UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 001-32936

HELIX ENERGY SOLUTIONS GROUP, 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)*

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

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

Title of each class	Name of each exchange on which registered
Common Stock (no par value)	New York Stock Exchange

Securities registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes ☑ No

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 Exchange 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 o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes ☑ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2006 was $2,926,119,938 based on the last reported sales price of the Common Stock on June 30, 2006, as reported on the NASDAQ National Market System. On July 18, 2006, the registrant's Common Stock began trading on the New York Stock Exchange.

The number of shares of the registrant's Common Stock outstanding as of February 27, 2007 was 91,228,195.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2007, are incorporated by reference into Part III hereof.

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Employment Letter - Robert P. Murphy
Master Agreement
Tax Agreement
List of Subsidiaries
Consent of Ernst & Young LLP
Consent of Huddleston & Co., Inc.
Certification of PEO Pursuant to Rule 13a-14(a)
Certification of PFO Pursuant to Rule 13a-14(a)
Certification of PEO Pursuant to Section 1350
Certification of PFO Pursuant to Section 1350

Forward Looking Statements

This Annual Report on Form 10-K (“Annual Report”) contains certain statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included herein or incorporated herein by reference are “forward-looking statements.” Included among “forward-looking statements” are, among other things:

- statements related to the volatility in commodity prices for oil and gas and in the supply of and demand for oil and natural gas or the ability to replace oil and gas reserves;
- statements regarding our anticipated production volumes, results of exploration, exploitation, development, acquisition or operations expenditures and current or prospective reserve levels with respect to any property or well; and
- statements regarding any financing transactions or arrangements, or ability to enter into such transactions;
- statements relating to the construction or acquisition of vessels or equipment and our proposed acquisition of any producing property or well prospect, including statements concerning the engagement of any engineering, procurement and construction contractor and any anticipated costs related thereto;
- statements that our proposed vessels, when completed, will have certain characteristics or the effectiveness of such characteristics;
- statements regarding projections of revenues, gross margin, expenses, earnings or losses or other financial items;
- statements regarding our business strategy, our business plans or any other plans, forecasts or objectives, any or all of which are subject to change;
- statements regarding any Securities and Exchange Commission or other governmental or regulatory inquiry or investigation;
- statements regarding anticipated legislative, governmental, regulatory, administrative or other public body actions, requirements, permits or decisions;
- statements regarding anticipated developments, industry trends, performance or industry ranking relating to our services or any statements related to the underlying assumptions related to any projection or forward-looking statement;
- statements related to environmental risks, drilling and operating risks, or exploration and development risks and the ability of the combined company to retain key members of its senior management and key employees;
- statements regarding general economic or political conditions, whether internationally, nationally or in the regional and local market areas in which we are doing business;
- any other statements that relate to non-historical or future information.

These forward-looking statements are often identified by the use of terms and phrases such as “achieve,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “plan,” “project,” “propose,” “strategy,” “predict,” “envision,” “hope,” “intend,” “will,” “continue,” “may,” “potential,” “achieve,” “should,” “could” and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. You should not place undue reliance on these forward-looking statements.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed in “Risk Factors” beginning on page 18 of this Annual Report. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. Forward-looking statements are only as of the date they are made, and other than as required under the securities laws, we assume no obligation to update or revise these forward-looking statements or provide reasons why actual results may differ.

PART I

Item 1. *Business*

OVERVIEW

Helix Energy Solutions Group, Inc. ("Helix") is an international offshore energy company, incorporated in the state of Minnesota in 1979, that provides development solutions and other key services (contracting services operations) to the open energy market as well as to our own reservoirs (oil and gas operations). Our oil and gas business is a prospect generation, exploration, development and production company. Employing our own key services and methodologies, we seek to lower finding and development (F&D) costs, relative to industry norms. Unless the context indicates otherwise, as used in this Annual Report, the terms "Company," "we," "us" and "our" refer collectively to Helix and its subsidiaries, including Cal Dive International, Inc. (collectively with its subsidiaries referred to as "Cal Dive" or "CDI"), our majority-owned subsidiary.

Our principal executive offices are located at 400 North Sam Houston Parkway East, Suite 400, Houston, Texas 77060; phone number 281-618-0400. Our stock trades on the New York Stock Exchange under the ticker symbol "HLX." Our principal executive officer and our principal financial officer have made the certifications required under Section 302 of the Sarbanes-Oxley Act, which are included as exhibits to this report.

Please refer to the subsection "— Certain Definitions" on page 7 for definitions of additional terms used in this Annual Report.

CONTRACTING SERVICES OPERATIONS

We seek to provide services and methodologies which we believe are critical to finding and developing offshore reservoirs and maximizing the economics especially from marginal fields. Those "life of field" services are organized in five disciplines: reservoir and well tech services, drilling, production facilities, construction and well operations. We have disaggregated our contracting services operations into three reportable segments in accordance with Financial Accounting Standards Board ("FASB") Statement No. 131 *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"): Contracting Services (which includes deepwater construction, well ops, reservoir and well tech services and in the future, drilling), Shelf Contracting and Production Facilities.

Construction

Since 1975, we have provided services in support of offshore oil and natural gas infrastructure projects involving the construction and maintenance of pipelines, production platforms, risers and subsea production systems primarily in the Gulf of Mexico. We provide construction services in two divisions: Deepwater and Shelf Contracting.

