Person to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (vi) Capitalized Lease Obligations, (viii) Off-Balance Sheet Liabilities, (ix) obligations of such Person in respect of letters of credit, bank guarantees or similar instruments which are issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable, (x) Net Mark-to-Market Exposure of Financial Contracts, (xi) the incurrence of withdrawal liability under Title IV of ERISA by such person or a "commonly controlled entity" with respect to a Multiemployer Plan, (xii) Contingent Obligations in respect of the Indebtedness of another Person referred to in clauses (i) through (xi) of this definition, and (xiii) any other obligation for borrowed money or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person; provided, however, that the term "Indebtedness" shall not include any Obligor's general obligation for Abandonment Costs satisfying the requirements of Section 6.21, but notwithstanding the foregoing proviso, in the event that any Abandonment Costs are secured by a letter of credit, bond or other obligation (other than any bond required by MMS), the obligations of the Obligors under or with respect to such letter of credit shall not be so excluded.

"Indemnified Person" means Trustee, Wilmington Trust Company, each Lender, the Agent, their respective Affiliates and their respective successors, assigns, directors, shareholders, partners, officers, employees and agents.

"Insurance Consultant" means Marsh USA, Inc.

"Insurance Consultant's Report" means the report prepared by the Insurance Consultant and delivered in connection with the Lease Participation Agreement.

"Insurance Requirements" means all terms and conditions of any insurance policy either required by this Agreement to be maintained.

"Interest Coverage Ratio" means, on any day, the ratio of (a) EBIT to (b) Interest Expense for the period of four consecutive fiscal quarters of the Parent Guarantor ending on the last day of the most recent fiscal quarter of the Parent Guarantor. For purposes of this definition, the interest expense on the liabilities described in Section 1(l) of Schedule 6 shall be excluded.

"Interest Expense" means, on a consolidated basis, for the Parent Guarantor and its Consolidated Subsidiaries, for any fiscal period, the amount equal to (a) interest charges paid or accrued during such fiscal period (including imputed interest on Capitalized Lease Obligations, but excluding amortization of debt discount and expense) on the Indebtedness, (b) the net amount payable under any interest rate swap, collar or hedging agreement, (c) the interest component of Off-Balance Sheet Liabilities, (d) commitment, facility, usage and similar fees payable in connection with any Indebtedness, and (e) letter of credit fees for Letters of Credit or any other financial letter of credit, all determined in accordance with Agreement Accounting Principles, but excluding interest income received during such fiscal period. Interest Expense shall also exclude non-cash accretion relating to Abandonment Costs, provided, that, in the event that any Abandonment Costs are secured by a letter of credit, the letter of credit fees relating thereto shall not be so excluded).

"Interest Period" means, with respect to a Eurodollar Advance, (i) prior to the Funding Period Termination Date a period of one month commencing on a Business Day selected by the Beneficiary pursuant to this Agreement and (ii) thereafter, a period of one, two, three or six months commencing on a Business Day selected by the Beneficiary pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Investment" of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; any deposit accounts and certificate of deposit owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"Joint Operating Agreement" means that certain Gunnison Prospect Joint Operating Agreement dated effective February 1, 2000, among Kerr-McGee Oil & Gas Corporation, Cal Dive International, Inc., Energy Resource Technology, Inc. and CXY Energy Offshore Inc., (n/k/a Nexen Petroleum Offshore U.S.A. Inc.) as amended by the First Amendment, the Second

Amendment and as the same may thereafter be amended, modified, supplemented and/or restated in accordance with the terms and conditions of the Loan Documents.

"Kerr-McGee" means Kerr-McGee Oil & Gas Corporation, a Delaware corporation, its successors and assigns.

"Lender Mortgage means each mortgage, deed of trust or similar lien instrument executed by the Borrower, in favor of the Agent for the benefit of the Lenders.

"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"Lending Installation" means, with respect to a Lender or the Agent, the office, branch, subsidiary or affiliate of such Lender or the Agent listed on the signature pages hereof or on a Schedule or otherwise selected by such Lender or the Agent pursuant to Section 2.17.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's loan made pursuant to Article II (or any conversion or continuation thereof).

"Loan Documents" means this Agreement and any Notes issued pursuant to Section 2.13, the Collateral Documents, the Beneficiary Guaranty and the Parent Guaranty.

"MARAD Debt" means the United States Government Guaranteed Export Ship Financing Obligations, not in excess of $159,000,000, guaranteed by MARAD under Title XI of Merchant Marine Act of 1936, as amended, to finance the cost of construction of the Q4000.

"Marco Polo Project" means the MOSES class TLP with associated topside facilities, to be located in the vicinity of, and provide service to, the Marco Polo Field Reserves.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, Platform, Undivided Interest, condition (financial or otherwise), results of operations, or prospects of the Parent Guarantor and its Subsidiaries taken as a whole, (ii) the ability of the Borrower, the Beneficiary or the Parent Guarantor to perform its respective obligations under the Loan Documents to which it is a party, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent or the Lenders thereunder.

"Material Construction Contracts" means the Aker Contract, the Gulf Island Contract, the Heerema Contract, the Mustang Contract and any other Construction Document calling for payments of $5,000,000 or more during the term.

"Material Indebtedness" means Indebtedness evidenced by the Revolving Credit Agreement, the MARAD Debt, or any other Indebtedness in an outstanding principal amount of $10,000,000 or more in the aggregate (or the equivalent thereof in any currency other than U.S. dollars).

"Material Indebtedness Agreement" means the Revolving Credit Agreement, any other agreement under which any Material Indebtedness was created or is governed or which provides for the incurrence of Indebtedness in an amount which would constitute Material Indebtedness (whether or not an amount of Indebtedness constituting Material Indebtedness is outstanding thereunder).

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Income" means, with reference to any period, the net income (or loss) of the Parent Guarantor and its Consolidated Subsidiaries calculated on a consolidated basis for such period.

"Net Mark-to-Market Exposure" means, for any Person, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Financial Contracts. "Unrealized losses" means the fair market value of the cost to such Person of replacing such Financial Contract as of the date of determination (assuming the Financial Contract were to be terminated as of that date), and "unrealized profits" means the fair market value of the gain to such Person of replacing such Financial Contract as of the date of determination (assuming such Financial Contract were to be terminated as of that date).

"Non-U.S. Lender" is defined in Section 3.5(iv).

"Note" is defined in Section 2.13.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Agent or any indemnified party arising under the Loan Documents.

"Obligors" means the Borrower, the Beneficiary and the Guarantor.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any Sale and Leaseback Transaction which is not a Capitalized Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or

takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Operator" shall mean the Person designated as such pursuant to the Joint Operating Agreement, initially Kerr-McGee Oil & Gas Corporation.

"Organic Document" means, relative to any Person, its certificate of incorporation, certificate of trust, certificate or articles of association or any other similar document, as applicable, its by-laws and all shareholder agreements, voting trusts and similar arrangements applicable to any of its authorized shares of capital stock.

"Original Loan Agreement" means that certain Loan Agreement dated as of November 8, 2001 among the Borrower, Bank One, NA, as Tranche A Lender and Tranche B Lender, and Bank One, NA, as Agent for the Lenders.

"Other Taxes" is defined in Section 3.5(ii).

"Parent Guarantor" means Cal Dive International, Inc., a Minnesota corporation, its successors and assigns.

"Parent Guaranty" means that certain Amended and Restated Guaranty (Parent) dated as of July 26, 2002 executed by the Parent Guarantor in favor of the Agent, for the ratable benefit of the Lenders, as it may be amended or modified and in effect from time to time.

"Participants" is defined in Section 12.2.1.

"Parts" means all appliances, parts, instruments, appurtenances, accessories and other equipment of whatever nature, which are incorporated or installed in or attached to and become a part of the Platform as originally constituted.

"Payment Date" means (a) any Scheduled Payment Date and (b) any date on which any Loan or portion thereof is prepaid.

"Payment Default" means an Unmatured Default under any of Sections 7.2, 7.5, 7.6, 7.7, 7.9, 7.10, 7.12, 7.13 or 7.16.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Percentage Undivided Interest" mans 50% in the case of Kerr-McGee, 20% in the case of Borrower, and 30% in the case of Nexen Petroleum Offshore U.S.A., Inc.

"Permitted Contest" means, with respect to a Person, a good faith contest of (i) the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or Taxes, Excluded Taxes or Other Taxes which, under the terms of this

Agreement or the other Loan Documents are required to be paid or discharged by such Person but for such contest, or (ii) the legality, validity or necessity for compliance with any Applicable Law; which contest shall be diligently pursued (including, without limitation, with respect to the posting of bonds or security) in a manner which each [Indemnified Person] (or beneficiary of such obligation to remove Liens or to comply with such Applicable Law), as the case may be, reasonably determines will during the pendency of such contest prevent the imposition of any civil or criminal penalty on, material risk of foreclosure, forfeiture or sale of, or adverse effect on, the Property or rights or interests of, such Indemnified Person or other Person.

"Permitted Project Liens" means, for the Platform and the Project, any of the following:

(i) the respective rights and interests of the parties to the Loan Documents as provided in the Loan Documents (including without limitation, the Lender Mortgage);

(ii) the rights of any lessee under a lease consented to by the Agent, as each such lease may be amended, modified, waived, supplemented, restated, replaced, renewed, extended or terminated from time to time;

(iii) Liens for Taxes that either are not yet delinquent or are the subject of a Permitted Contest;

(iv) Liens arising by operation of law, materialmen's, mechanics', workers', repairmen's, employees', carriers', warehousemen's and other like Liens relating to the Construction of the Platform or any Improvements thereon, including royalties on offshore properties, or in connection with any Alterations or arising in the ordinary course of business for amounts which either are not more than 60 days past due or are being diligently contested in good faith by appropriate proceedings, so long as such proceedings satisfy the conditions for the continuation of proceedings to contest Taxes set forth in the definition of Permitted Contest;

(v) Liens of any of the types referred to in clause (iv) above that have been bonded for not less than the full amount in dispute (or as to which other security arrangements reasonably satisfactory to the Agent have been made), which bonding (or other arrangements) shall comply with applicable Applicable Law, and has effectively stayed any execution or enforcement of such Liens;

(vi) Liens arising out of judgments or awards with respect to which appeals or other proceedings for review are being prosecuted in good faith and for the payment of which adequate reserves have been provided as required by GAAP or other appropriate provisions have been made, so long as such proceedings have the effect of staying the execution of such judgments or awards and satisfy the conditions for the continuation of proceedings to contest set forth in the definition of Permitted Contest;

(vii) easements, rights of way and other encumbrances on title to real property existing with respect to the Property, subject in the case of the Project, to the approval of the Agent;

(viii) Trustee Liens; and

(ix) Liens created with the consent of the Agent.

"Permitted Transaction Indebtedness" means purchase money Indebtedness to finance an acquisition of a particular vessel or other assets or the stock of a company by the Parent Guarantor or any of its Subsidiaries, as long as the following conditions are satisfied:

(i) The amount of such financing shall not exceed $10,000,000 individually;

(ii) The aggregate of all such financings outstanding at any time and from time to time, together with all Capitalized Lease Obligations and other Indebtedness (excluding for this purpose, only the Revolving Credit Agreement and the Notes) of the Parent Guarantor and its Subsidiaries shall not exceed $25,000,000; and

(iii) Immediately prior to and after giving effect to the applicable financing and any Liens granted to secure such financing no Default or Unmatured Default shall have occurred and be continuing, and specifically, without limitation, the covenants set forth in the other provisions of Schedule 6 shall be satisfied.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plans and Specifications" means, for the Platform, the preliminary plans and specifications for the Construction of the Platform as more particularly described in Schedule 9 hereto applicable to the Platform, as the same may be modified, amended or supplemented in accordance with the Loan Documents prior to the Completion Date.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Platform" means the Gunnison production platform to be constructed by Spars International Inc. and others pursuant to the Construction Documents as more fully described in Schedule 9 hereto.

"Platform Amendment" is defined in Section 6.18.12.

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Project" means the Borrower's Undivided Interest in the Platform.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Purchasers" is defined in Section 12.3.1.

"Rate Hedging Agreement" means an agreement, device or arrangement providing for payments which are related to fluctuations of interest rates, exchange rates or forward rates, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts or warrants.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Release" means any release, pumping, pouring, emptying, injecting, escaping, leaching, dumping, seepage, spill, leak, flow, discharge, disposal or emission of a Hazardous Substance.

"Rentals" of a Person means the aggregate fixed amounts payable by such Person under any Operating Lease.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" is defined in Section 9.6.

"Required Lenders" means Lenders in the aggregate having at least two-thirds of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least two-thirds of the aggregate unpaid principal amount of the outstanding Advances.

"Reserve Engineer" means DeGolyer and MacNaughton.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Revolving Credit Agreement" means that certain Second and Restated Loan and Security Agreement dated as of February 22, 2002, by and among Fleet Capital Corporation ("Fleet"), Southwest Bank of Texas, N.A., Whitney National Bank, as lenders, Fleet as Agent for the lenders, the Parent Guarantor, the Beneficiary, Aquatica, Inc. and Canyon, as further amended, supplemented, modified, replaced or restated and in effect from time to time; provided, however, that no such amendment, supplement, modification, replacement or restatement which (i) modifies any financial covenants in a manner favorable to the lenders under the Revolving Credit Agreement or (ii) grants a security interest in favor of the lenders under the Revolving Credit Agreement in any of Parent Guarantor's, Beneficiary's or their respective Subsidiaries or Affiliates right, title and interest in and to any oil and gas reserves, the Platform or the Project shall be effective without the prior written consent of the Agent.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which such Person is a party providing for the leasing to the Parent Guarantor or any of its Subsidiaries of any property owned by the Parent Guarantor or any of its Subsidiaries which has been or is sold or transferred by the Parent Guarantor or such Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced by such Person on the security of such property.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Scheduled Payment Date" means the last day of each applicable Interest Period and, in the case of any Interest Period of six months, the date occurring three months after the commencement of such Interest Period, or for any Loan or Advance bearing interest at the Alternate Base Rate, the last day of the each calendar month, unless such day is not a Business Day, in which case the applicable Scheduled Payment Date shall be the next succeeding Business Day, the date of any prepayment and the Facility Termination Date.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Site" means the site on which the Platform will be located, which site is the subject of the Governmental Leases.

"Special Events" means the occurrence of any of the following: (i) the withdrawal by the Beneficiary from the Joint Operating Agreement; (ii) any act or failure to act of any Obligor or any other Person which results in a Development Plan or Annual Operating Plan (as each of those terms is defined in the Joint Operating Agreement) to cease to be in full force and effect under the Joint Operating Agreement; (iii) the Beneficiary becoming a Non-Participating Party (as defined in the Joint Operating Agreement); or (iv) any act or failure to act of any Obligor or any other Person which results in any of the Governmental Leases ceasing to be in full force and effect or not being renewed in a timely manner.

"Subordinated Indebtedness" of a Person means any Indebtedness of such Person the payment of which is subordinated to payment of the Obligations to the written satisfaction of the Required Lenders.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Parent Guarantor. For purposes of this Agreement, each reference to a "Subsidiary" of the Parent Guarantor shall include Beneficiary and Borrower, and each reference to a "Subsidiary" of the Beneficiary shall include Borrower.

"Substantial Portion" means, with respect to the Property of the Parent Guarantor and its Subsidiaries, Property which represents more than 10% of the consolidated assets of the Parent Guarantor and its Subsidiaries or property which is responsible for more than 10% of the consolidated net sales of the Parent Guarantor and its Subsidiaries, in each case, as would be shown in the consolidated financial statements of the Parent Guarantor and its Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made (or if financial statements have not been delivered hereunder for that month which begins the twelve-month period, then the financial statements delivered hereunder for the quarter ending immediately prior to that month).

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Transaction Documents" means the Loan Documents and the other documents set forth on Schedule 8.

"Transferee" is defined in Section 12.4.

"Trust Agreement" means the Trust Agreement dated as of November 8, 2001 between Banc One Leasing Services Corporation, as Certificate Holder, and Wilmington Trust Company.

"Trust Estate" is defined in Section 2.1(b) of the Trust Agreement.

"Trustee" means Wilmington Trust Company, not in its individual capacity but solely as owner trustee of Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, and its permitted successors and assigns as owner trustee under the Trust Agreement.

"Trustee Lien" means any Lien, true lease or sublease or disposition of title arising as a result of (a) any claim against the Trustee, the Borrower or any Certificate Holder not resulting from or related to the transactions contemplated by the Loan Documents, (b) any act or omission of the Trustee, the Borrower or any Certificate Holder which is not required or permitted by the Loan Documents or is in violation of any of the terms of the Loan Documents, (c) any claim against the Trustee or any Certificate Holder with respect to Taxes which the Borrower is not obligated to pay or (d) any claim against the Trustee or the Borrower arising out of any transfer by the Trustee or the Borrower of all or any portion of the interest of the Trustee or the Borrower in the Project or the Loan Documents other than the transfer of title to or possession of the Project by the Borrower pursuant to and in accordance with this Agreement.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance and with respect to any Loan, its nature as a Floating Rate Loan or a Eurodollar Loan.

"Undivided Interest" means the Percentage Undivided Interest of the Borrower in the Platform.

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

THE CREDITS

2.1. Commitment. From and including the date of this Agreement and prior to the Funding Period Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Funding Period Termination Date. The Commitments to lend hereunder shall expire on the Funding Period Termination Date. Principal payments made at any time, whether before or after the Funding Period Termination Date, may not be reborrowed.

2.2. Required Payments; Termination. The Funding Period Termination Balance shall be payable in installments as follows: Eleven payments each equal to one-twentieth (1/20th) of the Funding Period Termination Balance, payable on the eighth (8th) day of each February, May, August and November, from and including the first such date occurring after the Completion Date to and including August 8, 2006; provided, however, that if any such eighth day is not a Business Day, such payment will be due on the immediately following Business Day.

Any outstanding Advances and all other unpaid Obligations shall be paid in full by the Borrower on the Facility Termination Date.

2.3. Ratable Loans. Each Advance hereunder shall consist of Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment.

2.4. Types of Advances. The Advances may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.8 and 2.9.

2.5. Commitment Fee; Reductions in Aggregate Commitment. The Borrower agrees to pay to the Agent for the account of each Lender a commitment fee at a per annum rate equal to the Applicable Fee Rate on the daily unused portion of such Lender's Commitment from the date hereof to and including the Funding Period Termination Date, payable on each Payment Date hereafter and on the Funding Period Termination Date. The Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in integral multiples of $1,000,000, upon at least five Business Days' written notice to the Agent, which notice shall specify the amount of any such reduction, provided, however, that the amount of the Aggregate Commitment may not be reduced below the aggregate principal amount of the outstanding Advances. All accrued commitment fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Loans hereunder.

2.6. Agency Fee. The Borrower will pay the Agency Fee as and when due from time to time pursuant to the Fee Letter.

2.7. Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of $1,000,000 (and in multiples of $100,000 if in excess thereof), and each

Floating Rate Advance shall be in the minimum amount of $1,000,000 (and in multiples of $100,000 if in excess thereof), provided, however, that the final Advance may be in the amount of the unused Aggregate Commitment.

2.8. Optional Principal Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances, or, in a minimum aggregate amount of $1,000,000 or any integral multiple of $100,000 in excess thereof, any portion of the outstanding Floating Rate Advances upon two Business Days' prior notice to the Agent. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of $1,000,000 or any integral multiple of $100,000 in excess thereof, any portion of the outstanding Eurodollar Advances upon three Business Days' prior notice to the Agent. Principal payments made after the Funding Period Termination Date shall be applied to the principal installments payable under Section 2.2 in the inverse order of maturity. No principal prepayments may be reborrowed hereunder.

2.9. Method of Selecting Types and Interest Periods for New Advances. The Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time. The Borrower shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m. (Chicago time) at least one Business Day before the Borrowing Date of each Floating Rate Advance and three Business Days before the Borrowing Date for each Eurodollar Advance, substantially in the form of Exhibit H, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the aggregate amount of such Advance,

(iii) the Type of Advance selected, and

(iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto.

Not later than noon (Chicago time) on each Borrowing Date, each Lender shall make available its Loan or Loans in funds immediately available in Chicago to the Agent at its address specified pursuant to Article XIII. The Agent will make the funds so received from the Lenders available to the Borrower at the Agent's aforesaid address.

2.10. Conversion and Continuation of Outstanding Advances. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.10 or are repaid in accordance with Section 2.7 or Section 2.8. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.7 or Section 2.8 or (y) the Borrower shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.6, the Borrower may elect from time to time to convert all or any part of a Floating Rate Advance

into a Eurodollar Advance. The Borrower shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (Chicago time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Advance which is to be converted or continued, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

There shall be only one (1) Eurodollar Advance at any one time outstanding.

2.11. Changes in Interest Rate, etc. Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.9, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.9 hereof, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.8 and 2.9 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date. The Borrower shall select Interest Periods so that it is not necessary to repay any portion of a Eurodollar Advance prior to the last day of the applicable Interest Period in order to make a mandatory repayment required pursuant to Section 2.2.

2.12. Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.8, 2.9 or 2.10, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum and (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum, provided that, during the continuance of a Default

under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above shall be applicable to all Advances without any election or action on the part of the Agent or any Lender.

2.13. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (local time) on the date when due and shall be applied ratably by the Agent among the Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with Bank One for each payment of principal, interest and fees as it becomes due hereunder.

2.14. Noteless Agreement; Evidence of Indebtedness. (i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Agent hereunder from the Borrower and each Lender's share thereof.

(iii) The entries maintained in the accounts maintained pursuant to paragraphs (i) and (ii) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Loans be evidenced by a promissory note in substantially the form of Exhibit E (a "Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender such Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (prior to any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein, except to the extent that any such Lender subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (i) and (ii) above.

2.15. Telephonic Notices. The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in

good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.16. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which the Floating Rate Advance is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest and commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.17. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. The Agent will notify each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.18. Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans and any Notes issued hereunder shall be deemed held by each Lender for the benefit of any such Lending Installation. Each Lender may, by written notice to the Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it and for whose account Loan payments are to be made.

2.19. Non-Receipt of Funds by the Agent. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the

intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.20. Replacement of Lender. If the Borrower is required pursuant to Section 3.1, 3.2 or 3.5 to make any additional payment to any Lender or if any Lender's obligation to make or continue, or to convert Floating Rate Advances into, Eurodollar Advances shall be suspended pursuant to Section 3.3 (any Lender so affected an "Affected Lender"), the Borrower may elect, if such amounts continue to be charged or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement, provided that no Default or Unmatured Default shall have occurred and be continuing at the time of such replacement, and provided further that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Agent shall agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an assignment substantially in the form of Exhibit C and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender.

ARTICLE III

YIELD PROTECTION; TAXES; GENERAL INDEMNITY

3.1. Yield Protection. If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender or any applicable Lending Installation to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender in respect of its Eurodollar Loans, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining its Eurodollar Loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with its Eurodollar Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Eurodollar Loans held or interest received by it, by an amount deemed material by such Lender,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation of making or maintaining its Eurodollar Loans or Commitment or to reduce the return received by such Lender or applicable Lending Installation in connection with such Eurodollar Loans or Commitment, then, within 15 days of demand by such Lender, the Borrower shall pay such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction in amount received.

3.2. Changes in Capital Adequacy Regulations. If a Lender determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a Change, then, within 15 days of demand by such Lender, the Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its Commitment to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines, or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3. Availability of Types of Advances. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, then the Agent shall suspend the

availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. Taxes. (i) All payments by the Borrower to or for the account of any Lender or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("Other Taxes").

(iii) The Borrower hereby agrees to indemnify the Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agent or such Lender as a result of its Commitment, any Loans made by it hereunder, or otherwise in connection with its participation in this Agreement and any liability (including penalties, interest and expenses, unless resulting from the gross negligence or willful misconduct of the applicable indemnitee) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not more than ten Business Days after the date of this Agreement, (i) deliver to the Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any

United States federal income taxes, and (ii) deliver to the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Borrower and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or

otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

3.6. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4, 3.5 and 3.7 shall survive payment of the Obligations and termination of this Agreement.

3.7. General Indemnity.

3.7.1. Indemnification. The Borrower does hereby assume liability for, and does hereby agree to indemnify, defend, protect, save and keep harmless, on an After-Tax Basis, each Indemnified Person from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort, warranty claims, claims based on negligence, products liability or statutory liability or claims for enforcement, cleanup, removal, response, remedial or other actions or damages, contribution, indemnification, cost recovery, compensation or injunctive relief pursuant to any Environmental Law or alleged injury or threat of injury, to health, safety, the environment or natural resources), actions, suits, costs, expenses and disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever (all of the foregoing being referred to as "Claims") which may be imposed on, incurred by or asserted against such Indemnified Person, whether or not such Indemnified Person shall also be indemnified as to any such Claim by any other Person, in any way relating to or arising out of:

(1) this Agreement or any other Transaction Document, or any document contemplated hereby or thereby; or the execution, delivery or performance or non-performance or enforcement of any of the terms of this Agreement or any other Transaction Document by the Borrower, the Beneficiary,

the Parent Guarantor, the Owner Trustee, the Agent or the Lenders or any other Person;

(2) the Platform, the Project or any part thereof or the purchase, manufacture, design, financing, refinancing, construction, acceptance, rejection, ownership, acquisition, delivery, non-delivery, occupancy, lease, ground lease, sublease, rental, preparation, installation, modification, substitution, possession, use, non-use, operation, maintenance, condition, registration, repair, transportation, transfer of title, any action taken by any Obligor in connection therewith, abandonment, rental, importation, exportation, sale, retirement, return, storage or other disposition of the Platform, the Project or any part thereof or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable, whether preexisting or not and any Claim for patent, trademark or copyright infringement) or the failure of the Platform to be located wholly within the Site;

(3) the performance of any labor or services or the furnishing of any materials or other property in respect of the Platform or any part thereof by or on behalf of or with the knowledge of any Obligor or any Affiliate;

(4) any negligence or tortious acts on the part of any Obligor or any Affiliate or any agents, contractors, sublessee, franchisees, licensees or invitees thereof;

(5) any alterations, changes, modifications, new construction or demolition of the Platform or any part thereof;

(6) any violation of law; or any breach of any covenant, warranty or representation in any Transaction Document or any certificate required to be delivered pursuant to any Transaction Document by any Obligor or any Affiliate;

(7) the offer, issue, sale, purchase or delivery of any interest in the Trust Estate (including the trust certificates) or the Trust Agreement or any similar interest or in any way resulting from or arising out of the Trust Agreement and the Trust Estate (including Claims arising under or resulting from applicable Federal, state or foreign securities laws or common law);

(8) the imposition of any Lien on the Platform or the Project (other than Permitted Project Liens or Trustee Liens) or the enforcement of any agreement, restriction or legal requirement affecting the Platform or the Project;

(9) a disposition of the Project;

(10) the transactions contemplated by the Transaction Documents, in respect of the application of Parts 4 and 5 of Subtitle B of Title I of ERISA and any prohibited transaction described in Section 4975(c) of the Code;

(11) the presence, Release or threat of Release into the environment of any Hazardous Substances; the presence on, under or around the Property, wherever located, of any Hazardous Substances, or any Releases, threats of Release or discharges of any Hazardous Substances on, under, around or from any Sites, irrespective of when such presence, Release, threat of Release or discharge of Hazardous Substances occurred or originated; any activity carried on or undertaken on or off the Platform in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Substances (including, without limitation, from any corrective action plan and the development and implementation thereof); any residual contamination on, under, around or from the Platform and affecting any natural resources or any property of others; in any and all such circumstances irrespective of whether any of such activities were undertaken in accordance with Applicable Law, or whether claims with respect thereto are made pursuant to Environmental Law; or

(12) the misapplication of insurance or condemnation proceeds by any Obligor or any other Person.

3.7.2. Survival. Unless otherwise expressly provided in the Loan Documents, the obligations, agreements, rights and liabilities of the Obligors, the Trustee and each Indemnified Person arising under this Section shall continue in full force and effect, notwithstanding the payment of the Obligations or other termination of this Agreement. Until all obligations have been met, all liabilities arising under this Section 3.7 shall be enforceable by the Obligors, the Trustee and each Indemnified Person and their successors, assigns and agents. The foregoing indemnification provisions shall not be limited during the Construction of the Platform.

3.7.3. Certain Exceptions. Notwithstanding the foregoing, the Obligors shall not assume liability for or indemnify, defend, protect, save and keep harmless pursuant to Section 3.7.1 hereof (i) any Indemnified Person for any Claim to the extent it results from the material incorrectness of, or any failure on the part of such Indemnified Person to comply with, any representation, warranty, agreement or covenant of such Indemnified Person in favor of the Beneficiary in any Transaction Document unless such failure to comply resulted in whole or in part from any default by any Obligor under any Transaction Document; provided, however, that the material incorrectness of, or the failure of any Indemnified Person to comply with, any such representation, warranty, agreement or covenant shall not affect the rights of any other Indemnified Person hereunder; (ii) any Indemnified Person for any Claim to the extent resulting from acts which would constitute the willful misconduct or gross negligence of such Indemnified Person or a related Indemnified Person; (it being agreed that for purposes of this clause (ii) the Trustee shall not be deemed a related Indemnified Person of the Certificate Holders) provided that: (A) gross negligence or willful misconduct will not be imputed to such Indemnified Person or any related Indemnified Person solely as a result of the Trustee's ownership the Property; (B) the willful misconduct or gross negligence of an Indemnified Person shall not affect the rights of any other Indemnified Person hereunder; and (C) with respect to the Trustee, it shall not constitute willful misconduct or gross

negligence of Wilmington Trust Company to rely on the written instructions of the Certificate Holders; and (iii) any Indemnified Person for any Claim to the extent resulting from the imposition of any Trustee Lien attributable to it.

3.7.4. Claims Procedure. An Indemnified Person shall, after obtaining actual knowledge thereof, promptly notify the Borrower of any Claim as to which indemnification is sought (unless any Obligor theretofore has notified such Indemnified Person of such Claim); provided, however, that the failure to give such notice shall not release the Borrower from any of its obligations under this Section 3.7, except to the extent that failure to give notice of any action, suit or proceeding against such Indemnified Person is shown to increase the Borrower's liability under such Claim from that which would have existed if the failure to give notice had not occurred. Subject to the following paragraph, the Borrower agrees to defend such Claim and shall at its sole cost and expense be entitled to control, and shall assume full responsibility for, the defense of such Claim; provided, however, that the Borrower shall keep the Indemnified Person that is the subject of such proceeding fully apprised of the status of such proceeding and shall provide such Indemnified Person with all information with respect to such proceeding as such Indemnified Person reasonably requests; and provided, further, that in the event the Borrower fails to defend such Claim, the Borrower shall pay the reasonable costs and expenses (including reasonable legal fees and expenses) of the Indemnified Person in defending such Claim. Notwithstanding any of the foregoing to the contrary, the Borrower shall not be entitled to control and assume responsibility for the defense of such Claim if (1) a Default or Unmatured Default exists, and the Indemnified Person notifies the Borrower that it is no longer permitted to control the defense of such Claim, (2) such proceeding involves any material danger of the sale, forfeiture or loss of, or the creation of any Lien (other than any Permitted Lien or bonded liens which would become liens under item (vi) of the definition of Permitted Project Liens) on, the Platform or the Project, (3) in the good faith opinion of such Indemnified Person, there exists an actual or potential conflict of interest such that it is advisable for such Indemnified Person to retain control of such proceeding or (4) such Claim or liability involves a risk of criminal actions or liability to such Indemnified Person. In the circumstances described in clauses (1) through (4), the Indemnified Person shall be entitled to control and assume responsibility for the defense of such Claim or liability at the expense of the Borrower. In addition, any Indemnified Person, at its own expense, may (A) participate in any proceeding controlled by the Borrower pursuant to this Section 3.7.4 and (B) employ separate counsel. The Borrower may in any event participate in all such proceedings at its own cost. Nothing contained in this Section 3.7 shall be deemed to require an Indemnified Person to contest any Claim or to assume responsibility for or control of any judicial proceeding with respect thereto.

3.7.5. Subrogation. If a Claim indemnified by the Borrower under this Section 3.7 is paid in full by the Borrower and/or an insurer under a policy of insurance maintained by the Borrower, or if payment of the Claim has otherwise been provided for in full in a manner reasonably satisfactory to the Indemnified Person, the Borrower and/or such insurer, as the case may be, shall be subrogated to the extent of such payment (or provision) to the rights and remedies of the Indemnified Person (other than under insurance policies maintained by such Indemnified Person) on whose behalf such Claim

was paid (or provided for) with respect to the act or event giving rise to such Claim. So long as no Payment Default and no Default exists, if an Indemnified Person receives any refund, in whole or in part, with respect to any Claim paid by the Borrower hereunder, it shall promptly pay over the amount refunded (but not in excess of the amount the Borrower or any of its insurers has paid in respect of such Claim paid or payable by such Indemnified Person on account of such refund) to the Borrower; provided, however, if any Default or Payment Default exists, any such refund shall be retained by, or paid over to, the Agent to be held and applied against amounts payable by the Borrower hereunder and under the other Loan Documents.

3.7.6. Insured Claims. In the case of any Claim indemnified by the Borrower hereunder which is covered by a policy of insurance maintained by or for the benefit of the Borrower, each Indemnified Person agrees to cooperate, at the expense of the Borrower, with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim (but the failure to do so shall not relieve the Borrower of its obligation to indemnify such Indemnified Person except to the extent that the Borrower or its insurer is materially prejudiced as a result of such failure).

3.7.7. Waiver of Certain Claims. The Borrower hereby waives and releases any Claim now or hereafter existing against any Indemnified Person out of death or personal injury to personnel of any Obligor (including its directors, officers, employees, agents and servants), loss or damage to property of any Obligor or any Affiliates of any thereof, of the loss of use of any property of any Obligor or any Affiliates of any thereof, which may result from or arise out of the condition, use or operation of the Platform or the Project, including, without limitation, any latent or patent defect whether or not discoverable.

3.7.8. Consent. Unless a Default or Unmatured Default exists, the Borrower shall not be liable hereunder for any settlement of any loss, claim, damage, liability or action effected without its consent.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Advance. The Lenders shall not be required to make the initial Advance hereunder unless the Borrower has furnished to the Agent with sufficient copies for the Lenders:

(i) Copies of the articles or certificate of incorporation of the Beneficiary and the Parent Guarantor, together with all amendments, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of incorporation. Copies of the declaration of trust and trust agreement of the Borrower, together with all amendments, and a certificate of good standing, each certified by the appropriate governmental officer of the State of Delaware (or in the case of the trust agreement, the trustee).

(ii) Copies, certified by the Secretary or Assistant Secretary of each of the Beneficiary and the Parent Guarantor, of its by-laws and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which it or (in the case of the Beneficiary) the Borrower is a party.

(iii) An incumbency certificate, executed by the Secretary or Assistant Secretary of each of the Beneficiary and the Parent Guarantor, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of the Beneficiary and the Parent Guarantor, respectively, authorized to sign the Loan Documents to which it is a party, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Beneficiary or the Parent Guarantor, respectively.

(iv) A certificate, signed by the chief financial officer of the Beneficiary, stating that on the initial Borrowing Date no Default or Unmatured Default has occurred and is continuing.

(v) Written opinions of counsel to the Beneficiary and the Parent Guarantor, addressed to the Agent and the Lenders in substantially the forms of Exhibit A-1 through A-3 and written opinion of counsel to the Trustee addressed to the Agent and the Lenders in substantially the form of Exhibit A-4.

(vi) Any Notes requested by a Lender pursuant to Section 2.13 payable to the order of each such requesting Lender.

(vii) Written money transfer instructions, in substantially the form of Exhibit D, addressed to the Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Agent may have reasonably requested.

(viii) All Collateral Documents, the Beneficiary Guaranty, the Parent Guaranty and the other documents set forth on Schedule 8 hereto.

(ix) The insurance certificate described in Section 5.21.

(x) Such other documents as any Lender or its counsel may have reasonably requested.

4.2. Each Advance. The Lenders shall not be required to make any Advance unless on the applicable Borrowing Date:

(i) There exists no Default or Unmatured Default.

(ii) The representations and warranties contained in Article V and Article V-A are true and correct as of such Borrowing Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which

case such representation or warranty shall have been true and correct on and as of such earlier date.

(iii) The conditions set forth in Schedule 3 attached hereto are satisfied.

(iv) All legal matters incident to the making of such Advance shall be satisfactory to the Lenders and their counsel.

Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit B as a condition to making an Advance.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower, the Beneficiary and the Parent Guarantor jointly and severally represent and warrant to the Lenders that:

5.1. Existence and Standing. Each of the Parent Guarantor and its Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted. Beneficiary is a wholly-owned Subsidiary of the Parent Guarantor. Beneficiary owns 100% of the beneficial interest in the Borrower. As of the date hereof, the Beneficiary has acquired all of the beneficial interests in the Borrower.

5.2. Authorization and Validity. Each of the Obligors has the power and authority and legal right to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by each Obligor of the Transaction Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper corporate or other proceedings, and the Transaction Documents to which each Obligor is a party constitute legal, valid and binding obligations of such Obligor enforceable against such Obligor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3. No Conflict; Government Consent. Neither the execution and delivery by each Obligor of the Transaction Documents to which it is a party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on any Obligor or any of its Subsidiaries or (ii) such Obligor's or any Subsidiary's articles or certificate of incorporation, trust agreement or declaration of trust, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which any Obligor or any of its Subsidiaries is a party or is subject, or by which it, or its

Property or the Project or the Platform, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of such Obligor or a Subsidiary or on the Project or the Platform pursuant to the terms of any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by any Obligor or any of its Subsidiaries, is required to be obtained by such Obligor or any of its Subsidiaries in connection with the execution and delivery of the Transaction Documents, the borrowings under this Agreement, the payment and performance by the Obligors of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents.

5.4. Financial Statements. The March 31, 2002 consolidated financial statements of the Parent Guarantor and its Subsidiaries heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Parent Guarantor and its Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5. Material Adverse Change. Since March 31, 2002 there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Parent Guarantor and its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

5.6. Taxes. The Parent Guarantor and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Parent Guarantor or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles and as to which no Lien exists. The United States income tax returns of the Parent Guarantor and its Subsidiaries have never been audited. No tax liens have been filed. The Joint Committee on Taxation is currently examining previously filed refund claims and the Internal Revenue Service is currently examining certain subsidiary payroll tax issues. The Parent Guarantor expects the results of these examinations will not have a Material Adverse Effect. The charges, accruals and reserves on the books of the Parent Guarantor and its Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting any Obligor or any of the Subsidiaries of Parent Guarantor which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Loans. Other than any liability incident to any litigation, arbitration or proceeding which could not reasonably be expected to have a Material Adverse Effect, no Obligor has any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8. Subsidiaries. Schedule 1 contains an accurate list of all Subsidiaries of the Parent Guarantor as of the date of this Agreement, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Parent Guarantor or other Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9. ERISA. The are no Unfunded Liabilities of any Single Employer Plans. Neither the Borrower nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to any Multiemployer Plans. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Borrower nor any other member of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.10. Accuracy of Information. No information, exhibit or report furnished by any Obligor or any of the Subsidiaries of Parent Guarantor to the Agent or to any Lender in connection with the negotiation of, or compliance with, the Transaction Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.11. Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Parent Guarantor and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12. Material Agreements. No Obligor nor any Subsidiary of Parent Guarantor is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. No Obligor nor any Subsidiary of Parent Guarantor is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.13. Compliance With Laws. Each Obligor and the Subsidiaries of Parent Guarantor have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property, including, without limitation, the Project.

5.14. Ownership of Properties. Except as set forth on Schedule 2, on the date of this Agreement, the Parent Guarantor and its Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.14, to all of the Property and assets reflected in the Parent Guarantor's most recent consolidated financial statements provided to the Agent as owned by the Parent Guarantor and its Subsidiaries. On the date of this Agreement, the Borrower has good title, free of all Liens other than those permitted by Section 6.14, to all of the Project.

5.15. Plan Assets; Prohibited Transactions. No Obligor is an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. ss. 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Loans hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. Each of the Borrower and the Beneficiary is an "operating company" as defined in 29 C.F.R 2510-101 (c).

5.16. Environmental Matters. In the ordinary course of its business, the officers of each of the Parent Guarantor and Beneficiary consider the effect of Environmental Laws on the business of the Parent Guarantor or Beneficiary, respectively, and its respective Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities accruing to the Parent Guarantor or Beneficiary, respectively, due to Environmental Laws. On the basis of this consideration, the Parent Guarantor and Beneficiary have each concluded that Environmental Laws cannot reasonably be expected to have a Material Adverse Effect. No Obligor nor any Subsidiary of Parent Guarantor has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

5.17. Investment Company Act. No Obligor nor any Subsidiary of Parent Guarantor is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.18. Public Utility Holding Company Act. No Obligor nor any Subsidiary of Parent Guarantor is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.19. Subordinated Indebtedness. The Obligations constitute senior indebtedness which is entitled to the benefits of the subordination provisions of all outstanding Subordinated Indebtedness.

5.20. Post-Retirement Benefits. The present value of the expected cost of post-retirement medical and insurance benefits payable by the Parent Guarantor and its Subsidiaries to its employees and former employees, as estimated by the Parent Guarantor in accordance with procedures and assumptions deemed reasonable by the Required Lenders, does not exceed $1,000,000.

5.21. Insurance. The certificate signed by the President or Chief Financial Officer of the Parent Guarantor, that attests to the existence and adequacy of, and summarizes, the property and casualty insurance program carried by the Parent Guarantor with respect to itself and its Subsidiaries and that has been furnished by the Parent Guarantor to the Agent and the Lenders, is complete and accurate. This summary includes the insurer's or insurers' name(s), policy number(s), expiration date(s), amount(s) of coverage, type(s) of coverage, exclusion(s), and

deductibles. This summary also includes similar information, and describes any reserves, relating to any self-insurance program that is in effect. With respect to the Project, the insurance required by Schedule 4 is in full force and effect.