In the Deepwater division, we focus on construction services that provide the highest financial return from third-parties and add value to our oil and gas properties. Our deepwater construction services include pipelay, for which we own two deepwater pipelay vessels and are in the process of converting a third vessel (the *Caesar*), and robotics, for which we own 27 ROVs and four trenchers. We also provide construction services periodically from our well intervention vessels, the *Seawell* and *Q4000.* We provide these services primarily in the Gulf of Mexico, North Sea and Asia Pacific.

In our Shelf Contracting business segment, we perform traditional subsea services, including air and saturation diving, salvage work and shallow water pipelay on the OCS of the Gulf of Mexico, in water depths up to 1,000 feet. We believe that we are the market leader in the diving support business in the Gulf of Mexico OCS. We also provide these services in select international offshore markets, such as Asia Pacific and the Middle East. Within this segment we currently own and operate a diversified fleet of 26 vessels, including 23 surface and saturation diving support vessels capable of operating in water depths of up to 1,000 feet, as well as three shallow-water pipelay vessels. This division retained our former name "Cal Dive," and we successfully completed a carve-out initial public offering ("IPO") of that company in December 2006. We currently own a 73.0% interest in Cal Dive and have

consolidated the results of Cal Dive as of December 31, 2006. Cal Dive stock publicly trades on the New York Stock Exchange under the ticker symbol “DVR.”

Well Ops

We are the global leader in rig alternative subsea well intervention. Utilizing the *Seawell* in the North Sea and the *Q4000* in the Gulf of Mexico, we engineer, manage and conduct well construction, intervention and decommissioning operations in water depths from 200 to 10,000 feet. With the increased demand for these services due to the growing number of subsea tree installations, coupled with the shortfall in rig availability, and, as a result, have committed to the construction of a newbuild North Sea vessel, the *Well Enhancer.* We have recently expanded geographically in Australia and Asia with the acquisition of a controlling interest in Seatrac, an established Australian well operations company now called Well Ops SEA Pty. Limited.

Production Facilities

When a production facility is required on a deepwater development, the cost can be a significant component of the F&D cost. We participate in the ownership of production facilities in hub locations where there is potential for significant subsea tieback activity (*Marco Polo* TLP and the *Independence Hub*). Ownership of production facilities enables us to earn a transmission company type return through tariff charges while providing construction work for our vessels. In addition, we are constructing a minimal floating production unit to be utilized on the *Phoenix* field (acquired in 2006 in the Gulf of Mexico) in a consolidated variable interest entity in which we own a 50% equity interest. Once production in this field ceases, this redeployable facility will be contracted to third parties or utilized on other internally owned reservoirs.

Reservoir and Well Tech Services

Until 2005, our reservoir and well tech services were an in-house service utilized solely with respect to our own wells and reservoirs. With the acquisition of Helix Energy Limited (“Helix RDS”) in 2005, which included a technical staff of over 160, we increased the resources that we can bring to our own projects as well as provide these services to our clients. With offices in Aberdeen, Perth, London and Kuala Lumpur, these services provide the market presence in regions we have identified as strategically important to future growth.

Drilling

This is a service we have not historically provided, but have been contemplating since the construction of the Q4000 five years ago. The drilling cost of a subsea deepwater development can be as much as 50% of the total F&D costs. We plan to add drilling capability to the *Q4000* during 2007. The type of drilling intended for the *Q4000* is a hybrid slim-bore technology capable of drilling and completing 6-inch slimbore wells to 22,000 feet total depth in up to 6,000 feet of water, which covers most of the deepwater prospects acquired in our acquisition of Remington Oil and Gas Corporation (“Remington”) during 2006 (see “— Oil and Gas Operations” below and Item 8. *Financial Statements and Supplementary Data* “— Note 4 — Acquisition of Remington Oil and Gas Corporation”), as well as having application on exploration and appraisal efforts for our clients.

OIL AND GAS OPERATIONS

In 1992, we began our oil and gas operations to provide a more efficient solution to offshore abandonment, to expand our off-season asset utilization and to achieve better returns than are likely through pure service contracting. Over the last 15 years we have evolved this business model to include not only mature oil and gas properties but also proved reserves yet to be developed, and most recently, with the acquisition of Remington, an exploration, development and production company. This has led to the assembly of services that allows us to create value at key points in the life of a reservoir from exploration through development, life of field management and operating through abandonment. As of December 31, 2006 we had 536 Bcfe of proved reserves with 91% of that located in the Gulf of Mexico.

Significant financial information relating to our operations by segments and by geographic areas for the last three years is contained in Item 8. *Financial Statements and Supplementary Data* "— Note 18 — Business Segment Information". Within Contracting Services for financial reporting purposes, we have disclosed separately the financial information for Shelf Contracting and Production Facilities.

THE INDUSTRY AND OUR STRATEGY

The offshore oil and gas industry originated in the early 1950s as producers began to explore and develop the new frontier of offshore fields. The industry has grown significantly since the 1970s with service providers taking on greater roles on behalf of the producers. Industry standards were established during this period largely in response to the emergence of the North Sea as a major province leading the way into a new hostile frontier. The methodologies and standards involved were driven by the requirement of mitigating the risk of developing relatively large reservoirs in a then challenging environment. These standards are still largely adhered to today for all developments even if they are small and the frontier is more understood. There are factors we believe will influence the industry in the coming years: (1) increasing world demand for oil and natural gas; (2) peaking global production rates; (3) globalization of the natural gas market; (4) increasing number of mature and small reservoirs; (5) increasing ratio of contribution to global production from marginal fields; (6) increasing offshore activity; and (7) increasing number of subsea developments. Our two stranded strategy of combining contracting services operations and oil and gas operations allows us to focus on trends (4) to (7) in that we pursue long-term sustainable growth by applying specialized subsea services to the broad external offshore market, but with a complementary focus on marginal fields in which we have an equity stake. By "marginal", we mean reservoirs that are no longer wanted by major operators or are too small to be material to them.

We provide services and methodologies which we believe are critical to finding and developing offshore reservoirs and maximizing the economics from marginal fields. Our goal is for our oil and gas operations to generate prospects and find and develop oil and gas employing our key services and methodologies resulting in a 20% reduction in F&D costs. Meeting this objective drives our ability to achieve our primary goal of achieving a return on invested capital of 15% or greater. In order to achieve these goals we will:

Continue to Add Capacity to Key Services. We will focus on services that provide the highest financial return and, at the same time, add value by lowering F&D costs on our oil and gas properties. We will commit capital to add capacity in these areas. Current initiatives include:

- conversion of Deepwater pipelay vessel, the *Caesar;*
- construction of a North Sea well intervention vessel, the *Well Enhancer;*
- completion of the upgrade of the *Q4000* to include drilling capability;
- conversion of a ferry vessel into a minimal floating production system to be deployed initially on *Phoenix* field;
- addition of four new ROVs and a plencher (combination plow/trencher); and
- completion of the design and engineering of the next generation *Q4000* (the *H4500*).

Generate Prospects and Focus Exploration Drilling on Low Risk Shallow Water Program and Deepwater Prospects Which Can Be Drilled with the Q4000. In July 2006 we acquired Remington, an independent oil and gas exploration and production company with operations in the Gulf of Mexico. This acquisition brought not only proved producing reserves, but also a portfolio of prospects and a proven prospect-generating team. Remington had a proven track record of cost effectively turning prospects into production on the OCS and we believe similar success can occur in the deepwater. Of the 22 prospects we currently have in the Deepwater, 16 of them can be drilled with the *Q4000* once the drilling upgrade is completed. We plan to seek partners on these prospects to enhance financial results on the drilling and development work as well as mitigate risk.

Focus on Exploitation Activities and Converting PUD/PDNP Reserves into Production. Over the years our oil and gas operations have been able to achieve a significant return on capital due in part to their ability to convert PUD reserves from the proved undeveloped category to the proved developed category through exploitation drilling

and well work. As of December 31, 2006, we had 55% of our proved reserves, or 300 Bcfe in the PUD category. We will focus on cost effectively developing these reserves to production, or alternatively, selling them.

Seek to Monetize Services and Assets which are not Critical to Minimizing F & D Costs. As stated previously, we will focus on services which are critical to lowering F&D costs, particularly on marginal fields in the deepwater. As the strategy of our Shelf Contracting segment does not focus on minimizing F&D cost, in December 2006, a minority stake (26.5%) in this business was sold through a carve-out initial public offering. Subject to market conditions, we may sell additional interests in this subsidiary in the future. In addition, from time to time we intend to sell certain production assets, particularly once the contracting services work relating to the asset has been completed.

International Expansion of the Model. We regard the North Sea and certain areas of the Far East as targets for the expansion of our business model. We have built a strong service presence in the North Sea and recently acquired our first mature oil and gas property in that area. In Asia Pacific, we completed two important service acquisitions in 2006 and will seek to grow our business there in a measured way over the near term.

Certain Definitions

Defined below are certain terms helpful to understanding our business:

Bcfe: Billions of cubic feet equivalent, used to describe oil volumes converted to their energy equivalent in natural gas as measured in billions of cubic feet.

Deepwater: Water depths beyond 1,000 feet.

Dive Support Vessel (DSV): Specially equipped vessel that 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 enabling the vessel to maintain its position without the use of anchors.

DP-2: Two DP systems on a single vessel pursuant to which the 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. 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.

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

E&P: Oil and gas exploration and production activities.

F&D: Total cost of finding and developing oil and gas reserves.

G&G: Geological and geophysical.

IMR: Inspection, maintenance and repair activities.

Life of Field Services: Services performed on offshore 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 for the United States having responsibility for the mineral resources of the United States OCS.

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.

MSV: Multipurpose support vessel.

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

Peer Group-Contracting Services: Defined in this Annual Report as comprising Global Industries, Ltd. (NASDAQ: GLBL), Acergy US, Inc. (NASDAQ: ACGY), Oceaneering International, Inc. (NYSE: OII), Technip-Coflexip (NYSE: TKP), Superior Energy Services, Inc. (NYSE: SPN), TETRA Technologies, Inc. (NYSE: TTI) and Subsea 7.

Oil and Gas: Defined in this Annual Report as comprising Newfield Exploration Company (NYSE: NFX); ATP Oil & Gas Corp (NASDAQ: ATPG); W&T Offshore, Inc. (NYSE: WTI); Energy Partners, Ltd. (NYSE:EPL); and Mariner Energy, Inc. (NYSE: ME).

Proved Developed Non-Producing (PDNP): Proved developed oil and gas reserves that are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells that require additional completion work or future recompletion prior to the start of production.