5.22. Project Representations. The representations and warranties set forth on Schedule 5 are true, correct and complete.

ARTICLE V-A

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

OF TRUSTEE

5A.1. Wilmington Trust Company Representations and Warranties. Wilmington Trust Company hereby represents and warrants in its individual capacity that:

(i) Due Organization. Wilmington Trust Company (a) is a Delaware banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, and (b) has the power and authority to enter into and perform its obligations under the Trust Agreement and to serve as trustee thereunder.

(ii) Trust Agreement; Participation Agreement. Each of the Trust Agreement and this Agreement (insofar as Wilmington Trust Company is a party thereto and hereto) has been duly executed and delivered by Wilmington Trust Company and, assuming due authorization, execution and delivery by the other parties thereto, the Trust Agreement and this Agreement constitute Wilmington Trust Company's legal, valid and binding obligations, enforceable against it in accordance with their respective terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) Due Authorization. Each Transaction Document to which Wilmington Trust Company is or will become a party has been duly authorized, and has been or will be duly executed and delivered by Wilmington Trust Company.

(iv) No Violation. Assuming due authorization, execution and delivery of the Trust Agreement by the Certificate Holder, the execution and delivery by either the Trustee or Wilmington Trust Company, of each Transaction Document to which the Trustee or Wilmington Trust Company, as the case may be, is or will become a party, are not, and the performance by the Trustee or Wilmington Trust Company, as the case may be, of their obligations under each, is not, and will not be, inconsistent with the Organic Documents of Wilmington Trust Company and, taking into account the responsibilities of the Trustee, do not and will not contravene the provisions of Applicable Law of the United States or Delaware (including any rules and regulations of governmental agencies and authorities thereto and therein and any judgment or order applicable to Wilmington

Trust Company) governing the banking and trust powers of Wilmington Trust Company or result in any violation of or conflict with or constitute a default under, or subject the Trust Estate or any of the Property to any Lien of, any indenture, mortgage or other agreement or instrument to which Wilmington Trust Company is a party or by which Wilmington Trust Company or its properties are bound, or, taking into account the responsibilities of the Trustee, require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Federal or State agency, authority or Person governing the banking and trust powers of Wilmington Trust Company or any other local Governmental Authority of the State of Delaware, except such as have been obtained, given or accomplished.

(v) No Litigation. There is no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority pending or, to the knowledge of Wilmington Trust Company, threatened against or affecting Wilmington Trust Company or any of its properties which (a) involves any of the transactions contemplated hereunder or by any of the Transaction Documents or (b) affects its ability to perform its respective obligations under the Transaction Documents to which it is or will become a party.

(vi) Trustee Liens. There are no Trustee Liens arising by, through or under Wilmington Trust Company.

(vii) Securities. Wilmington Trust Company has not offered directly or indirectly any interests in the Trust Estate or any part thereof, including the trust certificates, for issue or sale to, or solicited any offer to acquire any of the same from, anyone, other than as contemplated in the Transaction Documents.

5A.2. Wilmington Trust Company Agreements. Wilmington Trust Company hereby agrees that:

(i) Trustee Liens. Wilmington Trust Company will not directly or indirectly create, incur, assume or suffer to exist any Trustee Liens attributable to it on the Trust Estate not resulting from or related to the transactions contemplated by the Transaction Documents. Wilmington Trust Company will, at its own cost and expense, promptly take such action as may be necessary to discharge duly all such Trustee Liens on any part of the Trust Estate attributable to Wilmington Trust Company other than Trustee Liens being contested by a Permitted Contest. Wilmington Trust Company shall make restitution to the Trust Estate for any diminution in the value of the Trust Estate as a result of its failure to discharge any such Trustee Liens attributable to Wilmington Trust Company. It shall promptly, and in no event later than thirty (30) days after a Trustee Officer shall have obtained actual knowledge of the attachment of any such Trustee Lien for which it is responsible, notify the the Certificate Holders and the Agent of the attachment of such Lien and the particulars thereof. The term "TRUSTEE OFFICER" shall mean an officer in the Corporate Trust Administration department of the Trustee having responsibility for the administration of Wilmington Trust Company's and the Trustee's interest in the Loan Documents.

(ii) No Issuance. Wilmington Trust Company agrees that neither Wilmington Trust Company nor anyone acting on its behalf has offered or will offer any interests in the Trust Estate or any part thereof (including the trust certificates) or any securities similar thereto for issue or sale to, or has solicited or will solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the interests in the Trust Estate (including the trust certificates) within the provisions of Section 5 of the Securities Act or any similar provisions under any applicable state "blue sky" or similar state securities laws.

5A.3. Owner Trustee and Borrower Representations and Warranties. The Owner Trustee and the Borrower hereby represent and warrant on the date hereof that:

(i) Due Organization. Assuming the due authorization, execution and delivery of the Trust Agreement by the Certificate Holder, the Owner Trustee has the power and authority under the Trust Agreement to enter into and perform its obligations under each Transaction Document to which the Owner Trustee is or will become a party

(ii) Due Authorization; Enforceability. Assuming due authorization, execution and delivery of the Trust Agreement by the Certificate Holder and Wilmington Trust Company, each Transaction Document (other than the Trust Agreement) to which the Owner Trustee or the Borrower is or will become a party constitutes or will constitute upon the due execution thereof a legal, valid and binding obligation of the Owner Trustee and the Borrower, enforceable against the Owner Trustee and the Borrower, in accordance with its terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) No Liens. On each Borrowing Date, the Property to be acquired with all or a portion of the Advances made on such Borrowing Date shall be free and clear of Trustee Liens arising by, through or under the Owner Trustee (other than Permitted Project Liens).

(iv) Chief Executive Office. The principal place of business and chief executive office (as such term is used in Article 9 of the Uniform Commercial Code) of Trustee and the Trust is located in Wilmington, Delaware.

(v) Due Organization. The Trust has been duly formed and is validly existing and in good standing as a statutory business trust under the laws of the State of Delaware, and has the power and authority to enter into and perform its obligations under each of the Transaction Documents, including this Agreement to which it is or is to become a party.

(vi) Assignment. It has not assigned or transferred any of its right, title or interest in or under the Project or the Collateral except in accordance with the Loan Documents.

(vi) Use of Proceeds. The proceeds of the Loans shall be applied by the Borrower solely with respect to the Project, in accordance with the provisions of the Loan Documents.

(vii) Securities Act. Neither the Borrower nor any Person authorized by the Borrower to act on its behalf has offered or sold any interest in the Notes, or in any similar security relating to the Project, or in any security the offering of which for the purposes of the Securities Act, would be deemed to be part of the same offering as the offering of the aforementioned securities to, or solicited any offer to acquire any of the same from, any Person other than, in the case of the Notes, the Lenders, and neither the Borrower nor any Person authorized by the Borrower to act on its behalf will take any action which would subject the issuance or sale of any interest in the Notes to the provisions of Section 5 of the Securities Act.

(viii) Federal Reserve Regulations. The Borrower is not engaged principally in, and does not have as one of its important activities, the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U of the F.R.S. Board), and no part of the proceeds of the Loans will be used by it to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation G, T, U or X of the F.R.S. Board. Terms for which meanings are provided in F.R.S. Board Regulation G, T, U or X or any regulations substituted therefor, as from time to time in effect, are used in this clause (9) with such meanings.

(ix) Investment Company Act. The Borrower is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5A.4. Trustee and Borrower Agreements. The Trustee and the Borrower agree that:

(i) Trustee Liens. The Trustee and the Borrower will not directly or indirectly create, incur, assume or suffer to exist any Trustee Liens arising by, through or under it on the Trust Estate. The Trustee shall, at the cost and expense of the Trust Estate, promptly take such action as may be necessary to discharge duly all Trustee Liens attributable to it on any part of the Trust Estate, other than Trustee Liens being contested by a Permitted Contest. The Trustee shall make restitution to the Trust Estate for any diminution in the value of the Trust Estate as a result of its failure to discharge any Trustee Liens attributable to it.

(ii) Notices. In the event any claim with respect to any liabilities is filed against the Trustee or the Borrower, the Trustee shall promptly notify the Certificate Holders and the Agent thereof.

(iii) Title. As of the date hereof and on each Borrowing Date the Borrower will have and take whatever interest in the Trust Estate and whatever rights to and

interests in the Collateral as were granted or conveyed to it, free and clear of any Trustee Liens attributable to it.

(iv) Trust Agreement. The Trustee agrees that until payment in full or all Loans and all other amounts due hereunder or under the other Loan Documents, it will not terminate the Trust Agreement without the prior written consent of the Agent.

ARTICLE VI

COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. Financial Reporting. The Parent Guarantor will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(i) Within 90 days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants acceptable to the Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated and consolidating basis (consolidating statements need not be certified by such accountants) for itself and its Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by any management letter prepared by said accountants.

(ii) Within 45 days after the close of the first three quarterly periods of each of its fiscal years, for itself and its Subsidiaries, consolidated and consolidating unaudited balance sheets as at the close of each such period and consolidated and consolidating profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate in substantially the form of Exhibit B signed by its chief financial officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(iv) Within 270 days after the close of each fiscal year, a statement of the Unfunded Liabilities of each Single Employer Plan, certified as correct by an actuary enrolled under ERISA.

(v) As soon as possible and in any event within 10 days after the Parent Guarantor knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the chief financial officer of the Borrower, describing said

Reportable Event and the action which the Parent Guarantor proposes to take with respect thereto.

(vi) As soon as possible and in any event within 10 days after receipt by the Parent Guarantor, a copy of (a) any notice or claim to the effect that the Parent Guarantor or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Parent Guarantor, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Parent Guarantor or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.

(vii) Promptly upon the furnishing thereof to the shareholders of the Parent Guarantor, copies of all financial statements, reports and proxy statements so furnished.

(viii) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Parent Guarantor or any of its Subsidiaries files with the Securities and Exchange Commission.

(ix) Such other information (including non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2. Use of Proceeds. The Obligors hereby jointly and severally confirm that (i) the Notes evidencing the obligations hereunder are the amendment and restatement of those certain promissory notes evidencing the obligations under the Original Loan Agreement, and (ii) the principal outstanding balance of the promissory notes evidencing the obligations under the Original Loan Agreement, immediately prior to the effectiveness of this Agreement, is $24,519,138.09. The Borrower will use the proceeds of the Advances (to the extent of the amount of each such Advance) to pay for 50% of the Construction Costs. The Beneficiary will provide to the Borrower, and the Parent Guarantor will provide to the Beneficiary to the extent the Beneficiary does not otherwise have sufficient funds, for application to the Construction Costs the remaining amount of such costs. Construction Costs shall be funded pro rata (on the basis of the allocation percentages set forth above) by proceeds of Advances and funds provided by the Beneficiary or Parent Guarantor. The Parent Guarantor will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U) or for any other purpose.

6.3. Notice of Default. The Borrower, the Beneficiary and the Parent Guarantor will give prompt notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

6.4. Conduct of Business. The Parent Guarantor will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or

organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

6.5. Taxes. The Parent Guarantor will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local tax returns required by law and pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property, including (without limitation) the Project, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles.

6.6. Insurance. The Parent Guarantor will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Parent Guarantor will furnish to any Lender upon request full information as to the insurance carried. Specifically, without limitation, the Beneficiary shall maintain insurance with respect to the Project as set forth on Schedule 4.

6.7. Compliance with Laws. The Parent Guarantor will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Environmental Laws.

6.8. Maintenance of Properties. The Parent Guarantor will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property (including, without limitation, the Project) in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

6.9. Inspection. The Parent Guarantor will, and will cause each Subsidiary to, permit the Agent and the Lenders, by their respective representatives and agents, to inspect any of the Property (including, without limitation, the Project), books and financial records of the Parent Guarantor and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Parent Guarantor and each Subsidiary, and to discuss the affairs, finances and accounts of the Parent Guarantor and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Agent or any Lender may designate.

6.10. Dividends. The Parent Guarantor will not, nor will it permit any Subsidiary to, declare or pay any dividends or make any distributions on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock at any time outstanding, except that (i) any Subsidiary may declare and pay dividends or make distributions to the Parent Guarantor or to a Wholly-Owned Subsidiary, and (ii) the Parent Guarantor may declare and pay dividends on its capital stock provided that no Default or Unmatured Default shall exist before or after giving effect to such dividends or be created as a result thereof.

6.11. Indebtedness. The Parent Guarantor will, and will cause each of its Subsidiaries to, comply with Section 2 of Schedule 6 hereof.

6.12. Merger or Consolidation; Asset Sales. The Parent Guarantor will, and will cause each of its Subsidiaries to, comply with Section 3 of Schedule 6 hereof.

6.13. Investments and Acquisitions. The Parent Guarantor will, and will cause each of its Subsidiaries to, comply with Section 4 of Schedule 6 hereof.

6.14. Liens. The Parent Guarantor will, and will cause each of its Subsidiaries to, comply with Section 1 of Schedule 6 hereof.

6.15. Affiliates. The Parent Guarantor will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.16. Amendments to Agreements. None of the Obligors will, or will permit any Subsidiary to, amend or terminate the Joint Operating Agreement or any Construction Document.

6.17. Financial and Other Covenants. The Parent Guarantor shall, and shall cause each of its Subsidiaries to, observe and perform the covenants set forth in Schedule 6 attached hereto.

6.18. Other Agreements. The Obligors hereby jointly and severally covenant and agree as follows:

6.18.1. Platform Costs and Construction Costs; Use of Advances. The Beneficiary will maintain a record of the Advances and other amounts incurred by the Borrower to pay for Construction of the Project, and shall certify the same periodically to the Agent and the Lenders from time to time upon request. In no event shall the Beneficiary use, or permit the Borrower or any other Person to use, the proceeds of the Advances for any purpose other than paying or reimbursing Construction Costs.

6.18.2. Defense of Title. The Beneficiary will, at all times, at its own cost and expense, warrant and defend that the title of the Borrower or the Trustee, as the case may be, to the Project is free and clear of Liens, except for Permitted Project Liens.

6.18.3. Liens. The Beneficiary will not, directly, or indirectly, create, incur, assume or suffer to exist any Liens on the Project, except for Trustee Liens attributable to the Trustee, and further except for Permitted Project Liens and Liens being contested by a Permitted Contest.

6.18.4. Non-Discrimination. The Beneficiary will operate and otherwise deal with the Platform and the Project using the Beneficiary's same general business practices

as are applicable generally to its owned and leased properties which are similar to the Platform or the Project.

6.18.5. Covenants. The Parent Guarantor shall, and shall cause each of its Subsidiaries, to observe and perform the covenants set forth in Schedule 6 attached hereto.

6.18.6. Special Events. The Beneficiary will not permit or suffer to occur any Special Events.

6.18.7. Governmental Leases. The Beneficiary agrees to duly and timely perform, or cause to be duly and timely performed, all obligations under each Governmental Lease (including, without limitation, the payment of all royalties or other amounts due thereunder from time to time) and to comply with all provisions of such Governmental Leases. The Beneficiary will forward to the Agent and the Lenders all copies of all notices delivered to any party to the Governmental Leases within ten days of receipt or dispatch, as the case may be.

6.18.8. Completion and Operation. The Beneficiary covenants and agrees that the Platform shall be operated for the use intended by the Beneficiary and the Borrower upon the Completion of the Platform. The Beneficiary shall deliver to the Agent, on or before the Funding Period Termination Date, a certificate of a Responsible Employee of the Beneficiary stating that the Platform is operating for the use intended by the Beneficiary and all Construction has been completed on or before such date.

6.18.9. Creation and Maintenance of Lien. The Beneficiary will obtain and maintain on behalf of the Agent and the Lenders a first priority perfected security interest in the Project located on the Construction Sites or the Site or, to the extent practicable, while in transit between such locations and in the Construction Documents, subject to Permitted Project Liens. The Beneficiary will deliver and/or file or cause to be delivered and/or filed such opinions, registrations, supplements or other documents as shall be necessary to evidence and confirm the lien of the Agent and the Lenders or as shall otherwise be reasonably confirmed by the Agent, including, without limitation, such documentation as is reasonably necessary to perfect the security interests of the Agent in the bill of lading or substantially equivalent document with respect to the Platform while in transit from Finland to Texas or Louisiana and from Texas or Louisiana to its intended location in Garden Banks Block 668. During the Construction Period, the Beneficiary agrees that any and all filings of financing statements, mortgages, deeds of trust of other security documents shall be updated quarterly with revised schedules so as to reflect progress of the construction or otherwise, all of such documents to be in form and substance satisfactory to the Agent and the Lenders.

6.18.10. Characterization of Property. The parties hereto intend that the Platform be characterized as personalty and not as real estate. Each of the Obligors hereby agrees that it shall not contest such characterization in a court of law or otherwise.

6.18.11. Support Arrangements. If the Loans are not paid in full as and when due, the Beneficiary will provide commercially reasonable and customary support to the Agent or, at the Agent's direction, any holder of an interest in the Project reasonably required including, without limitation, the right to access the Platform and the Site, all items necessary to use the Platform and realize value from the Platform (including pipeline access), but not including an obligation to (a) dedicate reserves beyond those provided in the amendment to the Joint Operating Agreement pertaining to the Platform, (b) obtain Governmental Actions which are not obtainable with commercially reasonable efforts or (c) provide items or service which are readily available to the Agent or such other holder in the market. In connection with items provided by the Beneficiary, the Agent or applicable holder, as the case may be, shall pay the Beneficiary the fair market value of such items upon delivery. The right to the support arrangements set forth in this section shall survive termination or enforcement of the Loan Documents and is assignable by the Agent to third parties.

6.18.12. Joint Operating Agreement Platform Amendment. (a) The Borrower and the Beneficiary will observe and perform its respective obligations under the Joint Operating Agreement, including, (x) causing an Annual Operating Plan and the Development Plan (as each of those terms are defined in the Joint Operating Agreement) to remain in full force and effect at all times and (y) complying with the terms of the Second Amendment to the Joint Operating Agreement pertaining to the Platform (commonly known as the "Platform Amendment") on and after the date such Platform Amendment is effective, (b) the Beneficiary will not waive or amend any provisions of the Joint Operating Agreement relating to the Platform without the written consent of the Agent and the Required Lenders if such proposed waiver or amendment would have a Material Adverse Effect on their interests therein and herein, and (c) for the purposes of Section 14.5.1 of the Platform Amendment, voting rights in respect of the Operator shall be as set forth in such Section 14.5.1.

6.18.13. Insurance. The Beneficiary will comply with the provisions relating to insurance set forth in Schedule 4 and will not without the written consent of the Agent materially alter insurance coverage with respect to the Platform from that set forth in the Insurance Consultant's Report.

6.18.14. Ownership of Beneficiary Shares and Certificates. The Parent Guarantor shall continue to own 100% of the issued and outstanding stock of the Beneficiary. The Beneficiary shall continue to own 100% of the Certificates and beneficial interest in the Trust.

6.19. Completion of the Platform.

6.19.1. Completion Certificate; Deadline for Completion. The Beneficiary shall deliver to the Agent a Completion Certificate promptly after satisfaction of conditions (1) and (2) of the definition of "Completion." The Borrower shall cause Completion to occur not later than February 8, 2004.

6.19.2. Reappraisal Upon Completion. Within sixty (60) days from the Completion Date for the Platform, the Agent shall obtain, at Borrower's sole cost and expense, a new Appraisal of the Property taking into account such Completion (the "Completion Appraisal") which Completion Appraisal shall be delivered to the Agent within sixty (60) days after the Completion Date. Such Completion Appraisal shall use methodology similar to that of the Appraisal delivered in connection with the initial lease financing in favor of the Beneficiary as of November 8, 2001, with appropriate changes in assumptions and taking into account the terms of Joint Operating Agreement, as amended. In the event such Completion Appraisal shall conclude that the Fair Market Sales Value of the Platform upon such Completion, multiplied by the Borrower's Percentage Undivided Interest, is less than the Funding Period Termination Balance (such amount, a "FMV Shortfall"), the Borrower shall make a special prepayment of the Funding Period Termination Balance to the Agent equal to such FMV Shortfall.

6.20. Closing Date Deliveries. Contemporaneously herewith, the Borrower, the Beneficiary and the Parent Guarantor shall deliver the documents referred to on Schedule 8 hereto, and the Beneficiary shall pay to BOLSC the Certificate Purchase Price for the Certificate by wire transfer of immediately available funds to the account specified by BOLSC. Contemporaneously therewith, the Agent shall cause the Notes issued under the Loan Agreement to be canceled, such Notes being replaced by the Note to be issued by the Borrower as described on Schedule 8 hereto.

6.21. Abandonment Costs. At no time will the Parent Guarantor incur or accrue or permit its Subsidiaries to incur or accrue, in the aggregate during the term of the Loans, in excess of $50,000,000 in plug and abandonment costs for its and their Properties ("Abandonment Costs") without the prior written consent of the Agent; provided that upon delivery by the Parent Guarantor to the Agent of a written amendment to the Revolving Credit Agreement which has been fully executed, together with a certification from the Parent Guarantor that such amendment is in full force and effect, if such amendment increases the maximum amount of Abandonment Costs permitted thereunder to an amount in excess of $50,000,000, the Agent will cause the foregoing covenant to be revised to increase the amount set forth in this Section 6.21 to the lesser of (x) such increased amount and (y) $100,000,000.