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 200 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 of Mexico, 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 PUD 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 a 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.

CONTRACTING SERVICES OPERATIONS

We provide a full range of contracting services in both the shallow water and deepwater primarily in the Gulf of Mexico, North Sea and Asia Pacific. Our services include:

- *Exploration.* Pre-installation surveys; rig positioning and installation assistance; drilling inspection; subsea equipment maintenance; reservoir engineering; G&G; modeling; well design; and engineering;
- *Development.* Installation of production platforms; installation of subsea production systems; pipelay and burial; installation and tie in of riser and manifold assembly; integrated production modeling; commissioning, testing and inspection; cable and umbilical lay and connection;
- *Production.* Inspection, maintenance and repair of production structures, risers, pipelines and subsea equipment; well intervention; life of field support; reservoir management; production technology; and intervention engineering; and
- *Decommissioning.* Decommissioning and remediation services; plugging and abandonment services; platform salvage and removal; pipeline abandonment; site inspections.

Our strategic focus is to provide services and methodologies which we believe are critical to the finding and development of offshore reservoirs and maximizing the economics from marginal fields. Those "life of field" services are organized in five disciplines: reservoir and well tech services, drilling, production facilities, construction and well operations.

Construction

Deepwater

Construction services which we believe are critical to the development of marginal fields in the Deepwater are pipelay and robotics. We currently own three deepwater umbilical and pipelay vessels. The *Intrepid* is a 381 foot DP-2 vessel capable of laying rigid and flexible pipe (up to 12") and umbilicals. The *Express*, which was acquired in the Torch Offshore Inc. ("Torch") acquisition in 2005, is a 502 foot DP-2 vessel also capable of laying rigid and flexible pipe (up to 14") and umbilicals. In January 2006, we acquired the *Caesar*, a mono-hull built in 2002 for the cable lay market. The vessel is 485 feet long and already has a state-of-the-art DP-2 system. We plan to convert this vessel to a Deepwater pipelay asset capable of laying rigid pipe up to 42" in diameter. The total estimated cost to acquire and convert the vessel is $137.5 million and the conversion should be completed by late 2007. We also periodically provide construction services from our well intervention vessels, *Seawell* and *Q4000.* Our Deepwater and Well Ops divisions have backlog of over $380 million for certain of our deepwater vessels as of the end of 2006.

Our subsidiary, Canyon Offshore, Inc., operates ROVs and trenchers designed for offshore construction, rather than supporting drilling rig operations. As marine construction support in the Gulf of Mexico and other areas of the world moves to deeper waters, ROV systems play an increasingly important role. Our vessels add value by supporting deployment of our ROVs. We have positioned ourselves to provide our customers with vessel availability and schedule flexibility to meet the technological challenges of these Deepwater construction developments in the Gulf and internationally. Our 27 ROVs and four trencher systems operate in three regions: the Americas, Europe/West Africa and Asia Pacific. In addition, we plan to acquire five new work class ROVs and a combination robotic plow/trencher in 2007 for approximately $37 million.

The results of our Deepwater division are reported under our Contracting Services segment. See Item 8. *Financial Statements and Supplementary Data* "— Note 18 — Business Segment Information."

Shelf Contracting

In shallower waters we provide manned diving, pipelay and pipe burial services to the offshore oil and natural gas industry. Based on the size of our fleet, we believe that we are the market leader in the diving support business, which involves services such as construction, inspection, maintenance, repair and decommissioning of offshore production and pipeline infrastructure, on the Gulf of Mexico OCS. We also provide these services directly or through partnering relationships in select international offshore markets, such as the Middle East and Asia Pacific.

Within this segment we currently own and operate a diversified fleet of 26 vessels, including 23 surface and saturation diving support vessels as well as three shallow water pipelay vessels. We believe that our fleet of diving support vessels is the largest in the world.

Our Shelf Contracting services, including saturation, surface and mixed gas diving, enable us to provide a full complement of marine contracting services in water depths of up to 1,000 feet. We provide our saturation diving services in water depths of 200 to 1,000 feet through our fleet of eight saturation diving vessels and eight portable saturation diving systems. We also believe that our fleet of diving support vessels is among the most technically advanced in the industry because a number of these vessels have features such as dynamic positioning, or DP, hyperbaric rescue chambers, multi-chamber systems for split-level operations and moon pool deployment, which allow us to operate effectively in challenging offshore environments. We provide surface and mixed gas diving services in water depths typically less than 300 feet through our 15 surface diving vessels. Shelf Contracting also has three vessels dedicated exclusively to pipelay and pipe burial services in water depths of up to approximately 400 feet. Pipelay and pipe burial operations typically require extensive use of our diving services; therefore, we consider these services to be complementary.

In the last 18 months, we have substantially increased the size of our Shelf Contracting fleet and expanded our operating capabilities on the Gulf of Mexico OCS through strategic acquisitions of Acergy US, Inc. (formerly known as Stolt Offshore, Inc.) ("Acergy"), and the assets of Torch. Pursuant to our growth strategy, we also acquired Fraser Diving International Limited ("Fraser").

The Shelf Contracting division retained our former name of "Cal Dive," and completed a carve-out initial public offering in December 2006. It trades on the New York Stock Exchange under the ticker symbol of "DVR." We received pre-tax net proceeds of $464.4 million, which included the sale of a 26.5% interest and transfer of debt to the subsidiary. Together with the shares issued to CDI employees immediately after the initial public offering, at December 31, 2006, we still retain 73.0% interest in CDI and have consolidated the results of Cal Dive.