6.22. Notice of Transactions. Not less than 30 days prior to the consummation by the Parent Guarantor or any Subsidiary of any transaction which (i) requires consent under or waiver of the Revolving Credit Agreement, or (ii) is an acquisition with a transaction value of $20,000,000 or more, the Parent Guarantor will provide to the Agent notice of such transaction in reasonable detail.

6.23. Sale of Working Interest. Until the payment of the Obligations in full, the Beneficiary covenants and agrees that it shall not directly or indirectly sell, convey, assign, transfer, encumber, or alienate all or any portion of its Working Interest (as defined in the Joint Operating Agreement); provided, that the Beneficiary may sell a portion of its Working Interest to the Partial Option Purchaser in conjunction with the consummation of the Partial Purchase Option under Section 3(g) of Schedule 6 of this Agreement (it being understood and agreed that Beneficiary shall only be entitled to sell to the Partial Option Purchaser a percentage of its Working Interest that is equal to and in the same proportion as the Partial Option Percentage).

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made or deemed made by or on behalf of the Parent Guarantor or any of its Subsidiaries to the Lenders or the Agent under or in connection with this Agreement, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2. Nonpayment of principal of any Loan when due, or nonpayment of interest upon any Loan or of any commitment fee or other obligations under any of the Loan Documents within five days after the same becomes due.

7.3. The breach by the Parent Guarantor of any of the terms or provisions of Article VI.

7.4. The breach by the Parent Guarantor (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement which is not remedied within five days after written notice from the Agent or any Lender.

7.5. Failure of the Parent Guarantor or any of its Subsidiaries to pay when due any Material Indebtedness; or the default by the Parent Guarantor or any of its Subsidiaries in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any Material Indebtedness Agreement, or any other event shall occur or condition exist, the effect of which default, event or condition is to cause, or to permit the holder(s) of such Material Indebtedness or the lender(s) under any Material Indebtedness Agreement to cause, such Material Indebtedness to become due prior to its stated maturity or any commitment to lend under any Material Indebtedness Agreement to be terminated prior to its stated expiration date; or any Material Indebtedness of the Parent Guarantor or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Parent Guarantor or any of its Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6. The Parent Guarantor or any of its Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or the Project or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other

pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. Without the application, approval or consent of the Parent Guarantor or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Parent Guarantor or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Parent Guarantor or any of its Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days.

7.8. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Project or all or any portion of any other Property of the Parent Guarantor and its Subsidiaries which, in the case of any Property other than the Project, when taken together with all other Property of the Parent Guarantor and its Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Substantial Portion.

7.9. The Parent Guarantor or any of its Subsidiaries shall fail within 30 days to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money in excess of $5,000,000 (or the equivalent thereof in currencies other than U.S. Dollars) in the aggregate, or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.10. The Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate $2,000,000 or any Reportable Event shall occur in connection with any Plan.

7.11. Any Change in Control shall occur.

7.12. The Parent Guarantor or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Parent Guarantor or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds $2,000,000 or requires payments exceeding $1,000,000 per annum.

7.13. The Parent Guarantor or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Parent Guarantor and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such

Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $2,000,000.

7.14. The Parent Guarantor or any of its Subsidiaries shall (i) be the subject of any proceeding or investigation pertaining to the release by the Parent Guarantor, any of its Subsidiaries or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect.

7.15. The occurrence of any "default", as defined in any Loan Document (other than this Agreement) or the breach of any of the terms or provisions of any Loan Document (other than this Agreement), which default or breach continues beyond any period of grace therein provided.

7.16. Any Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Guaranty, or any Guarantor shall fail to comply with any of the terms or provisions of any Guaranty to which it is a party, or any Guarantor shall deny that it has any further liability under any Guaranty to which it is a party, or shall give notice to such effect.

7.17. Any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any collateral purported to be covered thereby, except as permitted by the terms of any Collateral Document, or any Collateral Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document, or the Borrower shall fail to comply with any of the terms or provisions of any Collateral Document.

7.18. The representations and warranties set forth in Section 5.15 (Plan Assets; Prohibited Transactions") shall at any time not be true and correct.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration. If any Default described in Section 7.6 or 7.7 occurs, the obligations of the Lenders to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent or any Lender. If any other Default occurs, the Required Lenders (or the Agent with the consent of the Required Lenders) may terminate or suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which each of the Obligors hereby expressly waives.

If, within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole

discretion) shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Section 8.2, the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, without the consent of all of the Lenders:

(i) Extend the final maturity of any Loan or postpone any regularly scheduled payment of principal of any Loan or forgive all or any portion of the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon.

(ii) Reduce the percentage specified in the definition of Required Lenders.

(iii) Extend the Facility Termination Date pr the Funding Period Termination Date, or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.2, or increase the amount of the Aggregate Commitment or of the Commitment of any Lender hereunder, or permit the Borrower to assign its rights under this Agreement.

(iv) Amend this Section 8.2.

(v) Release any guarantor of any Advance or, except as provided in the Collateral Documents, release, or agree to subordinate the Lenders' Liens with respect to, all or substantially all of the Collateral.

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent. The Agent may waive payment of the fee required under Section 12.3.3 without obtaining the consent of any other party to this Agreement.

8.3. Preservation of Rights. No delay or omission of the Lenders or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of any Obligor to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Lenders until the Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

9.1. Survival of Representations and Covenants. All representations and warranties and covenants of the Obligors contained in this Agreement shall be joint and several and shall survive the making of the Loans herein contemplated until final and unconditional repayment in full of the Loans; provided, however, that all indemnities (and related defense and hold harmless obligations) shall survive any repayment of the Loans.

9.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Obligors, the Agent and the Lenders and supersede all prior agreements and understandings among the Borrower, the Agent and the Lenders relating to the subject matter thereof other than those contained in the Fee Letter, which shall survive and remain in full force and effect during the term of this Agreement.

9.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided, however, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6. Expenses; Indemnification. (i) The Obligors covenant, jointly and severally to reimburse the Agent and the Arranger for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent or the Arranger in connection with any waiver, amendment or modification of the Loan Documents proposed by any Obligor (whether or not granted) or entered into by any Obligor. The Obligors shall not be liable for any legal fees of the Agent and the Arranger in connection with (x) the negotiation of this Agreement and the other Loan Documents or (y) any syndication of the Loans. The Obligors also agrees covenant, jointly and severally, to reimburse the Agent, the Arranger and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, the Arranger and the Lenders, which attorneys may be employees of the Agent, the Arranger or the Lenders) paid or incurred by the Agent, the Arranger or any Lender in connection with the collection and enforcement of the Loan Documents. Expenses being reimbursed by the Obligors under this Section include, without limitation, the costs and expenses incurred in connection with the Reports described in the following sentence. The Obligors acknowledge that from time to time Bank One may prepare and may distribute to the Lenders

(but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") pertaining to the Borrower's assets for internal use by Bank One from information furnished to it by or on behalf of the Borrower, after Bank One has exercised its rights of inspection pursuant to this Agreement.

(ii) The Obligors hereby further jointly and severally agree to indemnify the Agent, the Arranger, each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent, the Arranger, any Lender or any affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. The obligations of the Obligors under this Section 9.6 shall survive the termination of this Agreement.

9.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.8. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles[, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Borrower and all its Subsidiaries, including those Subsidiaries, if any, which are unconsolidated on the Borrower's audited financial statements].

9.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10. Nonliability of Lenders. The relationship between the Obligors on the one hand and the Lenders and the Agent on the other hand shall be solely that of borrower and lender. Neither the Agent, the Arranger nor any Lender shall have any fiduciary responsibilities to the Obligors. Neither the Agent, the Arranger nor any Lender undertakes any responsibility to the Obligor to review or inform the Obligors of any matter in connection with any phase of any Obligor's business or operations. The Obligors agree that neither the Agent, the Arranger nor any Lender shall have liability to any Obligor (whether sounding in tort, contract or otherwise) for losses suffered by any Obligor in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the

gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent, the Arranger nor any Lender shall have any liability with respect to, and the Obligors hereby waive, release and agree not to sue for, any special, indirect, consequential or punitive damages suffered by any Obligor in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11. Confidentiality. Each Lender agrees to hold any confidential information which it may receive from the Obligors pursuant to this Agreement in confidence, except for disclosure (i) to its Affiliates and to other Lenders and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to such Lender or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which such Lender is a party, (vi) to such Lender's direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, (vii) permitted by Section 12.4 and (viii) to rating agencies if requested or required by such agencies in connection with a rating relating to the Advances hereunder.

9.12. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Loans provided for herein.

9.13. Disclosure. Each Obligor and each Lender hereby acknowledge and agree that Bank One and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with any Obligor and its Affiliates.

ARTICLE X

THE AGENT

10.1. Appointment; Nature of Relationship. Bank One, NA is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of the term "secured party" as defined in the Illinois Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

10.2. Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3. General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4. No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of any Obligor or any guarantor of any of the Obligations or of any of any Obligor's or any such guarantor's respective Subsidiaries. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by any Obligor to the Agent at such time, but is voluntarily furnished by any Obligor to the Agent (either in its capacity as Agent or in its individual capacity).

10.5. Action on Instructions of Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of

counsel concerning the contractual arrangement between the Agent and the Lenders and all matters pertaining to the Agent's duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8. Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Obligors for which the Agent is entitled to reimbursement by any Obligor under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Agent and (ii) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9. Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Agent has received written notice from a Lender or an Obligor referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders.

10.10. Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Loans as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with any Obligor or any of its Subsidiaries in which such Obligor or such

Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Lender.

10.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent, the Arranger or any other Lender and based on the financial statements prepared by the Obligors and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. The Agent may be removed at any time with or without cause by written notice received by the Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned or been removed and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of the Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Article X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Agent by merger, or the Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Agent.

10.13. Delegation to Affiliates. The Obligors and the Lenders agree that the Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under Articles IX and X.

10.14. Execution of Collateral Documents. The Lenders hereby empower and authorize the Agent to execute and deliver to the Obligors on their behalf the Security Agreement(s) and all related financing statements and any financing statements, agreements, documents or instruments as shall be necessary or appropriate to effect the purposes of the Security Agreement(s).

10.15. Collateral Releases. The Lenders hereby empower and authorize the Agent to execute and deliver to the Obligors on their behalf any agreements, documents or instruments as shall be necessary or appropriate to effect any releases of Collateral which shall be permitted by the terms hereof or of any other Loan Document or which shall otherwise have been approved by the Required Lenders (or, if required by the terms of Section 8.2, all of the Lenders) in writing.

ARTICLE XI

SETOFF; RATABLE PAYMENTS

11.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Obligor becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of any Obligor may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due.

11.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Obligors and the Lenders and their respective successors and assigns permitted hereby, except that (i) no Obligor shall have the right to assign its rights or obligations under the Loan Documents without the prior written consent of each Lender, (ii) any assignment by any Lender must be made in compliance with Section 12.3, and (iii) any transfer by Participation must be made in compliance with Section 12.2. Any attempted assignment or transfer by any party not made in compliance with this Section 12.1 shall be null

and void, unless such attempted assignment or transfer is treated as a participation in accordance with Section 12.3.2. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and this Section 12.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; provided, however, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; provided, however, that the Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

12.2. Participations.

12.2.1. Permitted Participants; Effect. Any Lender may at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Loans and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2. Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 8.2 or of any other Loan Document.

12.2.3. Benefit of Certain Provisions. The Obligors agree that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as

if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender. The Obligors further agree that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.3, provided that (i) a Participant shall not be entitled to receive any greater payment under Section 3.1, 3.2 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 3.5 to the same extent as if it were a Lender.

12.3. Assignments.

12.3.1. Permitted Assignments. Any Lender may at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate of a Lender or an Approved Fund shall either be in an amount equal to the entire applicable Commitment and Loans of the assigning Lender or (unless each of the Borrower and the Agent otherwise consents) be in an aggregate amount not less than $5,000,000. The amount of the assignment shall be based on the Commitment or outstanding Loans (if the Commitment has been terminated) subject to the assignment, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the assignment.

12.3.2. Consents. The consent of the Borrower shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund, provided that the consent of the Borrower shall not be required if a Default has occurred and is continuing. The consent of the Agent shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund. Any consent required under this Section 12.3.2 shall not be unreasonably withheld or delayed.

12.3.3. Effect; Effective Date. Upon (i) delivery to the Agent of an assignment, together with any consents required by Sections 12.3.1 and 12.3.2, and (ii) payment of a $4,000 fee to the Agent for processing such assignment (unless such fee is waived by the Agent), such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement constitutes "plan assets" as defined under

ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto, and the transferor Lender shall be released with respect to the Commitment and Loans assigned to such Purchaser without any further consent or action by the Borrower, the Lenders or the Agent. In the case of an assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.3, the transferor Lender, the Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

12.3.4. Register. The Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Obligors, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

12.4. Dissemination of Information. The Obligors authorize each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Parent Guarantor and its Subsidiaries, including without limitation any information contained in any Reports; provided that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is not incorporated under the laws of the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIII

NOTICES

13.1. Notices. Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of any Obligor or the Agent, at its address or facsimile number set forth on Schedule 7 hereto, (y) in the case of any Lender, at its address or facsimile number set forth on Schedule 7 hereto (in the case of Bank One) or in its administrative questionnaire (in the case of any other Lender) or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Borrower in accordance with the provisions of this Section 13.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received.

13.2. Change of Address. Each Obligor, the Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIV

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Obligors, the Agent and the Lenders and each party has notified the Agent by facsimile transmission or telephone that it has taken such action.

ARTICLE XV

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2. CONSENT TO JURISDICTION. THE OBLIGORS HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY

UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY OBLIGOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY OBLIGOR AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

15.3. WAIVER OF JURY TRIAL. EACH OBLIGOR, THE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

15.4. LIMITATION OF LIABILITY OF OWNER TRUSTEE. It is expressly understood and agreed by and among the parties hereto that, except as otherwise expressly provided herein or therein, each of this Loan Agreement and the other Loan Documents is executed by Wilmington Trust Company, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements herein or therein made on the part of the Trustee or the Borrower are intended not as personal representations, undertakings and agreements by Wilmington Trust Company, or for the purpose or with the intention of binding Wilmington Trust Company, personally, but are made and intended for the purpose of binding only the Trust Estate, that nothing herein contained shall be construed as creating any liability of Wilmington Trust Company, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of Wilmington Trust Company, to perform any covenant either express or implied contained herein or in the other Loan Documents to which the Trustee or the Borrower is a party, and that so far as Wilmington Trust Company is concerned, any Person shall look solely to the Trust Estate for the performance of any obligation hereunder or thereunder or under any of the instruments referred to herein or therein; provided, however, that nothing contained in this Section shall be construed to limit in scope or substance the general corporate liability of Wilmington Trust Company, expressly provided (i) to the Certificate Holders under the Trust Agreement, (ii) in respect of those representations, warranties, agreements and covenants of Wilmington Trust Company expressly set forth in Section 7(a) hereof or in any Loan Document to which it is a party or (iii) pursuant to the Trust Agreement, for the gross negligence or willful misconduct of Wilmington Trust Company or to exercise the same degree of care and skill as is customarily

exercised by similar institutions in the receipt and disbursement of moneys actually received by it in accordance with terms of the Loan Documents under similar circumstances.

IN WITNESS WHEREOF, the Obligors, the Lenders and the Agent have executed this Agreement as of the date first above written.

ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation

By:_____
Name:_____
Title:_____

CAL DIVE INTERNATIONAL, INC., a Minnesota corporation

By:_____
Name:_____
Title:_____

CAL DIVE/GUNNISON BUSINESS TRUST
NO. 2001-1, a Delaware business trust

By: Wilmington Trust Company, not in its individual capacity, but solely as trustee of CAL DIVE/GUNNISON Business Trust No. 2001-1

By:_____
Name: _____
Title: _____

WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its individual capacity to the extent expressly provided herein

By:_____
Name: _____
Title: _____

Commitment:

$35,000,000

BANK ONE, NA,
(with its principal office in Chicago, Illinois) as Lender, and as Agent

By:_____
Name: _____
Title:_____

PRICING SCHEDULE

(bps = basis points)	LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V	LEVEL V!
TOTAL DEBT TO EBITDA	< 1.75	> 1.75 - < 2.0	> 2.0 - < 2.25	> 2.25 - < 2.5	> 2.5 - < 2.75	> 2.75 -
APPLICABLE LIBOR MARGIN ON NOTES:	175.0 bps	200.0 bps	225.0 bps	250.0 bps	275.0 bps	300.0 bps
APPLICABLE ALTERNATE BASE RATE MARGIN ON NOTES:	75.0 bps	100.0 bps	125.0 bps	150.0 bps	175.0 bps	200.0 bps
COMMITMENT FEE:	50.0 bps	50.0 bps	50.0 bps	62.5 bps	75.0 bps	75.0 bps

The Applicable Margin and Applicable Fee Rate shall be determined in accordance with the foregoing table based on the Parent Guarantor's status as reflected in the then most recent consolidated financial statements provided to the Agent. Adjustments, if any, to the Applicable Margin or Applicable Fee Rate shall be effective five Business Days after the Agent has received the applicable financial statements. If the Parent Guarantor fails to deliver the financial statements to the Agent at the time required pursuant to Section 6.1, then the Applicable Margin and Applicable Fee Rate shall be the highest Applicable Margin and Applicable Fee Rate set forth in the foregoing table until five days after such financial statements are so delivered.

EXHIBIT A-1

FORM OF OPINION OF IN-HOUSE COUNSEL

EXHIBIT A-2

FORM OF OPINION OF SPECIAL TEXAS COUNSEL

EXHIBIT A-3

FORM OF OPINION OF SPECIAL LOUISIANA COUNSEL

EXHIBIT A-4

FORM OF OPINION OF COUNSEL TO TRUSTEE

EXHIBIT B

COMPLIANCE CERTIFICATE

To: The Lenders parties to the
Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Credit Agreement dated as of _____, _____ (as amended, modified, renewed or extended from time to time, the "Agreement") among the _____ (the "Borrower"), _____ (the "Beneficiary"), _____ (the "Parent Guarantor"), the lenders party thereto and Bank One, NA, as Agent for the Lenders. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the [Beneficiary] [Parent Guarantor];

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Parent Guarantor and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Unmatured Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing the Borrower's compliance with the covenants of Sections 9, 10, 11, 12 and 13 of Schedule 6 to the Agreement, all of which data and computations are true, complete and correct.

5. Schedule II hereto sets forth the determination of the interest rates to be paid for Advances and the commitment fee rates commencing on the fifth day following the delivery hereof.

6. Schedule III attached hereto sets forth the various reports and deliveries which are required at this time under the Credit Agreement, the Security Agreement and the other Loan Documents and the status of compliance.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

_____

_____

_____

The foregoing certifications, together with the computations set forth in Schedule I and Schedule II hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ___ day of _____, _____.

SCHEDULE I TO COMPLIANCE CERTIFICATE

Compliance as of _____, ____ with
Provisions of Sections 9, 10 , 11, 12 and 13 of
Schedule 6 to the Agreement

SCHEDULE II TO COMPLIANCE CERTIFICATE

Borrower's Applicable Margin Calculation

SCHEDULE III TO COMPLIANCE CERTIFICATE

Reports and Deliveries Currently Due

EXHIBIT C

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation any letters of credit, guaranties and swingline loans included in such facilities and, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____ [and is an Affiliate/Approved Fund of [identify Lender](1)]

3. Borrower(s): _____

4. Agent: _____ , as the agent under the Credit Agreement.

5. Credit Agreement: The [amount] Credit Agreement dated as of _____ among [name of Borrower(s)], the Lenders party thereto, [name of Agent], as Agent, and the other agents party thereto.

(1) Select as applicable.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders*	Amount of Commitment/Loans Assigned*	Percentage Assigned of Commitment/Loans(2)
_____(3)	$	$	_____%
_____	$	$	_____%
_____	$	$	_____%

7. Trade Date:

_____

Effective Date: _____, 20__ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE AGENT.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and](5) Accepted:

[NAME OF AGENT], as Agent

By:_____
Title:
[Consented to:](6)

*Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(3) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Funding Period Commitment," "Term Loan Commitment,", etc.)

(4) Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

(5) To be added only if the consent of the Agent is required by the terms of the Credit Agreement.

(6) To be added only if the consent of the Borrower and/or other parties (e.g. Swingline Lender, L/C Issuer) is required by the terms of the Credit Agreement.

[NAME OF RELEVANT PARTY]

By:____

Title:

ANNEX 1
TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, perfection, priority, collectibility, or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Documentq, (v) inspecting any of the property, books or records of the Borrower, or any guarantor, or (vi) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans or the Loan Documents.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iii) agrees that its payment instructions and notice instructions are as set forth in Schedule 1 to this Assignment and Assumption, (iv) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, (v) agrees to indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment and Assumption, (vi) it has received a copy of the Credit Agreement, together with copies of financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Lender, and (vii) attached as Schedule 1 to this Assignment and Assumption is any documentation required to be delivered by the Assignee with respect to its tax status pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the

obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. The Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Illinois.