Well Ops

In both the Gulf of Mexico and the North Sea, the increased number of subsea wells installed, the increasing value of the product, and the shortfall in both rig availability and equipment have resulted in an increased demand for Well Ops services.

As major and independent oil and gas companies expand operations in the deepwater basins of the world, development of these reserves will often require the installation of subsea trees. Historically, drilling rigs were typically necessary for subsea well operations to troubleshoot or enhance production, shift zones or perform recompletions. Two of our vessels serve as work platforms for well ops services at costs significantly less than drilling rigs. In the Gulf of Mexico, our multi-service semi-submersible, the *Q4000*, has set a series of well operations "firsts" in increasingly deep water without the use of a rig. In the North Sea, the *Seawell* has provided intervention and abandonment services for over 500 North Sea wells since 1987. Competitive advantages of our vessels stem from their lower operating costs, together with an ability to mobilize quickly and to maximize production time by performing a broad range of tasks for intervention, construction, inspection, repair and maintenance. These services provide a cost advantage in the development and management of subsea reservoir developments. With the increased demand for these services due to the growing number of subsea tree installations coupled with the shortfall in rig availability, we have significant backlog for both working assets and have committed to the construction of a newbuild North Sea vessel, the *Well Enhancer.*

The results of Well Ops are reported under our Contracting Services segment. See Item 8. *Financial Statements and Supplementary Data* "— Note 18 — Business Segment Information."

Production Facilities

There are a significant number of small discoveries that cannot justify the economics of a dedicated host facility. These discoveries are typically developed as subsea tie backs to existing facilities when capacity through the facility is available. We invest in over-sized facilities that allow operators of these fields to tie back without burdening the operator of the hub reservoir. We are well positioned to facilitate the tie back of the smaller reservoir

to these hubs through our services and production groups. At the *Marco Polo* field, our 50% ownership in the production facility through Deepwater Gateway, L.L.C. ("Deepwater Gateway") allows us to realize a return on our investment consisting of both a fixed monthly demand charge and a volumetric tariff charge. In addition, we assisted with the installation of the TLP and will work to develop the surrounding acreage that can be tied back to the platform by our construction vessels. Our 20% interest in the *Independence Hub* platform, scheduled for installation in mid 2007, should enable us to repeat the *Marco Polo* strategy.

When a hub is not feasible, we intend to apply an integrated application of our services in a manner that cumulatively lowers development costs to a point that allows for a small dedicated facility to be used. This strategy will permit the development of some fields that otherwise would be non-commercial to develop. The commercial risk is mitigated because we have a portfolio of reservoirs and the assets to redeploy the facility. For example, we are currently converting a ferry vessel into a minimal floating production unit. This facility will first be utilized on the *Phoenix* field (formerly known as *Typhoon*) which we acquired in 2006 after the hurricanes of 2005 destroyed the TLP which was being used to produce the field. Once production in the *Phoenix* area ceases, this redeployable facility will be moved to a new location, contracted to a third party, or used to produce other internally-owned reservoirs.

Reservoir and Well Tech Services

In 2005 we acquired Helix RDS. Helix RDS is the largest outsource provider of sub-surface technology skills in the North Sea. With offices in Aberdeen, London, Kuala Lumpur and Perth, the more than 160 employees are organized around a core team concept. Each team, assigned to a specific client, contains a diverse set of skills, including reservoir engineering, geologists, modeling, flow assurance, completions, well design and production enhancement. The acquisition allows us to offer, as an outsource service, one of the most comprehensive sets of sub-surface skills of any company our size. The acquisition also provides sufficient capacity to have these skills available for our own production. The results of reservoir and well tech services are reported under our Contracting Services segment. See Item 8. *Financial Statements and Supplementary Data* "— Note 18 — Business Segment Information."

Drilling

With the well engineering skill sets in Helix RDS and the portfolio of Deepwater prospects acquired with Remington, we made the decision to add drilling capability to the *Q4000.* The type of drilling intended for the *Q4000* is a hybrid slimbore technology which result in a smaller well bore diameter from a traditional rig. The vessel will be capable of drilling and completing 6-inch slimbore wells to 22,000 total depth in up to 6,000 feet of water and will also be able to drill a 4-inch bore to 22,000 total depth in up to 10,000 feet of water. There is great commercial application for this type of drilling with marginal reservoir sizes in 6,000 feet of water. The *Q4000* will be capable of providing most of our oil and gas operations' drilling needs in the deeper water. Drilling equipment for the *Q4000* is scheduled to be installed mid-2007.

Assuming successful application of this technology, we expect internal need and market demand to create the conditions that will warrant the construction of the next Q-vessel (the *H4500*).

OIL & GAS OPERATIONS

We formed our oil and gas operations in 1992 to exploit a market opportunity to provide a more efficient solution to offshore abandonment, to expand our off-season asset utilization of our contracting services business and to achieve better returns than are likely through pure service contracting. Over the last 15 years we have evolved the model to include not only mature oil and gas properties but also proved reserves yet to be developed and most recently, the acquisition of Remington, an exploration, development and production company. This has led to the assembly of services that allows us to create value at key points in the life of a reservoir from exploration through development, life of field management and operating through abandonment. As of December 31, 2006, we had 536 Bcfe of proved reserves with 91% located in the Gulf of Mexico.