ADMINISTRATIVE QUESTIONAIRE

(Schedule to be supplied by Closing Unit or Trading Documentation Unit)

(For Forms for Primary Syndication call Peterine Svoboda at 312-732-8844)
(For Forms after Primary Syndication call Jim Bartz at 312-732-1242)

US AND NON-US TAX INFORMATION REPORTING REQUIREMENTS

(Schedule to be supplied by Closing Unit or Trading Documentation Unit)

(For Forms for Primary Syndication call Peterine Svoboda at 312-732-8844)
(For Forms after Primary Syndication call Jim Bartz at 312-732-1242)

EXHIBIT D
LOAN/CREDIT RELATED MONEY TRANSFER INSTRUCTION

To Bank One, NA,
as Agent (the "Agent") under the Credit Agreement
Described Below.

Re: Credit Agreement, dated _____ , _____ (as the same may be amended or modified, the "Credit Agreement"), among _____ (the "Borrower"), the Lenders named therein and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Credit Agreement.

The Agent is specifically authorized and directed to act upon the following standing money transfer instructions with respect to the proceeds of Advances or other extensions of credit from time to time until receipt by the Agent of a specific written revocation of such instructions by the Borrower, provided, however, that the Agent may otherwise transfer funds as hereafter directed in writing by the Borrower in accordance with Section 13.1 of the Credit Agreement or based on any telephonic notice made in accordance with Section 2.14 of the Credit Agreement.

Facility Identification Number(s)_____

Customer/Account Name_____

Transfer Funds To_____

_____

For Account No._____

Reference/Attention To_____

Authorized Officer (Customer Representative) Date

_____ _____
(Please Print) Signature

Bank Officer Name Date

_____ _____
(Please Print) Signature

(Deliver Completed Form to Credit Support Staff For Immediate Processing)

EXHIBIT E
AMENDED AND RESTATED PROMISSORY NOTE

Note #[__] [Date]

$_____

_____, a _____ (the "Borrower"), promises to pay to the order of _____ (the "Lender") the aggregate unpaid principal amount of all Loans made by the Lender to the Borrower pursuant to Article II of the Agreement (as hereinafter defined), in immediately available funds at the main office of Bank One, NA in Chicago, Illinois, as Agent, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Borrower shall pay the principal of and accrued and unpaid interest on the Loans in full on the Facility Termination Date and shall make such mandatory payments as are required to be made under the terms of Article II of the Agreement.

The Lender shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Loan and the date and amount of each principal payment hereunder.

This Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement dated as of _____,_____ (which, as it may be amended or modified and in effect from time to time, is herein called the "Agreement"), among the Borrower, the lenders party thereto, including the Lender, and Bank One, NA, as Agent, to which Agreement reference is hereby made for a statement of the terms and conditions governing this Note, including the terms and conditions under which this Note may be prepaid or its maturity date accelerated. This Note is secured pursuant to the Collateral Documents and guaranteed pursuant to the Guaranties, all as more specifically described in the Agreement, and reference is made thereto for a statement of the terms and provisions thereof. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

_____

By:_____
Print Name:_____
Title:_____

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL
TO
NOTE OF _____,
DATED _____,

Date	Principal Amount of Loan	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance

EXHIBIT F

FORM OF COMPLETION CERTIFICATE

COMPLETION CERTIFICATE

To: Cal Dive/Gunnison Business Trust No. 2001-1

Wilmington Trust Company, as Trustee

Bank One, NA, as Agent for the Lenders

This Completion Certificate is delivered to you pursuant to Section 6.19.1 of the Credit Agreement, dated as of July 26, 2002 (the "Credit Agreement"), among Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, Energy Resource Technology, Inc., a Delaware corporation, Cal Dive International, Inc., a Minnesota corporation, Wilmington Trust Company, a Delaware banking corporation, the Lenders and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Agent. Capitalized terms used but not otherwise defined herein have the respective meanings specified in Article I to the Credit Agreement.

With respect to the Project and the Platform the Beneficiary hereby certifies that:

(i) The representations and warranties in the Loan Documents are true and correct with respect to the Platform and the Project as of the date hereof.

(ii) All amounts owing to any Person for the Construction of the Platform have been paid in full, including all amounts payable to any contractor under the Construction Contracts.

(iii) No changes or modifications were made to the Plans and Specifications or the Joint Operating Agreement relating to the Platform after the Documentation Date that have had or reasonably could have a Material Adverse Effect on the value, condition, use or useful life of the Platform or the Project as determined with reference to the Fair Market Sales Value of the Platform set forth, with respect to completion, in the Appraisal delivered to the Agent on or about November 8, 2001.

(iv) There are no defects to the Platform or the Project or any Parts thereof, which individually or in the aggregate, have caused or reasonably could cause the Fair Market Sales Value of the Platform or the Project in respect thereof to be materially less than the Fair Market Sales Value stated therefor with request to the Completion Appraisal delivered to the Agent on or about November 8, 2001.

(v) Completion has been achieved with respect to the Platform.

The Beneficiary has caused this Completion Certificate to be executed and delivered this ____ day of _____, _____.

ENERGY RESOURCE TECHNOLOGY, INC.

By: _____
Name: _____
Title: _____

EXHIBIT G

FORM OF CONSTRUCTION CERTIFICATE

CONSTRUCTION CERTIFICATE

To: Wilmington Trust Company, as Trustee

Bank One, NA, as Agent for the Lenders,

This Construction Certificate is delivered to you pursuant to Schedule 3 of the Amended and Restated Credit Agreement dated as of July 26, 2002 (the "Credit Agreement"), among Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, Energy Resource Technology, Inc., a Delaware corporation, Cal Dive International, Inc., a Minnesota corporation, Wilmington Trust Company, a Delaware banking corporation, the Lenders and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Agent. Capitalized terms used but not otherwise defined herein have the respective meanings specified in Article I to the Credit Agreement

The Beneficiary hereby certifies to the Agent for the benefit of the Lenders as follows:

1. This Construction Certificate is being delivered in connection with an Advance that the Beneficiary expects to request be made on _____, _____ (the "Current Advance") pursuant to a Borrowing Notice in the form of Exhibit 11 to the Credit Agreement.

2. The portion of the Current Advance that is to be made in connection with Construction Costs will be used solely for the payment of, or reimbursement for the payment of Construction Costs relating to the Project. The Construction Cost in connection with the Advance is $_____.

3. Intentionally Omitted.

4. All construction work for which funds are requested has been performed. This construction work includes the activities described on Schedule A hereto and relate to the Plans and Specifications also described therein. The information set forth in such Schedule A is substantially complete and is accurate.

5. To the Beneficiary's knowledge, no Force Majeure Event, Event of Loss , Casualty or Condemnation has occurred other than a Force Majeure Event, Event of Loss, Casualty or Condemnation of which the Beneficiary has provided written notice to the Agent; provided, however, that the Lenders shall not be obligated to fund any Advance unless all conditions set forth therefor in the Credit Agreement shall have been satisfied, whether or not the Beneficiary shall have previously disclosed the existence of such event.

6. All permits required by any Governmental Authority in connection with the Construction for which the Current Advance is being requested have been obtained.

7. No item for which payment is to be made from the Current Advance has heretofore been paid or reimbursed to any Obligor from the proceeds of any prior Advance.

8. All previous Advances received by any Obligor pursuant to Construction Certificates dated prior to the date hereof on account of Construction Costs have been applied in accordance with the Loan Documents and paid to the Persons entitled thereto in cash or by check.

9. Each Construction Milestone required to have been completed prior to the date of the Current Advance is substantially complete and each Construction Milestone required to have been completed in connection with previous Advances remains substantially complete.

10. All of the conditions set forth in Schedule 3 of the Credit Agreement are satisfied as of the date hereof and will be satisfied or waived upon the funding of the Current Advance.

The Beneficiary has caused this Construction Certificate to be executed and delivered by its Authorized Officer as of this ____ day of _____, ___ TO BE DELIVERED NOT LATER THAN THREE (3) DAYS PRIOR TO THE DATE OF THE CURRENT ADVANCE.

ENERGY RESOURCE TECHNOLOGY, INC.

By: _____
Name: _____
Title: _____

SCHEDULE A
TO FORM OF CONSTRUCTION CERTIFICATE

INFORMATION REQUIRED FOR
FUNDING OF ADVANCES

(i) Description of Construction activities.

(ii) Contractor or Contractors to receive payment in respect of the Advance.

(iii) Estimated Construction Costs for the Platform:
$_____.

(iv) Description of the Plans and Specifications relating to the Construction activities referenced in (i) above, the construction budget and anticipated disbursement schedule.

(v) Attached is evidence that Construction of the Platform is reasonably capable of being completed by the applicable Funding Period Termination Date, in accordance with the Plans and Specifications and the Joint Operating Agreement.

EXHIBIT H

FORM OF BORROWING NOTICE (AS DEFINED IN SECTION 2.9)
FUNDING REQUEST UNDER AMENDED AND RESTATED CREDIT AGREEMENT

Date: _____

To: Wilmington Trust Company, as Trustee

Bank One, NA, as Agent for the Lenders

This Funding Request is delivered to you pursuant to the Amended and Restated Credit Agreement dated as July 26, 2002 (the "Credit Agreement"), between Cal Dive International, Inc. et. al ("CDI") and Bank One, NA. Capitalized terms used but not otherwise defined herein have the respective meanings specified in the Credit Agreement.

CDI hereby notifies you and certifies to you that:

(i) CDI requests the making of an Advance in the amount of $_____ on _____ (the "Proposed Funding Date");

(ii) The Proposed Funding Date will be the Availability Date;

(iii) The interest shall be based on the LIBOR Rate of a 1 month period;

(iv) The estimated sales costs as of the Expiration Date for the Property and the Platform on the assumption that CDI will elect the Sale Option is NA.

In connection with such requested Advance, CDI hereby represents and warrants to you as follows:

(a) On the Proposed Funding Date, each and every representation and warranty of CDI contained in the Credit Agreement and in each of the other Loan Documents are true and correct in all material respects on and as of the Proposed Funding Date except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(b) Each Loan Document to which CDI is a party is in full force and effect with respect to CDI.

(c) On the Proposed Funding Date, no Default or Unmatured Default has occurred and is continuing and no Default or Unmatured Default of which CDI has knowledge and that has not been previously disclosed to Bank One NA has occurred and is continuing under Credit Agreement or, to the knowledge of CDI,

under any other Loan Document; provided, however, that Bank One NA shall not be obligated to fund any Advance if such a Default or Unmatured Default shall be continuing whether or not CDI shall have previously disclosed the existence thereof. No Default or Unmatured Default under the Credit Agreement or, to the knowledge of CDI, any other Loan Document, will occur as a result of or after giving effect to, the Advance requested hereby.

(d) After giving effect to the Advance requested hereby, the aggregate outstanding amounts of each of the Loans and Equity Amounts do not exceed the Commitment of the Lenders.

(e) All of the conditions precedent set forth in the Credit Agreement applicable to the Advance requested hereby have been satisfied or waived.

(f) CDI has duly performed and complied with all covenants, agreements and conditions contained in the Credit Agreement or in any other Loan Document required to be performed or complied with by it on or prior to the Proposed Acquisition Date.

The undersigned hereby certifies that he is the Chief Financial Officer of CDI, and that, as such he is authorized to execute and deliver this Funding Request on behalf of CDI.

CDI has caused this Borrowing Notice to be executed and delivered by its duly Authorized Officer this _____ TO BE DELIVERED NO LATER THAN 10:00 AM THREE (3) BUSINESS DAYS PRIOR TO THE PROPOSED FUNDING DATE.

Please wire transfer the proceeds of the Advance to the accounts specified by CDI in written notice to the Agent.

ENERGY RESOURCE TECHNOLOGY, INC.

By: _____

Name: A. Wade Pursell

Title: Chief Financial Officer

SCHEDULE 1

SUBSIDIARIES AND OTHER INVESTMENTS
(SEE SECTIONS 5.8 AND 6.14)

Investment In	Jurisdiction Organization	Owned By	Amount of Investment	Present Ownership
		SEE ATTACHED		

SCHEDULE 2

INDEBTEDNESS AND LIENS
(SEE SECTIONS 5.14, 6.11 AND 6.14)

Indebtedness Incurred By	Indebtedness Owed To	Property By	Maturity and Amount of Indebtedness

SEE ATTACHED

SCHEDULE 3

FUNDING CONDITIONS

(1) Conditions Precedent to each Advance. The obligations of the Lenders to make an Advance on each Borrowing Date are subject to satisfaction or waiver of the following conditions precedent, with all documents to be in form and substance acceptable to the Agent and the Lenders:

(i) Borrowing Notice. Each of the Agent and the Lenders shall have received a fully executed counterpart of the applicable Borrowing Notice, executed by the Borrower, in accordance with Section 2.8. Each of the delivery of a Borrowing Notice and the acceptance by the Borrower of the proceeds of such Advance shall constitute a representation and warranty by the Obligors that on the applicable Borrowing Date (both immediately before and after giving effect to the making of such Advance and the application of the proceeds thereof), the representations and warranties of the Obligors and the Trustee are true and correct.

(ii) Construction Certificate. With respect to any Construction Costs to be paid or reimbursed using the proceeds of such Advance, the Lenders and Agent shall have received, at least three (3) days prior to the applicable Borrowing Date, a Construction Certificate in the form of Exhibit G hereto (a "Construction Certificate"), together with all attachments thereto.

(iii) Governmental Permits, etc. The Lenders and Agent shall have received evidence satisfactory to it that all permits, licenses and consents required by any Governmental Authority in connection with the Construction for which the Advance is being requested have been obtained and are in full force and effect on the applicable Borrowing Date.

(iv) Fees. The Agent shall have received all fees due and payable pursuant to the Fee Letter, and each Lender shall have received all Commitment Fees due and payable pursuant to Section 2.5.

(v) Default. There shall not have occurred and be continuing any Default or Unmatured Default, and no Default or Unmatured Default will have occurred after giving effect to the making of the Advance requested by such Borrowing Notice.

(vi) Available Commitments. After giving effect to the applicable Advance, the aggregate amount of Advances shall not exceed the Aggregate Commitment.

(vii) Construction Costs. After giving effect to the applicable Advance, the Construction shall continue to be in compliance with the Approved Budget.

(viii) Construction Consultant's Report. The Agent and the Lenders shall have received a Construction Consultant's Report in connection with such Borrowing Date in form and substance satisfactory to each of them and, if the Advance is to occur during the months of March, June, September and December, commencing September, 2002, such

Construction Consultant's Report shall include a more detailed quarterly review of the Construction activities and progress.

(ix) Other Funding. Funds in respect of the aggregate amount of construction costs of the Platform not contemplated to be financed by the Lenders pursuant to the terms of this Agreement shall have been advanced (or otherwise provided) in an amount at least equal to the Construction Costs to be partially funded pursuant to the Advance requested pursuant to such Borrowing Notice.

(x) Evidence as to Costs and Expenses. Delivery to the Agent of evidence, in form and substance satisfactory to the Agent, to support the Construction Costs and transaction expenses to be funded pursuant to such Borrowing Notice.

SCHEDULE 4

INSURANCE REQUIREMENTS FOR PROJECT

(a) COVERAGE. Until the Obligations have been paid in full and the Liens of the Loan Documents have been released, the Borrower shall provide or cause to be provided insurance with respect to the Project and the Platform of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds in the amounts customarily insured against by such corporations, and carry such other insurance as is usually carried by such corporations; provided, that in any event Borrower shall maintain or cause to be maintained at all times:

(i) Commercial General Liability Insurance. Third-party legal liability coverage providing coverage against claims for third-party bodily injury, including death and third-party property damage occurring on, in or about the Platform or otherwise relating to this Agreement and the other Loan Documents (including pollution liability on sudden and accidental basis) in an amount at least equal to $25,000,000 per occurrence (it being agreed that Borrower shall, if commercially available, obtain an additional $25,000,000 in commercial general liability coverage within a reasonable time after the date hereof). Such commercial general liability insurance obtained by the Borrower shall be in addition to any insurance required to be maintained by the respective contractors or sub-contractors under the Material Construction Contracts. Subject to Section (b)(ii) of this Schedule 4, such coverage may be subject to deductibles up to an amount that is customarily carried by a company of similar size and engaged in business similar to Borrower and shall be otherwise acceptable to the Required Participants. The coverage required by this paragraph (a) may be provided in a combination of umbrella and excess liability policies.

(ii) Property Insurance. After Completion of the Platform and the Builder's Risk Insurance described in Section (a)(iv) to be maintained is no longer in place, insurance against loss or damage covering the Platform or any portion thereof and including control of well and re-drill coverage (a/k/a operator's extra expense coverage) by reason of any Casualty in an amount as is carried by corporations owning and/or operating similar properties (subject to such deductibles in such minimum amounts as is carried by corporations owning and/or operating similar properties except to the extent otherwise provided in Section (b)(ii)); provided, that at no time shall (x) the amount of such coverage be less than the replacement cost of the Platform and (y) the amount of the operator's extra expense portion of such coverage be less than $100,000,000, including any costs that may be required to cause the Platform to be reconstructed to comply with all Applicable Laws.

(iii) Workers' Compensation. Prior to Completion of the Platform, Borrower shall cause each Person performing under the Construction Documents and the Operator to, and following the Funding Period Termination Date, Borrower shall, in the construction of any modifications, alterations or additions to the Project or the Platform and the operation of the Project or the Platform, comply, or cause the Operator to comply, with the applicable Workers' Compensation laws and protect the Agent and the Lenders against the liability under such laws.

(iv) Builders' Risk Insurance. At all times prior to Completion of the Platform, Borrower shall at all times during the construction of any modifications, alterations or additions

to the Project or the Platform, maintain, or cause to be maintained, for the benefit of Agent and the Lenders, all-risk Builders' Risk Insurance in an amount equal to the greater of the replacement value of such modifications, alterations or additions to the Project or the Platform, as applicable, and the aggregate cost for the construction of same, including costs that may be required to cause the Platform to be constructed or reconstructed to comply with all Applicable Laws.

(v) Other Insurance. Such other insurance, in each case as is generally carried by Beneficiary or its Affiliates for similar properties owned or leased by any of them or by other owners of similar properties, in such amounts and against such risks as are then customary for properties similar in use.

(b) ADDITIONAL INSUREDS.

(i) The insurance coverage required in Section (a) shall be written by reputable insurance companies that are financially sound and solvent and otherwise reasonably appropriate considering the amount and type of insurance being provided by such companies. Any insurance company selected by Borrower shall be rated either (x) by A.M. Best's Insurance Guide or any successor thereto (or if there is no such successor, an organization acceptable to Agent and having a similar national reputation) and shall have a general policyholder rating of at least "A-" and a financial rating of at least "VII" (or, if A.M. Best has no successor, a comparable policy holder and financial rating) or (y) by Standard and Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor thereto (or if there is no successor to Standard and Poor's Ratings Services, an organization acceptable to Agent and having a similar national reputation) and shall have a rating of at least AA (if such insurance company is domiciled in the United States) or at least BBB (if such insurance company is domiciled in the United Kingdom or Bermuda)(or if there is no successor to Standard and Poor's Ratings Services, a comparable rating). In the case of liability insurance maintained by Borrower, such insurance shall name Agent (both individually and in its capacity as Agent), each of the Lenders, Wilmington Trust Company and Trustee (in both its corporate and individual capacities), as their respective interests shall appear, as additional insureds (collectively, the "ADDITIONAL INSUREDS"), and, in the case of property insurance, shall name Agent as sole loss payee. Each policy referred to in Section (a) shall provide that: (i) it will not be canceled, materially modified or its limits reduced, or allowed to lapse without renewal, except after not less than thirty (30) days' prior written notice to Agent; provided, that, if such cancellation, modification, reduction in limits or lapse is (x) the result of the non-payment of any insurance policy premium, such insurance policy may not be canceled, materially modified, its limits reduced or allowed to lapse without renewal, except after not less than ten (10) days' prior written notice to Agent; (y) the result of war risk, such insurance policy may not be canceled, materially modified, its limits reduced or allowed to lapse without renewal, except after not less than seven (7) days' prior written notice to Agent; and (z) the result of terrorism risk, such insurance policy may not be canceled, materially modified, its limits reduced or allowed to lapse without renewal, except after not less than fourteen (14) days' prior written notice to Agent; provided, further, that in the case of Section (b)(i)(y) or (z), such notice requirements may be adjusted from time to time by any insurance company providing coverage under this Schedule 4, upon written notice to the Agent, in order to make such provisions consistent with then current insurance industry standards; (ii) to the extent available on a commercially reasonable basis, the interests of the Additional Insureds shall not be invalidated by any act or negligence of or breach

of warranty or representation by Borrower or any other Person having an interest in the Project or the Platform; (iii) such insurance is primary with respect to any other insurance carried by or available to the Additional Insureds; (iv) the insurer shall waive any right of subrogation, setoff, counterclaim, or other deduction, whether by attachment or otherwise, against the Additional Insureds; (v) such policy shall contain a cross-liability clause providing for coverage of the Additional Insureds, as if separate policies had been issued to each of them; and (vi) such policy shall provide that none of the Additional Insureds shall have any obligation or liability for payment of any premiums, commissions, calls or assessments. Borrower shall notify Agent promptly of any policy cancellation, reduction in policy limits, or material modification or amendment.

(ii) The premium for which Borrower is responsible pursuant to the Joint Operating Agreement and any insurance maintained by the Borrower prior to the Funding Period Termination Date required pursuant to this Section (a) may be paid for (in applicable part) with Advances, subject to the terms and conditions set forth in this Agreement and to the extent amounts are set aside for such purpose in the Approved Budget. As of the date hereof, the maximum per occurrence deductible set forth in the policies of insurance obtained pursuant to this Schedule 4 is less than or equal to the aggregate amount set forth in the deductible contingency line items set forth in the Approved Budget with respect to the related insurance coverage.

(iii) Prior to the expiration of any required insurance hereunder or otherwise upon written request by Agent, Borrower shall deliver or cause to be delivered to Agent certificates of insurance, on a form and in content acceptable to Agent and its insurance consultant, evidencing that all insurance required by this Schedule 4 to be maintained is in effect.

(c) OTHER INSURANCE. In the event that the Borrower shall fail to maintain insurance as herein provided, any Additional Insured may at its sole option provide such insurance and, in such event, the Borrower shall, upon demand, reimburse such Additional Insured for the cost thereof, without waiver of any other rights such Additional Insured may have. Nothing in this Agreement shall be construed to prohibit the Agent or any Lender from insuring the Project or its interest therein at its own expense and for its exclusive benefit in an amount in excess of that required to be maintained by the Borrower hereunder, provided that such excess insurance in no way increases the cost or limits the availability of any insurance required to be maintained by the Borrower hereunder.

(d) DEDUCTIBLES. In the event that any amount is disbursed in respect of the insurance contingency line item established in the Approved Budget (each such amount, a "Deductible Disbursement Amount"), the Borrower hereby covenants and agrees that, with the consent of the Agent and in consultation with the Construction Consultant, it shall allocate an amount equal to such Deductible Disbursement Amount to the insurance contingency line item in the Approved Budget from contingency funds available in one or more other line items in the Approved Budget. Upon such allocation, the line items from which the Deductible Disbursement Amount is allocated shall be reduced by such amount and the Approved Budget so amended. In the event that the Borrower shall fail to make the allocation set forth above prior to the Borrowing Date next succeeding the Borrowing Date on which the Deductible Disbursement Amount was

disbursed, the Agent, in consultation with the Construction Consultant, shall make such allocation on behalf of the Borrower and the Approved Budget so amended.

SCHEDULE 5

PROJECT REPRESENTATIONS AND WARRANTIES

(i) AMENDMENTS. Neither the Joint Operating Agreement, the Development Plan or the current Annual Operating Plan (as each of those terms are defined in the Joint Operating Agreement) has been amended except as expressly permitted pursuant to the terms of this Agreement.

(ii) PERFECTION. The Obligors have taken or are in the process of taking all action as is necessary to cause the perfection of the security interest of the Agent and the Lenders in the Project and the Collateral.

(iii) PERFECTION. INFORMATION. All certificates, financial statements and other information as is required to be delivered to the Agent and/or the Lenders in connection with the satisfaction of the conditions precedent with respect to the date hereof or delivered in connection with the Platform and the transactions contemplated by the Loan Documents or the Lease Participation Agreement and the Operative Documents described therein is true and accurate in all material respects and there has been no material adverse change in such certificates, financial statements or other information since the date thereof.

(iv) INFORMATION PROVIDED TO CONSULTANTS. All information and materials which have been provided by the Beneficiary or the Parent Guarantor in connection with the Platform and the transactions contemplated by the Loan Documents or the Lease Participation Agreement and the Operative Documents described therein to the Appraiser, the Construction Consultant, the Engineering Consultant, the Environmental Consultant, the Reserve Engineer and the Insurance Consultant in connection with the reports to be delivered by them is true and accurate in all material respects on the date as of which such information and materials are dated or certified and are not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided.

(v) CONSTRUCTION CONTRACTS. The Beneficiary has delivered to the Agent copies of all Construction Contracts in effect as of the date hereof and all such Construction Contracts do not differ materially from the most recent drafts of such Construction Contracts delivered to the Agent.

(vi) APPROVED BUDGET. The Approved Budget remains in full force and effect, there has been no material change in the Approved Budget since the date of approval by the Lenders, and the Beneficiary is not aware of any fact or circumstance which could have a Material Adverse Effect on the ability of the Obligors to cause the construction of the Platform within the parameters set forth in the Approved Budget.

(vii) SUPPORT AGREEMENTS. The ownership and use of the Project by the Trust, the Trustee or the Certificate Holders does not require the execution by, or assignment to, any such party of any easement, utility, maintenance or other support agreements.

(viii) CONSTRUCTION OF PROPERTY, DESCRIPTION OF AND TITLE TO PROPERTY. On each Borrowing Date, all material approvals of any Governmental Authority necessary for the construction operation of the Platform have been received and are in full force and effect with respect to work performed or to be performed in connection with the Advance to be made on such Borrowing Date. On each Borrowing Date, after giving effect to the transactions contemplated hereby, the Trust will have good and marketable title to and ownership of Project related to the Advance made in connection with such Borrowing Date, free and clear of all Liens, except Permitted Project Liens.

(ix) COMPLIANCE WITH ENVIRONMENTAL PROTECTION REQUIREMENTS. On each Borrowing Date and until the Obligations have been paid in full, the Platform is in compliance in all material respects with all Environmental Laws which are applicable to the Platform including, without limitation, Environmental Laws pertaining to design and performance standards and quality criteria for air, water and reclamation, and the use, storage, disposal and transportation of Hazardous Substances. Lessee shall cause asbestos to be abated as required in connection with its Construction of the Platform, as applicable.

(x) PLATFORM. The contemplated use of the Platform by the Borrower and the Beneficiary and the Beneficiary's agents, assignees, employees, lessees, licensees and tenants will comply in all material respects with all Applicable Laws (including, without limitation, all zoning and land use laws and Environmental Laws) and Insurance Requirements.

(xi) PLANS AND SPECIFICATIONS. There is no action, suit or proceeding (including any proceeding in condemnation or eminent domain or under any Environmental Law) pending or, to the best knowledge of any Obligor, threatened with respect to the Platform which adversely affects the title to, or materially and adversely affects the use, operation or value of, the Platform or the Property. With respect to the Platform, all material licenses, approvals, authorizations, consents, permits (including, without limitation, building, demolition and environmental permits, licenses, approvals, authorizations and consents), easements and rights-of-way, including dedication, required for (x) the use, treatment, storage, transport, disposal or disposition of any Hazardous Substance on, at, under or from the Platform during the construction thereof, and (y) construction of such Platform in accordance with the related Plans and Specifications and the Construction Documents have either been obtained from the appropriate Governmental Authorities having jurisdiction or from private parties, as the case may be, or will be obtained from the appropriate Governmental Authorities having jurisdiction or from private parties, as the case may be, prior to the time required by such Governmental Authority or private party.

(xii) CONSTRUCTION MILESTONES. Each Construction Milestone required to have been completed prior to the applicable Borrowing Date is substantially complete and each Construction Milestone required to have been completed in connection with previous Advances on previous Borrowing Dates remains substantially complete.

SCHEDULE 6

COVENANTS OF PARENT GUARANTOR AND ITS SUBSIDIARIES

Section 1. Liens, Etc. Without limiting the provisions of the Loan Documents regarding the Property, neither the Parent Guarantor nor any of its Subsidiaries will create, assume, incur or suffer to exist, any Lien on or in respect of any of its property (whether real, personal, or mixed, tangible or intangible), including the Property (collectively, "CAL DIVE PROPERTY") whether now owned or hereafter acquired, or assign any right to receive income, except that the Parent Guarantor and its Subsidiaries may create, incur, assume or suffer to exist the following which are Permitted Project Liens:

(a) Permitted Project Liens;

(b) Liens for taxes, assessments, royalties or governmental charges or levies on Cal Dive Property to the extent such Liens (i) are Permitted Project Liens; (ii) are not delinquent; or (iii) are being contested in good faith and by appropriate proceedings and for which a reserve or other appropriate provision, if any, shall have been made in accordance with Agreement Accounting Principles;

(c) Liens securing the Indebtedness evidenced by the Revolving Credit Agreement and the Canyon Debt and refinancings of each such Indebtedness; provided that, the aggregate principal amount of such Indebtedness shall not be renewed, refinanced or extended if the amount of such Indebtedness so renewed, refinanced or extended exceeds $68,000,000, in the aggregate; and provided, further, that in no event will the Canyon Debt exceed in the aggregate $17,500,000, payable in 2003, 2004 and 2005;

(d) Liens imposed by law or contract, such as preferred maritime Liens incurred in the ordinary course of business (including liens for wages, tort, general average salvage, repair, supplies, towage, use of a drydock facility or marine railway, or other necessaries supplied to a vessel), carrier's, warehousemen's, mechanic's, materialmen's, repairmen's or other like Liens arising in the ordinary course of business (whether or not statutory) that are not delinquent or are being contested in good faith and by appropriate proceedings and for which a reserve or other appropriate provision, if any, shall have been made in accordance with Agreement Accounting Principles;

(e) deposits to secure the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature incurred in the ordinary course of business, including, any cash escrows or other similar obligations required by the MMS or the seller of an off-shore property in the ordinary course of its business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, leases, subleases, licenses, sublicenses, restrictions on the use of Cal Dive Property (other than the Property, except as otherwise expressly permitted pursuant to the Loan Documents) or minor imperfections in title thereto which, individually and in the aggregate, are not material in amount, and which do not in any case materially detract from the value of the Cal Dive Property

subject thereto or interfere with the ordinary conduct of the business of the Parent Guarantor or any of its Subsidiaries;

(g) Liens on Cal Dive Property of Persons which become Subsidiaries of the Parent Guarantor after the Documentation Date securing Indebtedness permitted hereby; provided that, (i) such Liens are in existence at the time the respective Persons become Subsidiaries of the Parent Guarantor and were not created in anticipation thereof; and (ii) the Indebtedness secured by such Liens (A) is secured only by such new acquired Cal Dive Property and not by any other assets of the Subsidiary acquired, and (B) is not increased in amount;

(h) Liens arising in the ordinary course of business out of pledges or deposits under workers' compensation laws, unemployment insurance, old age pensions or other social security or retirement benefits, or similar legislation or to secure public or statutory obligations of the Parent Guarantor;

(i) purchase money Liens or purchase money security interests upon or in any equipment (other than the Property) acquired or held by the Parent Guarantor or any of its Subsidiaries in the ordinary course of business prior to or at the time of the Parent Guarantor's or such Subsidiary's acquisition of such equipment; provided that, the Indebtedness secured by such Liens (i) was incurred solely for the purpose of financing the acquisition of such equipment, and does not exceed the aggregate purchase price of such equipment, (ii) is secured only by such equipment and not by any other assets of the Parent Guarantor and its Subsidiaries, (iii) is not increased in amount, and (iv) the aggregate principal amount of the indebtedness secured by the Liens permitted by this paragraph (i) shall not exceed $10,000,000;

(j) Liens securing Capitalized Lease Obligations to the extent such Indebtedness is permitted under Section 1(g) of this Schedule IV; provided that (i) each such Lien only encumbers the property acquired in connection with the creation of such Capitalized Lease and all proceeds therefrom and (ii) the fair market value of the collateral securing any such Indebtedness may exceed the outstanding principal amount of such Indebtedness only to the extent such excess is within customary commercial bank lending and collateralization requirements;

(k) Liens securing the MARAD Debt; provided that such Liens encumber only the Q4000 and related assets of Cal Dive1-Title XI, Inc. (a wholly-owned Subsidiary of Parent Guarantor);

(l) Liens granted by Deepwater on its assets, to secure the financing of the construction, installation and operation of the Marco Polo Project; provided that such Liens encumber only the such assets of Deepwater and secure only such financing;

(m) Liens granted by the Parent Guarantor, as a member of Deepwater, in favor of the administrative agent for the financing for the Marco Polo Project on the account holding distributions of up to an amount equal to the product of (1) $45,000,000 multiplied by (2) the Cal Dive Deepwater Interest from Deepwater to the Parent Guarantor (and the investments thereof) to secure the "clawback" obligations of the Parent Guarantor pursuant to a distribution agreement from the Parent Guarantor and El Paso Energy Partners, L.P. in favor of such

administrative agent and the applicable lenders (the "Deepwater Clawback Obligations"); provided that such Liens encumber only the such account and secure only such obligations; and

(n) Purchase money Liens securing Permitted Transaction Indebtedness obtained by the Parent Guarantor or the Beneficiary; provided that such Liens for a Permitted Transaction Indebtedness encumber only the assets or stock being acquired with the proceeds thereof and secure only such Permitted Transaction Indebtedness.

Section 2. Debts, Guaranties and Other Obligations. The Parent Guarantor will not, and will not permit any of its Subsidiaries to, create assume, suffer to exist or in any manner become or be liable, in respect of any Indebtedness except the following (including the matters described on Schedule 2):

(a) Indebtedness of the Borrower evidenced by the Loan Documents;

(b) intercompany Indebtedness incurred in the ordinary course of business owed (i) by any wholly-owned Subsidiary of the Parent Guarantor or Affiliate of the Parent Guarantor to the Parent Guarantor, and (ii) by the Parent Guarantor to any of its respective wholly-owned Subsidiaries; provided that, all intercompany Indebtedness between the Parent Guarantor and the Beneficiary shall be subordinated in payment and performance to the obligations evidenced by the Loan Documents on terms satisfactory to the Agent;

(c) Indebtedness secured by the Liens permitted under Section 1(c), (g), (i), (j), (k), (l), (m) and (n) of this Schedule 6;

(d) reimbursement obligations of the Parent Guarantor and its Subsidiaries in respect of any surety bonds or letters of credit otherwise permitted under the Revolving Credit Agreement issued to secure payment of any insurance premiums, regulatory obligations, or trust fund obligations for the Parent Guarantor or any of its Subsidiaries;

(e) unfounded vested liabilities under any Plan that would not reasonably be expected to have a Material Adverse Effect;

(f) Capitalized Lease Obligations provided that the aggregate principal amount of such Capitalized Lease Obligations shall not exceed $10,000,000;

(g) nonspeculative Financial Contract Obligations entered into in the ordinary course of business;

(h) other unsecured Indebtedness of the Parent Guarantor's Subsidiaries which may or may not be guaranteed by the Parent Guarantor provided that the aggregate principal amount of such Indebtedness shall not exceed $5,000,000;

provided, that the Parent Guarantor shall not permit the aggregate of all Indebtedness (excluding for this purpose, only the Revolving Credit Agreement, the Notes, the Canyon Debt and the Indebtedness described in clauses (l) and (m) of Section 1 of this Schedule 6) of the Parent Guarantor and its Subsidiaries to exceed $25,000,000 at any time.

Section 3. Merger or Consolidation; Asset Sales. Neither the Parent Guarantor nor any of its Subsidiaries will (a) merge or consolidate with or into any other Person or (b) sell, lease, transfer, or otherwise dispose of any of its Cal Dive Property (other than the sale of vessels worth less than $10,000,000, off-shore properties, or inventories built for sale (such as remote operating vehicles) in the ordinary course of business or the sale of obsolete or worn-out Cal Dive Property in the ordinary course of business; provided that such property is replaced with property of comparable utility) except that so long as after giving affect thereto no Default or Unmatured Default shall exist:

(a) Any corporation (other than the Beneficiary) may merge or consolidate with Parent Guarantor provided that the Parent Guarantor shall be the continuing or surviving corporation;

(b) Any wholly-owned Subsidiary of Parent Guarantor (other than the Beneficiary) may merge with any other wholly-owned Subsidiary of the Parent Guarantor;

(c) The Parent Guarantor and its Subsidiaries may sell, lease, transfer or otherwise dispose of any assets (other than the Project) outside the ordinary course of business; provided that, the Net Cash Proceeds received by the Parent Guarantor or such Subsidiary from all such sales shall either (A) be re-invested by the Parent Guarantor or such Subsidiary in replacement assets of comparable utility within six months of the date received or (B) do not exceed $10,000,000 for any single transaction or, in the aggregate, for any series of related transactions; and

(d) The Beneficiary may sell or cause the Borrower to sell all of the Project as long as prior to or contemporaneously with such sale, the Borrower shall pay in full the outstanding principal balance of the Loan, together with all accrued interest thereon and all other amounts owed hereunder or under any of the other Loan Documents.

(e) The Parent Guarantor and the Beneficiary may (but the Borrower shall not) acquire from time to time the stock of a company, as long as the provisions of Sections 1(n) and 2(c) are satisfied with respect thereto.

(f) The Parent Guarantor may sell all or any portion of its interest in Deepwater. Upon each such sale (if any), it shall promptly notify the Agent in writing of such sale, which notice shall specify the interest sold and its remaining interest in Deepwater.

(g) The Beneficiary may sell or cause the Borrower to sell up to (but not more than) 50% of the Project upon the following conditions:

(1) Partial Purchase Option. Notwithstanding any other provision to the contrary contained in the Loan Documents and subject to the fulfillment of each of the conditions set forth in this Section 3(g) below, the Beneficiary shall have the one (1) time option (the "Partial Purchase Option") to cause to be purchased by a third party purchaser which is not an Affiliate of the Beneficiary (the "Partial Option Purchaser") up to (but not more than) 50% of the Project for an amount equal to the portion (expressed as a percentage of the Project) (the "Partial Option Percentage") of the Project that the Beneficiary has elected to sell (the "Partial Option Property") multiplied by the

outstanding principal balance of the Obligations as of Partial Option Closing Date (the "Partial Option Purchase Price").

(2) Conditions. The Beneficiary's effective exercise and consummation of the Partial Purchase Option shall be subject to the due and timely fulfillment of each of the following conditions:

(i) The Beneficiary shall provide the Agent with a written notice of its election to exercise the Partial Purchase Option which notice shall specify (x) the date (the "Partial Option Closing Date") upon which the Partial Purchase Option is expected to be consummated (the "Partial Option Closing"); (y) the identity of the Partial Option Purchaser; and (z) the Partial Option Property; provided, that (i) the Partial Purchase Option must be consummated prior to the date that is 365 days prior to the Lease Termination Date; and (ii) the Partial Option Closing Date shall not be less than thirty (30) days nor more than ninety (90) days after the date that Agent receives Beneficiary's written notice of its election to exercise the Partial Purchase Option;

(ii) No Default or Unmatured Default shall exist on the date of the exercise of the Partial Purchase Option, and no Default or Unmatured Default shall exist at any time between the date of such exercise and the Partial Option Closing;

(iii) The Beneficiary shall have provided to the Agent a true, correct and complete copy of the agreement of purchase and sale (the "Partial Option Purchase Agreement"), pursuant to which Beneficiary has agreed to cause to be sold to the Partial Option Purchaser and such Partial Option Purchaser has agreed to purchase, the Partial Option Property;

(iv) The Beneficiary shall have provided the Agent with evidence that Kerr-McGee and Nexen Petroleum Offshore U.S.A., Inc. have each consented to (i) the Partial Option Purchase Agreement and the transaction contemplated by the Partial Option Purchase Agreement and (ii) the admission of the Partial Option Purchaser as a party to the Joint Operating Agreement;

(v) The Beneficiary shall have paid or caused to be paid to the Agent (for distribution pursuant to Section 5(d)(xi)), out of Beneficiary's or the Partial Option Purchaser's funds (and not from Advances), the sum of (x) the Partial Option Purchase Price, and (y) all costs and expenses incurred by the Agent, the Borrower, the Trustee and the Lenders in connection with the Partial Option Closing and the preparation, execution and delivery of the documents evidencing Partial Purchase Option transaction (including the matters described in Section 3(g)(2)(vi) and Section 3(g)(3), including, all reasonable attorneys' fees and expenses incurred in connection with such transaction; and

(vi) The Beneficiary shall have provided the Agent with such other documents, instruments, information, agreements, consents, opinions of counsel and assurances, including, without limitation, any amendments to the Joint Operating

Agreement or any of the Construction Documents, as may from time to time be reasonably requested by the Agent in connection with the Partial Purchase Option.

(3) Transfer. Subject to the satisfaction of each of the conditions set forth in Section 24(a), at the Closing, the Borrower shall transfer to the Partial Option Purchaser by a quitclaim bill of sale, all of the Borrower's right, title and interest in and to the Partial Option Property on an "as is" "where is" and "with all faults" basis, without representation or warranty. The Agent, as appropriate, shall also execute and deliver any appropriate and required partial releases of the Liens of (w) the Assignment of Leases and Rents, (x) the Lender Mortgage, (y) related UCC Financing Statements and (z) such other Loan Documents as Beneficiary shall reasonably require. Each of the foregoing documents and instruments shall be acceptable, in form and substance, to the Agent.

(4) Failure to Close. Beneficiary acknowledges and agrees that if for any reason the Partial Purchase Option Closing is not consummated on the Partial Option Closing Date then, the portion of the Loans equal to the Partial Option Purchase Price will accrue interest at the Alternate Base Rate plus the applicable spread until such time as Beneficiary elects or is otherwise able to convert such rate of interest to the Eurodollar Rate plus the applicable spread pursuant to the Loan Documents.