Our oil and gas operations now seek to be involved in the reservoir at any stage of its life if we can apply our methodologies. The cumulative effect of our model is the ability to meaningfully improve the economics of a reservoir that would otherwise be considered non-commercial or non-impact, as well as making us a value adding partner to producers. Our expertise, along with similarly aligned interests, allows us to develop more efficient relationships with other producers. With a focus on acquiring non-impact reservoirs or mature fields, our approach taken as a whole is, itself, a service in demand by our producer clients and partners. As a result, during 2005, we were successful in acquiring equity interests in several deepwater undeveloped reservoirs. Developing these fields over the next few years will require meaningful capital commitments but will also provide significant backlog for our construction assets.

In July 2006, we acquired Remington for approximately $1.4 billion in cash and Helix stock and the assumption of $349.6 million of liabilities. Remington was an exploration, development and production company with operations primarily in the Gulf of Mexico. Remington has a significant prospect inventory, mostly in the Deepwater, which we believe will likely generate over $1 billion of life of field services for our vessels. As stated previously, our strategy is to focus exploration drilling primarily on low risk OCS prospects and Deepwater prospects which can be drilled with the *Q4000.* The Remington acquisition brought not only producing reserves, but also a portfolio of prospects and a proven prospect-generating team. Remington had a proven track record of cost effectively turning prospects into production on the OCS and we believe similar success will occur in the Deepwater. Of the 22 prospects we currently have in the Deepwater, 16 of them can be drilled with the *Q4000*, once the drilling upgrade to the vessel is completed. We plan to seek partners on these prospects to enhance financial results on the drilling and development work as well as mitigate risk.

We identify prospective oil and gas properties primarily by using 3-D seismic technology. After acquiring an interest in a prospective property, we drill one or more exploratory wells. If the exploratory well(s) find commercial oil and/or gas reserves, we complete the well(s) and begin producing the oil or gas. Because most of our operations are located in the offshore Gulf of Mexico, we must install facilities such as offshore platforms and gathering pipelines in order to produce the oil and gas and deliver it to the marketplace. Certain properties require additional drilling to fully develop the oil and gas reserves and maximize the production from a particular discovery.

Within oil and gas operations, we have assembled a team of personnel with experience in geology, geophysics, reservoir engineering, drilling, production engineering, facilities management, lease operations and petroleum land management. Our oil and gas operations generate income in a number of ways: mitigating abandonment liability risk, lowering development time and cost, mitigating finding (exploration) costs, operating the field more effectively, and having a focus on extending the reservoir life through well exploitation operations. When a company sells an OCS property, it retains the financial responsibility for plugging and decommissioning if its 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 its contractual obligations. Although there is significant competition in this mature field market, our oil and gas operations' reputation, supported by Helix's financial strength, has made it the purchaser of choice of many major and independent oil and gas companies. In addition, our reservoir engineering and geophysical expertise, and having access to service assets and an ability to impact development costs, have made us a preferred partner in development projects. We share ownership in our oil and gas properties with various industry participants. We currently operate the majority of our offshore properties. An operator is generally able to maintain a greater degree of control over the timing and amount of capital expenditures than can a non-operating interest owner. See "Item 2. *Properties* — Summary of Natural Gas and Oil Reserve Data" for detailed disclosures of our oil and gas properties.

CUSTOMERS

Our customers include major and independent oil and gas producers and suppliers, pipeline transmission companies and offshore engineering and construction firms. The level of construction services required by any particular contracting 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: 2006 — Louis Dreyfus Energy Services (10%)

and Shell Offshore, Inc. (10%); 2005 — Louis Dreyfus Energy Services (10%) and Shell Trading (US) Company (10%); and 2004 — Louis Dreyfus Energy Services (11%) and Shell Trading (US) Company (10%). All of these customers were purchasers of our oil and gas production. We estimate that in 2006 we provided subsea services to over 150 customers.

Our contracting services projects have historically been of shorter duration and are generally awarded shortly before mobilization. As a result, no significant backlog existed prior to 2006. In 2006, we entered into several long-term contracts, for certain of our Deepwater and Well Ops vessels. In addition, our production portfolio inherently provides a backlog of work for our services that we can complete at our option based on market conditions. We do not typically tender in the Engineering Procurement and Installation Contract (“EPIC”) market as other contractors do. For that reason, other contractors are more likely to be our customers and we serve as a contractor’s contractor.

COMPETITION

The marine contracting industry is highly competitive. While price is a factor, the ability to acquire specialized vessels, attract and retain skilled personnel, and demonstrate a good safety record are also important. Our competitors on the OCS include Global Industries, Ltd., Oceaneering International, 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 Acergy, Subsea 7, and Technip-Coflexip.

Our oil and gas operations compete with large integrated oil and gas companies as well as independent exploration and production companies for offshore leases on properties. Our primary oil and gas competitors include Newfield Exploration Company, ATP Oil & Gas Corp, W&T Offshore, Inc., Energy Partners, Ltd. and Mariner Energy, Inc. We also encounter 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 consummate transactions in a highly competitive environment. Competition includes TETRA Technologies, Inc. and Superior Energy Services, Inc. for Gulf of Mexico mature properties. Small or mid-sized producers, and in some cases financial players, with a focus on acquisition of proved developed and undeveloped reserves are often competition on development properties.