(5) Sale of Working Interest. Beneficiary covenants and agrees that it shall not directly or indirectly sell, convey, assign, transfer, encumber, or alienate all or any portion of its Working Interest (as defined in the Joint Operating Agreement); provided, that: (a) Beneficiary may sell a portion of its Working Interest to the Partial Option Purchaser in conjunction with the consummation of the Partial Purchase Option under Section 24 of this Participation Agreement (it being understood and agreed that Beneficiary shall only be entitled to sell to the Partial Option Purchaser a percentage of its Working Interest that is equal to and in the same proportion as the Partial Option Percentage); and (b) Beneficiary may sell its Working Interest contemporaneously with its purchase of the Property pursuant to Section 6(e) of the Lease.

Section 4. Investments. Neither the Parent Guarantor nor any of its Subsidiaries will make or permit to exist any loans, advances or capital contributions to, or make any investment in, or purchase or commit to purchase any stock or other securities or evidences of indebtedness of or interests in any Person, or pay management fees to any other Person, except for:

(a) loans, advances capital contributions or investments in any Subsidiary of Parent Guarantor in existence on the Documentation Date;

(b) Liquid Investments;

(c) intercompany loans between the Parent Guarantor and any of its Subsidiaries satisfying the requirements of Section 2(b) of this Schedule 6; and

(d) the acquisition by the Parent Guarantor or any of its Subsidiaries, in a single transaction or any series of related transactions, of any Person or the business or all or substantially all of the assets of any such Person, or any division of any such Person, whether through investment, purchase of assets, merger or otherwise, including, but not limited to, in any transaction pursuant to which any such Person that was not theretofore a Subsidiary of the Parent

Guarantor, becomes a Subsidiary of the Parent Guarantor and is consolidated with the Parent Guarantor for financial reporting purposes; provided however, in the case of any transaction subject to this clause (d), that, after giving effect to such transaction on a pro forma basis, no Default or Unmatured Default exists or would be caused thereby.

Section 5. Transactions With Affiliates. The Parent Guarantor has, in the past, and expects, in the future, to engage in certain types of transactions with its Affiliates involving offshore drilling and other related transactions. In those and other transactions, neither the Parent Guarantor nor any of its Subsidiaries shall, directly or indirectly, enter into or permit to exist any transaction or series of transactions (including, but not limited to, the purchase, sale, lease or exchange of Cal Dive Property, the making of any investment, the giving of any guaranty or the rendering of any service) with any of their Affiliates other than the Parent Guarantor or a wholly-owned Subsidiary of the Parent Guarantor unless such transaction or series of transactions is on terms no less favorable to the Parent Guarantor or such Subsidiary than those that could be obtained in a comparable arm's length transaction with a Person that is not such an Affiliate.

Section 6. Restricted Payments. Neither the Parent Guarantor nor any of its Subsidiaries shall make any Restricted Payments except that the Subsidiaries of the Parent Guarantor may make Restricted Payments to the Parent Guarantor or any other Subsidiary of Parent Guarantor.

Section 7. Maintenance of Ownership of Subsidiaries. Except as permitted by Section 3, the Parent Guarantor will not, and will not permit any of its Subsidiaries to, sell or otherwise dispose of any shares of capital stock of any of the Parent Guarantor's Subsidiaries or permit any Subsidiary of the Parent Guarantor to issue, sell or otherwise dispose of (other than to Parent Guarantor) any shares of its capital stock or the capital stock of any of the Parent Guarantor's Subsidiaries.

Section 8. Agreements Restricting Liens and Distributions. The Parent Guarantor will not, nor will it permit any of its Subsidiaries to, enter into any agreement which (a) except with respect to specific Cal Dive Property encumbered to secure payment of Indebtedness related to such Cal Dive Property which encumbrance and Indebtedness are permitted under Section 1 and Section 2, respectively, of this Schedule IV, imposes restrictions greater than those under the Loan Documents upon the creation or assumption of any Lien upon such Cal Dive Property, revenues or assets, whether now owned or hereafter acquired or (b) limits Restricted Payments to or any advance by any of the Parent Guarantor's Subsidiaries to the Parent Guarantor.

Section 9. Cash Flow Leverage Test. The Parent Guarantor will not permit its Cash Flow Leverage Ratio to be greater than (i) 3.00 to 1.00 from the date hereof through September 30, 2003 and (ii) 2.75 to 1.00 thereafter; provided that upon delivery by the Parent Guarantor to the Agent of a written amendment to the Revolving Credit Agreement which has been fully executed, together with a certification from the Parent Guarantor that such amendment is in full force and effect, if such amendment modifies the cash flow leverage ratio test in the Revolving Credit Agreement, the Agent will cause the foregoing test to be revised to provide that the Parent Guarantor will not permit its Cash Flow Leverage Ratio to be greater than the lesser of (I) 3.25 to

1.00 and (II) the corresponding ratio provided in such amendment to the Revolving Credit Agreement.

Section 10. Balance Sheet Leverage Test. The Parent Guarantor will not permit its Balance Sheet Leverage Ratio to be greater than (i) 50% from the Documentation Date through September 30, 2003 and (ii) 45% thereafter.

Section 11. Minimum Interest Coverage Test. The Parent Guarantor will not permit its Interest Coverage Ratio to be less than 2.50 to 1.00.

Section 12. Fixed Charge Coverage Test. The Parent Guarantor will not permit its Fixed Charge Coverage Ratio to be less than 1.75 to 1.00.

Section 13. Deepwater Gateway, L.L.C. Parent Guarantor will not invest, directly or through any one or more Subsidiaries or Affiliates, more than $41,000,000 in the aggregate in Deepwater, and such investment in Deepwater shall not exceed the product of (1) $82,000,000 multiplied by (2) the Cal Dive Deepwater Interest at any time and from time to time.

SCHEDULE 7

NOTICE ADDRESSES

1. WILMINGTON TRUST COMPANY

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration Department

2. CAL DIVE INTERNATIONAL, INC. OR ENERGY RESOURCE TECHNOLOGY, INC.

400 N. Sam Houston Parkway E., Suite 400
Houston, Texas 77060
Attn: General Counsel

3. ENERGY RESOURCE TECHNOLOGY, INC.

400 N. Sam Houston Parkway E., Suite 400
Houston, Texas 77060
Attn: General Counsel

4. BANK ONE, NA, AS AGENT ON BEHALF OF THE LENDERS

Bank One, NA
One Bank One Plaza
Suite 0088
Chicago, IL 60670

5. BANC ONE LEASING SERVICES CORPORATION

Banc One Leasing Services Corporation
One Bank One Plaza
Suite 0088
Chicago, IL 60670

6. CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1

c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration Department

SCHEDULE 8

LIST OF TRANSACTION DOCUMENTS

1) The Agreement.

2) The Note.

3) The Parent Guaranty.

4) The Beneficiary Guaranty.

5) The Construction Documents Assignment.

6) That certain Amended and Restated Mortgage and Collateral Assignment of Rent by Cal Dive/Gunnison Business Trust No. 2001-1 (the "Mortgage") dated as of the date hereof and executed by Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, and Bank One, NA, as agent on behalf of the Lenders, as further amended, modified, supplemented, restated or replaced from time to time.

7) That certain Amended and Restated Deed of Trust, Fixture Filing, Security Agreement and Financing Statement (the "Deed of Trust") dated as of the date hereof and executed by Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, as Grantor, and Bank One, NA, a national banking association, as Agent on behalf of the Lenders, as Beneficiary, as further amended, modified, supplemented, restated or replaced from time to time. The Amended Mortgage and the Deed of Trust are referred to collectively as (the "Lender Mortgages").

8) That certain Amended and Restated Trust Agreement (the "Trust Agreement") dated as of the date hereof and executed by Energy Resource Technology, Inc. as Sole Beneficiary and Wilmington Trust Company as Trustee, as further amended, modified, supplemented, restated or replaced from time to time.

9) That certain Amended and Restated Assignment of Leases and Rents (the "Assignment of Leases and Rents") dated as of the date hereof and executed by Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, as Borrower, as further amended, modified, supplemented, restated or replaced from time to time.

10) That certain Amended and Restated Construction Agency Agreement Assignment (the "Construction Agency Agreement Assignment") dated as of the date hereof and executed by Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust, as Borrower, as further amended, modified, supplemented, restated or replaced from time to time.

11) That certain UCC Financing Statement naming Cal Dive/Gunnison Business Trust No. 2001-1, as Debtor, and Bank One, NA, as Agent, as Secured Party filed with the

Delaware Secretary of State as File No. 1145071 2 on November 13, 2001 and filed with the MMS in New Orleans, LA on December 13, 2001, as amended and restated by Cal Dive/Gunnison Business Trust No. 2001-1, the Debtor authorizing the amendment, and filed with the Delaware Secretary of State and the MMS in New Orleans, Louisiana (the "UCC Financing Statements").

12) That certain Amended and Restated Extract of Foreign Trust (the "Extract of Foreign Trust") dated as of the date hereof and executed by Wilmington Trust Company, a Delaware banking corporation (not in its individual capacity but solely as trustee under the Trust Agreement).

SCHEDULE 9

DESCRIPTION OF PLATFORM PLANS AND SPECIFICATIONS

The Gunnison spar production platform is a 98-foot diameter cylinder, approximately 549 feet in length, with a draft of about 499 feet and freeboard of 50 feet. It is a floating structure, which supports topsides with a capacity of 40,000 BOPD and 200 MMCFD. It is securely moored in place with a 9-leg mooring system consisting of wire and chain elements and anchor piles permanently installed in the sea floor. GUNNISON SPAR PRINCIPAL CHARACTERISTICS are shown in Table 1.

The estimated time to design, construct, install and hook up the spar production facility is 24-27 months. Engineering design, which occupies the first 2 months of this period, was initiated during September 2001. Thus it is anticipated that the spar can be installed in August/September of 2003 with first production by January 2004.

The upper portion of the spar hull consists of watertight compartments designed to withstand hydrostatic pressure which provide the buoyancy to support the structure. Double hull construction is used for 50 feet above and 20 feet below the waterline. The middle section of the hull is a truss structure constructed of tubular steel members. The bottom portion or keel of the hull contains the soft ballast tank. This tank provides the necessary buoyancy for the horizontal towout. Once installed the soft tank is filled with a slurry of magnetite (fixed ballast) to provide the necessary weight distribution for optimum stability of the spar.

The square centerwell is 42 feet by 42 feet and runs through the length of the hull. Production risers are installed on 11-foot centers in the centerwell and are supported by individual cylindrical buoyancy modules called air cans, located within the production riser guide frames. These air cans include stem sections that protect the riser for the full length of the hull. The production risers consist of 9-5/8" diameter pipe from the seafloor to the buoyancy cans. They are secured to the wellhead with tieback connectors.

In addition to providing for the production risers, the centerwell provides the space for the subsea risers and the export pipeline risers. The risers are brought through the keel of the hull and up through the truss and tanks via guides that are installed in the structure. Either flexible pipe or Steel Catenary Risers (SCR'S) will be installed. Current design configuration provides for risers as follows:

16" or 18" oil export line
16" or 18" gas export line
8 - 6" or 8" risers with 4 umbilicals
2 - 12" import risers or an 8" subsea pair with umbilical.

Current plans call for the initial installation of the two export lines, four 6" risers and two umbilicals. The two 12" risers provide the capability for accepting future large volume production imports from others while the remaining four 6" or 8" risers will be used for tieback of nearby future subsea wells.

The hull supports a three-level deck. The top deck measures 112 feet by 159 feet and is designed to support a 1,500 HP workover rig. This rig will be used for completion and well workover activity. Any equipment installed on the top deck will have to be removed during rig activity. The mid-level Production Deck measure 127 feet by 162 feet while the lower level Cellar Deck measures 127 feet by 176 feet. These two lower decks contain all the equipment necessary to process well fluids to pipeline quality. The major production equipment have been designed and will be fabricated to sit atop the spar hull on the cellar and production decks. The equipment will consist of modular and skid mounted equipment as necessary to process the produced fluids. A Preliminary Gunnison Equipment List is attached as Table 2.

The facility will include a 20-man permanent living quarters to house operations personnel and provide office space for workers and visiting personnel. The anticipated manning level at this time is approximately 13 individuals. The operational base is anticipated to be located in Galveston, Texas. During workover or construction activities, four 12-man temporary sleeper buildings may be added to the top deck to sustain 68 total people on board. Two 80-man survival craft are a permanent part of the production facility as mandated by the United States Coast Guard rules. An 8-man rescue boat and life rafts to accommodate 80 people are also included on the facility. The helideck is 52-feet square and rated for a large Bell ST214 helicopter with a take-off weight of 26,250 pounds including a 50% impact loading.

Wellheads are at about the production deck level and are connected to the production manifolds with flexible jumper lines.

The spar hull will be classed as a Floating Offshore Installation (FOI) by the American Bureau of Shipping (ABS). This classification process assures that the structural and mechanical systems are fit for their intended service. This is accomplished by ABS review of the design and inspection during the fabrication process. ABS and industry standards are used as the basis for the design and inspection. ABS will also function as the Certified Verification Agency (CVA) for the permits required by the Minerals Management Service (MMS) and US Coast Guard. The topsides will not be classed.

Environmental criteria have been established for use in the design of the hull, mooring and riser systems. These criteria were developed from available industry and Joint Industry Project databases with the assistance of a consultant.

The Platform includes the entire floating facility including the spar hull, topsides, quarters, machinery, equipment, production systems, flare, pedestal cranes, hoists, generators, pumps, compressors, control systems, appliances, furniture, spare and replacement parts and the complete mooring system including the suction piles installed in the sea floor. The Platform also includes the dry tree risers and associated jumpers beginning at the UWD-15 wellhead at the sea floor, but not including the subsea wellhead.

The Platform does not include the subsea oil and gas wells, the subsea wellheads, the subsea tiebacks, the workover rig, any import or export pipeline on the sea floor, the import risers below the keel joint receptacle, the steel catenary export risers below the keel joint hang-off basket, the subsea umbilicals below the topside umbilical termination assembly, and the flowlines below the flexible flowline hang-off assembly.

Table 1

Gunnison Spar Topsides, Hull and Moorings
Principal Characteristics

LOCATION		
Block	GB 668	
Water Depth	3,122	FT
TOP-TENSIONED RISERS		
RISERS	6	
Slots provided	9	
STEEL CATENARY RISERS Redacted-Not Part of the "Platform"		
TOPSIDES		
Oil Rate	40	Mbopd
Gas Rate	200	Mmscfd
Operating Weight	10,770	s. tons
Workover Deck	112 X 159	ft x ft
Main Deck	127 X 162.5	ft x ft
Cellar Deck	127 X 176.3	ft x ft
Spar Hull		
Diameter	98	Ft
Centerwell size	42 x 42	ft x ft
Length overall	549	ft
Freeboard	50	ft
Draft	499	ft
Hard tank depth	182	ft
Truss length	300	ft
Keel tank length	17	ft
Hull Weight	13,721	s. tons
Fixed Ballast Weight	8,250	s. tons
SCR Weight (initial + future)	1,112	s. tons
Mooring System		
Number of lines (3 x 3 grouping)	9	
Chain size (studless)	5.59	in
Spiral strand size (sheathed)	4.92	in
Total line length (below fairlead)	3,925 to 4,844	ft

SCHEDULE 10

AUTHORIZED OFFICERS OF EACH OBLIGOR

Authorized Officers of the Borrower

Please See Attached.

Authorized Officers of the Beneficiary

Owen Kratz
Johnny Edwards
A. Wade Pursell
James Lewis Connor, III

Authorized Officers of the Parent Guarantor

Owen Kratz
Martin R. Ferron
S. James Nelson, Snr.
A. Wade Pursell
James Lewis Connor, III

SCHEDULE 11

CONSTRUCTION MILESTONES

Please See Attached.

CREDIT AGREEMENT

DATED AS OF JULY 26, 2002

AMONG

CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1,
A DELAWARE BUSINESS TRUST,

ENERGY RESOURCE TECHNOLOGY, INC.,
A DELAWARE CORPORATION,

CAL DIVE INTERNATIONAL, INC.,
A MINNESOTA CORPORATION,

THE LENDERS,

BANK ONE, NA
AS AGENT

AND

BANC ONE CAPITAL MARKETS, INC.
AS LEAD ARRANGER AND SOLE BOOK RUNNER

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EXHIBIT 4.13

FIRST AMENDMENT

This First Amendment (this "First Amendment") dated as of January 7, 2003 is entered into by and among Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust (the "Borrower"), Energy Resource Technology, Inc., a Delaware corporation (the "Beneficiary"), Cal Dive International, Inc., a Minnesota corporation (the "Parent Guarantor"), the Lenders party to the Amended and Restated Credit Agreement referred to below, and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as agent for such Lenders. The parties hereto agree as follows:

WHEREAS, the Borrower, the Beneficiary, the Parent Guarantor, Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as agent for such Lenders, entered into that certain Amended and Restated Credit Agreement dated as of July 26, 2002 (the "Agreement"); and

WHEREAS, the Borrower desires to issue preferred stock and in connection therewith has requested certain amendments to the Agreement; and

WHEREAS, as a result, the parties hereto desire to amend the Agreement in certain respects as more fully described herein;

NOW, THEREFORE, in consideration of the undertakings set forth herein and other good and valuable consideration, the parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS. Capitalized terms used and not otherwise defined in this First Amendment shall have the meanings attributed to them in Article I of the Agreement.

SECTION 2. AMENDMENT OF AGREEMENT. Upon the satisfaction of the conditions precedent set forth in Section 4 of this First Amendment but effective as of the date hereof, the Agreement shall be amended as follows:

(i) Article I of the Agreement is hereby amended by adding thereto between the definitions of "Appraiser" and "Approved Budget" the following new definition of "Fletcher Preferred Stock":

"'Approved Preferred Stock' means cumulative, convertible preferred stock of the Parent Guarantor having an aggregate liquidation preference of no more than $55,000,000."

(ii) The definition of "Fixed Charge Coverage Ratio" set forth in Article I of the Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new definition of "Fixed Charge Coverage Ratio":

"'Fixed Charge Coverage Ratio' means, with reference to the periods referred to below, on a consolidated basis for the Parent Guarantor and its Consolidated Subsidiaries, the ratio of Income from Operations to Interest Expense plus scheduled payments of principal plus the aggregate amount of cash dividends declared or paid on any preferred stock of the Parent Guarantor, for the three-month period ending March 31, 2002, the six-month period ending June 30, 2002, the nine-month period ending September 30, 2002, and thereafter on a rolling four-quarter basis, calculated as of the last day of each such period; provided, however, that for the three-month period being March 31, 2002 up to $3,000,000 of capitalized interest for the MARAD Debt shall not be included in calculating Interest Expense. For purposes of this definition, the interest expense on the liabilities described in Section 1(l) of Schedule 6 shall be excluded."

(iii) The definition of "Interest Coverage Ratio" set forth in Article I of the Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new definition of "Interest Coverage Ratio":

"'Interest Coverage Ratio' means, on any day, the ratio of (a) EBIT to (b) Interest Expense plus the aggregate amount of cash dividends declared or paid on any preferred stock of the Parent Guarantor for the period of four consecutive fiscal quarters of the Parent Guarantor ending on the last day of the most recent fiscal quarter of the Parent Guarantor. For purposes of this definition, the interest expense on the liabilities described in Section 1(l) of Schedule 6 shall be excluded."

(iv) Section 6.10 is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new Section 6.10:

"6.10. Dividends and Redemptions. The Parent Guarantor will not, nor will it permit any of its Subsidiaries to, declare or pay any dividends or make any distributions on its capital stock or redeem, repurchase or otherwise acquire or retire any of its capital stock at any time outstanding, except the following:

(a) any Subsidiary of the Parent Guarantor may declare and pay dividends or make distributions to the Parent Guarantor or to a Wholly-Owned Subsidiary of the Parent Guarantor;

(b) the Parent Guarantor may declare and pay dividends on the Approved Preferred Stock by issuing shares of its common stock;

(c) the Parent Guarantor may redeem, repurchase, acquire or retire shares of the Approved Preferred Stock in exchange for shares of its common stock; and

(d) the Parent Guarantor may declare and pay cash dividends on the Approved Preferred Stock provided that (i) both the declaration and

payment of any such dividend occur within the same fiscal quarter of the Parent Guarantor, (ii) no Default or Unmatured Default shall exist before or after giving effect to any such declaration for payment or be created as a result thereof, and (iii) the aggregate amount of cash dividends declared on the Approved Preferred Stock during any fiscal quarter of the Parent Guarantor does not exceed the maximum amount of cash dividends which could have been declared paid on the Approved Preferred Stock during the immediately preceding fiscal quarter of the Parent Guarantor (calculated without taking into account any of the cash dividends actually paid on the Approved Preferred Stock during such fiscal quarter) without violating either Section 11 or Section 12 of Schedule 6."

(v) Section 6 of Schedule 6 is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new Section 6:

"Section 6. INTENTIONALLY DELETED."

(vi) Section 8 of Schedule 6 is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new Section 8:

"Section 8. Agreements Restricting Liens and Distributions. The Parent Guarantor will not, nor will it permit any of its Subsidiaries to, enter into any agreement which (a) except with respect to specific Cal Dive Property encumbered to secure payment of Indebtedness related to such Cal Dive Property which encumbrance and Indebtedness are permitted under Section 1 and Section 2, respectively, of this Schedule IV, imposes restrictions greater than those under the Loan Documents upon the creation or assumption of any Lien upon such Cal Dive Property, revenues or assets, whether now owned or hereafter acquired, (b) limits the declaration or payment of dividends or any other distribution on any of the capital stock of, or any redemption, repurchase or other acquisition or retirement of any of the capital stock of, any of the Parent Guarantor's Subsidiaries, or (c) limits any loan or advance by any of the Parent Guarantor's Subsidiaries to the Parent Guarantor."

SECTION 3. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders to execute and deliver this First Amendment, each of the Borrower, the Beneficiary, the Parent Guarantor, the Trustee and Wilmington Trust Company hereby confirms, reaffirms and restates as of the date hereof its respective representations and warranties set forth in Article V and/or Sections 5A.1 and 5A.3 of the Agreement provided that such representations and warranties shall be and hereby are amended as follows: each reference therein to "this Agreement" (including, without limitation, each such a reference included in the term "Loan Documents" and all indirect references such as "hereby", "herein", "hereof" and "hereunder") shall be deemed to be a collective reference to the Agreement, this First Amendment and the Agreement as amended by this First Amendment. A Default under and as defined in the Agreement as amended by this First Amendment shall be deemed to have occurred if any representation or warranty made

pursuant to the foregoing sentence of this Section 3 shall be materially false as of the date on which made.

SECTION 4. CONDITIONS PRECEDENT. This First Amendment and the waivers and amendments provided for herein shall become effective as of the date hereof on the date on which the Agent shall have (i) executed a counterpart of this First Amendment, and (ii) received one or more counterparts of this First Amendment executed by the Borrower, the Beneficiary, the Parent Guarantor, Wilmington Trust Company and the Required Lenders.

SECTION 5. EFFECT ON THE AGREEMENT. Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Agreement and the other Loan Documents (i) shall remain unaltered, (ii) shall continue to be, and shall remain, in full force and effect in accordance with their respective terms, and (iii) are hereby ratified and confirmed in all respects. Upon the effectiveness of this First Amendment, all references in the Agreement (including references in the Agreement as amended by this First Amendment) to "this Agreement" (including, without limitation, each such a reference included in the term "Loan Documents" and all indirect references such as "hereby", "herein", "hereof" and "hereunder") shall be deemed to be a collective reference to the Agreement as amended by this First Amendment.

SECTION 6. CONFIRMATION GUARANTIES. Without limiting the provisions of Section 5 of this First Amendment, (i) the Parent Guarantor hereby (a) confirms and agrees that none of the terms of this First Amendment or any other agreement or document executed in connection herewith or contemplated herein shall release, discharge, or otherwise limit or affect in any manner any of its obligations under the Parent Guaranty, (b) confirms and agrees that the term "Credit Agreement" as used and defined in the Parent Guaranty shall mean and include the Agreement as amended by this First Amendment, and (c) ratifies and confirms the Parent Guaranty and all of its obligations thereunder, and (ii) the Beneficiary hereby (a) confirms and agrees that none of the terms of this First Amendment or any other agreement or document executed in connection herewith or contemplated herein shall release, discharge, or otherwise limit or affect in any manner any of its obligations under the Beneficiary Guaranty, (b) confirms and agrees that the term "Credit Agreement" as used and defined in the Beneficiary Guaranty shall mean and include the Agreement as amended by this First Amendment, and (c) ratifies and confirms the Beneficiary Guaranty and all of its obligations thereunder.

SECTION 7. EXPENSES. The Borrower shall reimburse the Agent for any and all reasonable costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, review, execution and delivery of this First Amendment.

SECTION 8. ENTIRE AGREEMENT. This First Amendment, the Agreement as amended by this First Amendment and the other Loan Documents embody the entire agreement and understanding between the parties hereto and supersede any and all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

SECTION 9. HEADINGS. The headings, captions, and arrangements used in this First Amendment are for convenience only and shall not affect the interpretation of this First Amendment.

SECTION 10. GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

SECTION 11. INSTRUCTIONS TO TRUSTEE. By signing this First Amendment, the Beneficiary hereby (i) acting pursuant to Section 6.6 of the Trust Agreement, authorizes and directs the Trustee to execute and deliver this First Amendment, and (ii) confirms that all action taken by the Trustee in connection with this authorization and direction is covered by the indemnification, fee and expense reimbursement provisions set forth in Sections 5.2 and 5.3 of the Trust Agreement.

SECTION 12. LIMITATION OF LIABILITY OF OWNER TRUSTEE. It is expressly understood and agreed by and among the parties hereto that, except as otherwise expressly provided in Section 3 hereof or therein, this First Amendment is executed by Wilmington Trust Company, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements herein or therein made on the part of the Trustee or the Borrower are intended not as personal representations, undertakings and agreements by Wilmington Trust Company, or for the purpose or with the intention of binding Wilmington Trust Company, personally, but are made and intended for the purpose of binding only the Trust Estate, that nothing herein contained shall be construed as creating any liability of Wilmington Trust Company, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of Wilmington Trust Company, to perform any covenant either express or implied contained herein or in the other Loan Documents to which the Trustee or the Borrower is a party, and that so far as Wilmington Trust Company is concerned, any Person shall look solely to the Trust Estate for the performance of any obligation hereunder or thereunder or under any of the instruments referred to herein or therein; provided, however, that nothing contained in this Section shall be construed to limit in scope or substance the general corporate liability of Wilmington Trust Company, expressly provided (i) to the Certificate Holders under the Trust Agreement, (ii) in respect of those representations, warranties, agreements and covenants of Wilmington Trust Company expressly set forth in Section 3 hereof, or (iii) pursuant to the Trust Agreement, for the gross negligence or willful misconduct of Wilmington Trust Company or to exercise the same degree of care and skill as is customarily exercised by similar institutions in the receipt and disbursement of moneys actually received by it in accordance with terms of the Loan Documents under similar circumstances.

SECTION 13. COUNTERPARTS. This First Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this First Amendment by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first above written.

CAL DIVE/GUNNISON BUSINESS TRUST
No. 2001-1

By: Wilmington Trust Company, not in its individual capacity, but solely as trustee of Cal Dive/Gunnison Business Trust No. 2001-1

By:

Title:

WILMINGTON TRUST COMPANY,
in its individual capacity to the extent expressly provided herein

By:

Title:

ENERGY RESOURCE TECHNOLOGY, INC.

By:

Title:

CAL DIVE INTERNATIONAL, INC.

By:

Title:

BANK ONE, NA,
Individually and as Agent

By:

Title:

Exhibit 4.14

SECOND AMENDMENT

This Second Amendment (this "Second Amendment") dated as of February 14, 2003 is entered into by and among Cal Dive/Gunnison Business Trust No. 2001-1, a Delaware business trust (the "Borrower"), Energy Resources Technology, Inc., a Delaware corporation (the "Beneficiary"), Cal Dive International, Inc., a Minnesota corporation (the "Parent Guarantor"), the Lenders party to the Amended and Restated Credit Agreement referred to below, and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as agent for such Lenders (in such capacity, the "Agent"). The parties hereto agree as follows:

WHEREAS, the Borrower, the Beneficiary, the Parent Guarantor, Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and the Agent entered into that certain Amended and Restated Credit Agreement dated as of July 26, 2002 (the "Original Agreement"); and

WHEREAS, the Original Agreement was amended pursuant to that certain First Amendment dated as of January 7, 2003 among the Borrower, the Beneficiary, the Parent Guarantor, Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and the Agent (the "First Amendment"); and

WHEREAS, the Borrower has requested certain amendments to the Original Agreement as amended by the First Amendment (the original Agreement as amended by the First Amendment is hereinafter referred to as the "Agreement") and the parties hereto are willing to agree to such amendments in accordance with the terms of this First Amendment;

NOW, THEREFORE, in consideration of the undertakings set forth herein and other good and valuable consideration, the parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS. Capitalized terms used and not otherwise defined in this Second Amendment shall have the meanings attributed to them in Article I of the Agreement.

SECTION 2. AMENDMENT OF AGREEMENT. Upon the satisfaction of the conditions precedent set forth in Section 4 of this Second Amendment but effective as of the date hereof, the Agreement shall be amended as follows:

(i) The definition of "EBIT" set forth in Article I of the Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new definition of "EBIT":

"'EBIT' means for any period, on a consolidated basis, for the Parent Guarantor and its Consolidated Subsidiaries, the sum of the amounts for such period, without duplication of: (i) Net Income, plus (ii) charges against income for foreign, federal, state and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) extraordinary or non-recurring non-

cash losses to the extent deducted in computing Net Income, minus (v) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income; provided, however, that (A) EBIT shall not include the Deepwater Clawback Obligations, and (B) a one-time charge in the fourth quarter of 2002 in an amount not to exceed USD 5,200,000 arising out of the settlement of a lawsuit brought by EEX, Inc. against Cal Dive may be excluded from the determination of EBIT."

(ii) The definition of "EBITDA" set forth in Article I of the Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the following new definition of "EBITDA":

"'EBITDA' means, for any period, on a consolidated basis, for the Parent Guarantor and its Consolidated Subsidiaries, the sum of the amounts for such period, without duplication of (i) Net Income, plus (ii) charges against income for foreign, federal, state and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) depreciation expense, to the extent deducted in computing Net Income, plus (v) amortization expense, including without limitation amortization of goodwill, other intangible assets and transaction expenses, to the extent deducted in computing Net Income, plus (vi) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (vii) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income; provided, however, that (A) EBITDA shall not include the Deepwater Clawback Obligations, and (B) a one-time charge in the fourth quarter of 2002 in an amount not to exceed USD 5,200,000 arising out of the settlement of a lawsuit brought by EEX, Inc. against Cal Dive may be excluded from the determination of EBITDA."

SECTION 3. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders to execute and deliver this Second Amendment, each of the Borrower, the Beneficiary, the Parent Guarantor, the Trustee and Wilmington Trust Company hereby confirms, reaffirms and restates as of the date hereof its respective representations and warranties set forth in Article V and/or Sections 5A.1 and 5A.3 of the Agreement provided that such representations and warranties shall be and hereby are amended as follows: each reference therein to "this Agreement" (including, without limitation, each such a reference included in the term "Loan Documents" and all indirect references such as "hereby", "herein", "hereof" and "hereunder") shall be deemed to be a collective reference to the Agreement, this Second Amendment and the Agreement as amended by this Second Amendment. A Default under and as defined in the Agreement as amended by this Second Amendment shall be deemed to have occurred if any representation or warranty made pursuant to the foregoing sentence of this Section 3 shall be materially false as of the date on which made.

SECTION 4. CONDITIONS PRECEDENT. This Second Amendment and the waivers and amendments provided for herein shall become effective as of the date hereof on the date on which the Agent shall have (i) executed a counterpart of this Second Amendment, and (ii)

received one or more counterparts of this Second Amendment executed by the Borrower, the Beneficiary, the Parent Guarantor, Wilmington Trust Company and the Required Lenders.

SECTION 5. EFFECT ON THE AGREEMENT. Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Agreement and the other Loan Documents (i) shall remain unaltered, (ii) shall continue to be, and shall remain, in full force and effect in accordance with their respective terms, and (iii) are hereby ratified and confirmed in all respects. Upon the effectiveness of this Second Amendment, all references in the Agreement (including references in the Agreement as amended by this Second Amendment) to "this Agreement" (including, without limitation, each such a reference included in the term "Loan Documents" and all indirect references such as "hereby", "herein", "hereof" and "hereunder") shall be deemed to be a collective reference to the Agreement as amended by this Second Amendment.

SECTION 6. CONFIRMATION GUARANTIES. Without limiting the provisions of Section 5 of this Second Amendment, (i) the Parent Guarantor hereby (a) confirms and agrees that none of the terms of this Second Amendment or any other agreement or document executed in connection herewith or contemplated herein shall release, discharge, or otherwise limit or affect in any manner any of its obligations under the Parent Guaranty, (b) confirms and agrees that the term "Credit Agreement" as used and defined in the Parent Guaranty shall mean and include the Agreement as amended by this Second Amendment, and (c) ratifies and confirms the Parent Guaranty and all of its obligations thereunder, and (ii) the Beneficiary hereby (a) confirms and agrees that none of the terms of this Second Amendment or any other agreement or document executed in connection herewith or contemplated herein shall release, discharge, or otherwise limit or affect in any manner any of its obligations under the Beneficiary Guaranty, (b) confirms and agrees that the term "Credit Agreement" as used and defined in the Beneficiary Guaranty shall mean and include the Agreement as amended by this Second Amendment, and (c) ratifies and confirms the Beneficiary Guaranty and all of its obligations thereunder.

SECTION 7. EXPENSES. The Borrower shall reimburse the Agent for any and all reasonable costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, review, execution and delivery of this Second Amendment.

SECTION 8. ENTIRE AGREEMENT. This Second Amendment, the Agreement as amended by this Second Amendment and the other Loan Documents embody the entire agreement and understanding between the parties hereto and supersede any and all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

SECTION 9. HEADINGS. The headings, captions, and arrangements used in this Second Amendment are for convenience only and shall not affect the interpretation of this Second Amendment.

SECTION 10. GOVERNING LAW. THIS SECOND AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

SECTION 11. INSTRUCTIONS TO TRUSTEE. By signing this Second Amendment, the Beneficiary hereby (i) acting pursuant to Section 6.6 of the Trust Agreement, authorizes and directs the Trustee to execute and deliver this Second Amendment, and (ii) confirms that all action taken by the Trustee in connection with this authorization and direction is covered by the indemnification, fee and expense reimbursement provisions set forth in Sections 5.2 and 5.3 of the Trust Agreement.

SECTION 12. LIMITATION OF LIABILITY OF OWNER TRUSTEE. It is expressly understood and agreed by and among the parties hereto that, except as otherwise expressly provided in Section 3 hereof or therein, this Second Amendment is executed by Wilmington Trust Company, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements herein or therein made on the part of the Trustee or the Borrower are intended not as personal representations, undertakings and agreements by Wilmington Trust Company, or for the purpose or with the intention of binding Wilmington Trust Company, personally, but are made and intended for the purpose of binding only the Trust Estate, that nothing herein contained shall be construed as creating any liability of Wilmington Trust Company, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of Wilmington Trust Company, to perform any covenant either express or implied contained herein or in the other Loan Documents to which the Trustee or the Borrower is a party, and that so far as Wilmington Trust Company is concerned, any Person shall look solely to the Trust Estate for the performance of any obligation hereunder or thereunder or under any of the instruments referred to herein or therein; provided, however, that nothing contained in this Section shall be construed to limit in scope or substance the general corporate liability of Wilmington Trust Company, expressly provided (i) to the Certificate Holders under the Trust Agreement, (ii) in respect of those representations, warranties, agreements and covenants of Wilmington Trust Company expressly set forth in Section 3 hereof, or (iii) pursuant to the Trust Agreement, for the gross negligence or willful misconduct of Wilmington Trust Company or to exercise the same degree of care and skill as is customarily exercised by similar institutions in the receipt and disbursement of moneys actually received by it in accordance with terms of the Loan Documents under similar circumstances.

SECTION 13. COUNTERPARTS. This Second Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Second Amendment by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed as of the date first above written.

CAL DIVE/GUNNISON BUSINESS TRUST
No. 2001-1

By: Wilmington Trust Company, not in its individual capacity, but solely as trustee of Cal Dive/Gunnison Business Trust No. 2001-1

By:

Title:

WILMINGTON TRUST COMPANY,
in its individual capacity to the extent expressly provided herein

By:

Title:

ENERGY RESOURCE TECHNOLOGY, INC.

By:

Title:

CAL DIVE INTERNATIONAL, INC.

By:

Title:

BANK ONE, NA,
Individually and as Agent

By:

Title:

EXHIBIT 10.6

MEMORANDUM

TO: Johnny Edwards

FROM: Lyle Kuntz

DATE: October 2, 1995

SUBJECT: Compensation Memorandum
Regarding Employment as ERT Employee

STRICTLY CONFIDENTIAL

Dear Johnny:

You will serve in the capacity of Engineering Manager of ERT, evaluating business opportunities and recommending acquisitions for ERT to the best of your ability. You will keep the President fully informed on all key matters, obtain prior approval from the President on any commitments to be made on behalf of ERT and will at all times endeavor to implement the instructions and directions given to you by the President.

You may terminate your employment at will. The President may terminate your employment at any time without cause or explanation.

You will be compensated based on your selection of the following options:

Annual salary at the rate of $84,000, adjusted annually on May 1 based on changes in the Consumer Price Index, paid twice monthly and.

a) In addition to your annual salary, a Discretionary Bonus of up to 100% of the annual salary will be paid based on the sole discretion of ERT's B.O.D. Consideration will be given to, but not be limited to, company performance, property enhancement, acquisition evaluation volume

or

b) Profit Sharing based on ERT's financial results, as described as follows:

Under the Profit Sharing option (b) above, you will earn a Profit Sharing amount (in addition to your base salary) equal to 4% of the pre-tax net income of ERT for the calendar year. When your Profit Sharing amount in any calendar year reaches $200,000, a percentage of any Profit Sharing in excess of $200,000 will be adjusted downward representing a sliding scale according to the following schedule:

CALENDAR YEAR PROFIT SHARING SET ASIDE*
$200,000 - 300,000
10%
300,000 - 400,000
30%
400,000 and over
50%

* The "Set Aside" referenced above will be distributed (at the discretion of ERT's Board of Directors) to other ERT employees who are not entitled to Profit Sharing.

Pre-tax net income, for purposes of this Agreement, will include all revenues and all expenses incurred or accrued by ERT except for income tax and any accruals for Profit Sharing. Depreciation, depletion and amortization expenses will be computed in accordance with common oil and gas industry and purchase accounting practice over the life of the acquired reserves, as appropriate. These results will be accounted for in accordance with Generally Accepted Accounting Principals (GAAP), as determined by ERT's third party auditors.

Profit Sharing or Discretionary Bonus proceeds will be distributed to you within

four (4) weeks of finalizing ERT's year end audit, subject to any withholdings determined by ERT's Board as a result of Auditor's notes to the financial statements. Should your employment be terminated, you will be entitled to Profit Sharing through your termination date.

You will be entitled to vacation and other benefits offered to Cal Dive employees, in accordance with Cal Dive's written plans and policies as amended from time to time.

If this memorandum represents the agreed compensation arrangement, please select your bonus option; sign one copy and return it to me.

/s/ JOHNNY EDWARDS	/s/ LYLE KUNTZ
Johnny Edwards Energy Resource Technology, Inc.	Lyle Kuntz, President Energy Resource Technology, Inc.

Profit Sharing

Discretionary Bonus or Profit Sharing

11/7/95	11/13/95
Date	Date

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-103451) and Form S-8 (Nos. 333-58817, 333-50289 and 333-50205) of Cal Dive International, Inc. of our report dated February 17, 2003, with respect to the consolidated financial statements of Cal Dive International, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP

Houston, Texas
March 24, 2003

EXHIBIT 23.2

[Letterhead of Miller & Lents]

March 19, 2003

Cal Dive International, Inc.
400 North Sam Houston Parkway East
Suite 400
Houston, TX 77060

Re: Cal Dive International, Inc.
Securities and Exchange Commission Form 10-K
Consent Letter

Gentlemen:

The firm of Miller and Lents, Ltd. consents to the naming of it as experts and to the incorporation by reference of its report letter dated February 7, 2003 concerning the proved reserves as of December 31, 2002 attributable to Energy Resource Technology, Inc. in the Annual Report of Cal Dive International, Inc. on Form 10-K to be filed with the Securities and Exchange Commission.

Miller and Lents, Ltd. has no interests in Cal Dive International, Inc. or in any of its affiliated companies or subsidiaries and is not to receive any such interest as payment for such report and has no director, officer, or employee employed or otherwise connected with Cal Dive International, Inc. We are not employed by Cal Dive International, Inc. on a contingent basis.

Very truly yours,

MILLER AND LENTS, LTD.

By: /s/ R.W. FRAZIER

R. W. Frazier
President

RWF/hsd

EXHIBIT 99.1

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

In connection with the accompanying Annual Report of Cal Dive International, Inc. ("CDIS") on Form 10-K for the period ended December 31, 2002, 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. Section 1350, as adopted pursuant to Section 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.

Date: March 24, 2003

/s/ OWEN KRATZ

Owen Kratz
Chairman and Chief Executive Officer

EXHIBIT 99.2

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

In connection with the accompanying Annual Report of Cal Dive International, Inc. ("CDIS") on Form 10-K for the period ended December 31, 2002, 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. Section 1350, as adopted pursuant to Section 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.

Date: March 24, 2003

/s/ A. WADE PURSELL

A. Wade Pursell
Senior Vice President and Chief Financial Officer