TRAINING, SAFETY AND QUALITY ASSURANCE

We have established a corporate culture in which EHS remains among the highest of priorities. Our corporate goal, based on the belief that all accidents can be prevented, is to provide an injury-free workplace by focusing on correct, safe behavior. Our EHS procedures, training programs and management system were developed by management personnel, common industry work practices and by employees with on-site experience who understand the physical challenges of the ocean work site. As a result, management believes that our EHS programs are among the best in the industry. We have introduced a company-wide effort to enhance and provide continual improvements to our behavioral based safety process, as well as our training programs, that continue to focus on safety through open communication. The process includes the documentation of all daily observations, collection of data and data treatment to provide the mechanism of understanding of both safe and unsafe behaviors at the worksite. In addition, we initiated scheduled Hazard Hunts by project management on each vessel, complete with assigned responsibilities and action due dates. To further this continual improvement effort, progressive auditing is done to continue improvement of our EHS management system. Results from this program were evident as our safety performance improved significantly from 2003 through 2006.

GOVERNMENT REGULATION

Many aspects of the offshore marine construction industry are subject to extensive governmental regulations. We are subject to the jurisdiction of the U.S. Coast Guard, the U.S. 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, international 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 Organization. In addition, we operate in other foreign jurisdictions that have various types of governmental laws and regulations to which we are subject.

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 or provide other adequate financial assurance 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 have provided adequate financial assurance for our offshore leases as required by the MMS.

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 or may expel unsafe operators from existing OCS platforms and bar them from obtaining future leases. Suspension or termination of our operations or expulsion from operating on our leases and obtaining future leases could have a material adverse effect on our financial condition and results of operations.

Under the 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. The regulations address the proper way to value production for royalty purposes, including the deductibility of certain post-production costs from that value. Separate sets of regulations govern natural gas and oil and are subject to periodic revision by MMS.

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 (“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 FERC since 1985 that affect the economics of natural gas production, transportation and sales. In addition, 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. Changes in FERC rules and regulations 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. We cannot predict what further action FERC will take on these matters, but we do not believe any such action will materially adversely affect us differently from 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 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, financial conditions, 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 that 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.

In addition, OPA 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. We have provided satisfactory evidence of financial responsibility 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 United States 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 vessels 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. 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 (“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 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, 2006, we had over 2,300 employees, nearly 980 of which were salaried personnel. Of the total employees, approximately 1,300 were employees of Cal Dive. As of December 31, 2006, we also contracted with third parties to utilize approximately 580 non-U.S. citizens to crew our foreign flag vessels. None of our employees belong to a union nor are employed pursuant to any collective bargaining agreement or any similar arrangement. We believe our relationship with our employees and foreign crew members is good.

WEBSITE AND OTHER AVAILABLE INFORMATION

We maintain a website on the Internet with the address of www.HelixESG.com. Copies of this Annual Report for the year ended December 31, 2006, and copies of our Quarterly Reports on Form 10-Q for 2006 and 2007 and any Current Reports on Form 8-K for 2006 and 2007, and any amendments thereto, are or will be available free of charge at such website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. We make our website content available for informational purposes only. Information contained on our website is not part of this report and should not be relied upon for investment purposes. Please note that prior to March 6, 2006, the name of the Company was Cal Dive International, Inc.

The general public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We are an electronic filer, and the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The Internet address of the SEC's website is www.sec.gov.

Item 1A. *Risk Factors.*

Shareholders should carefully consider the following risk factors in addition to the other information contained herein. 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.

Risks Relating to our Contracting Services Operations

Our contracting services operations are adversely affected by low oil and gas prices and by the cyclicality of the oil and gas industry.

Our contracting services operations are 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;
- demand for oil and natural gas, especially in the United States, China and India;
- economic and political conditions in the Middle East and other oil-producing regions;
- actions taken by the Organization of Petroleum Exporting Countries ("OPEC");
- the availability and discovery rate of new oil and natural gas reserves in offshore areas;
- the cost of offshore exploration for and production and transportation of oil and gas;
- the ability of oil and natural gas companies to generate funds or otherwise obtain external capital for exploration, development and production operations;
- 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 affecting energy exploration, production, transportation and consumption;
- weather conditions;
- environmental and other governmental regulations, and
- tax policies.

The level of offshore construction activity improved somewhat in 2004 with the trend continuing through 2006, following higher commodity prices from 2003 to 2006 and significant damage sustained to the Gulf of Mexico infrastructure in Hurricanes *Katrina* and *Rita* in 2005. We cannot assure you that activity levels will remain the same or increase. 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, cash flows 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 and limitations for wind storm damages. As construction activity expands into deeper water in the Gulf of Mexico and other deepwater basins of the world and with the initial public offering of CDI, 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 could be less than replacement value. In the event of property loss due to a catastrophic marine disaster, mechanical failure, collision or other event, insurance may not cover a substantial loss of revenues, increased costs and other liabilities, and therefore, the loss of any of our large vessels could have a material adverse effect on our operating performance.

Our contracting business typically 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 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 adverse economic consequences.

A significant amount 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 third parties such as equipment suppliers. These variations and risks inherent in the marine construction industry may result in our experiencing reduced profitability or losses on projects.

Delays or cost overruns in our construction projects could adversely affect our business or the expected cash flows from these projects upon completion may not be timely or as high as expected.

We currently have the following significant construction projects in our contracting services operations:

- the construction of a newbuild North Sea Vessel, the *Well Enhancer*;
- the conversion of the *Caesar* into a deepwater pipelay asset;
- the addition of a modular-based drilling system on the *Q4000*; and
- the construction of a minimal floating production unit to be utilized on the *Phoenix* field, the *Helix Producer I*, through a consolidated 50% owned variable interest entity.

Although the construction contracts provide for delay penalties, these projects are subject to the risk of delay or cost overruns inherent in construction projects. These risks include, but are not limited to:

- unforeseen quality or engineering problems;
- work stoppages;
- weather interference;
- unanticipated cost increases;
- delays in receipt of necessary equipment; and
- inability to obtain the requisite permits or approvals.

Significant delays could also have a material adverse effect on expected contract commitments for these projects and our future revenues and cash flow. We will not receive any material increase in revenue or cash flows from these assets until they are placed in service and customers enter into binding arrangements for the assets, which can potentially be several months after the construction or conversion projects are completed. Furthermore, we cannot assure you that customer demand for these assets will be as high as currently anticipated, and, as a result, our future cash flows may be adversely affected. In addition, new assets from third-parties may also enter the market in the future and compete with us.

Risks Relating to our Oil and Gas Operations

Exploration and production of oil and natural gas is a high-risk activity and is subject to a variety of factors that we cannot control.

Our Oil & Gas business is subject to all of the risks and uncertainties normally associated with the exploration for and development and production of oil and natural gas, including uncertainties as to the presence, size and recoverability of hydrocarbons. We may not encounter commercially productive oil and natural gas reservoirs. We may not recover all or any portion of our investment in new wells. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause our drilling activities to be unsuccessful and result in a total loss of our investment, which could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, we often are uncertain as to the future cost or timing of drilling, completing and operating wells.

Projecting future natural gas and oil production is imprecise. Producing oil and gas reservoirs eventually have declining production rates. Projections of production rates rely on certain assumptions regarding historical production patterns in the area or formation tests for a particular producing horizon. Actual production rates could differ materially from such projections. Production rates depend on a number of additional factors, including commodity prices, market demand and the political, economic and regulatory climate.

Further, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- unexpected drilling conditions;
- title problems;
- pressure or irregularities in formations;
- equipment availability, failures or accidents;
- adverse weather conditions; and
- compliance with environmental and other governmental requirements, which may increase our costs or restrict our activities.

Natural gas and oil prices are volatile, which makes future revenue uncertain.

Our financial condition and results of operations depend in part on the prices we receive for the oil and gas we produce. The market prices for oil and gas are subject to fluctuation in response to events beyond our control, such as:

- supply of and demand for oil and gas;
- market uncertainty;
- worldwide political and economic instability; and
- government regulations.

Oil and gas prices have historically been volatile, and such volatility is likely to continue. Our ability to estimate the value of producing properties for acquisition and to budget and project the financial returns of exploration and development projects is made more difficult by this volatility. In addition, to the extent we do not

forward sell or enter into costless collars in order to hedge our exposure to price volatility, a dramatic decline in such prices could have a substantial and material effect on:

- our revenues;
- financial condition;
- results of operations;
- our ability to increase production and grow reserves in an economically efficient manner; and
- our access to capital.

Our commodity price risk management related to some of our oil and gas production may reduce our potential gains from increases in oil and gas prices.

Oil and gas prices can fluctuate significantly and have a direct impact on our revenues. To manage our exposure to the risks inherent in such a volatile market, from time to time, we have forward sold for future physical delivery a portion of our future production. This means that a portion of our production is sold at a fixed price as a shield against dramatic price declines that could occur in the market. In addition, we have entered into costless collar contracts related to some of our future oil and gas production. We may from time to time engage in other hedging activities that limit our upside potential from price increases. These sales activities may limit our benefit from dramatic price increases.

Estimates of our oil and gas reserves, future cash flows and abandonment costs may be significantly incorrect.

This Annual Report contains estimates of our proved oil and gas reserves and the estimated future net cash flows therefrom based upon reports for the years ended December 31, 2006 and 2005, audited by our 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 Annual Report 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 financial position, cash flows and results of operations.

Reserve replacement may not offset depletion.

Oil and gas properties are depleting assets. We replace reserves through acquisitions, exploration and exploitation of current properties. If we are unable to acquire additional properties or if we are unable to find additional reserves through exploration or exploitation of our properties, our future cash flows from oil and gas operations could decrease.

We are in part dependent on third parties with respect to the transportation of our oil and gas production and in certain cases, third party operators who influence our productivity.

Notwithstanding our ability to produce, we are dependent on third party transporters to bring our oil and gas production to the market. In the event a third party transporter experiences operational difficulties, due to force majeure, pipeline shut-ins, or otherwise, this can directly influence our ability to sell commodities that we are able

to produce. In addition, with respect to oil and gas projects that we do not operate, we have limited influence over operations, including limited control over the maintenance of safety and environmental standards. The operators of those properties may, depending on the terms of the applicable joint operating agreement:

- refuse to initiate exploration or development projects;
- initiate exploration or development projects on a slower or faster schedule than we prefer;
- due to their own liquidity and cash flow problems, delay the pace of drilling or development; and/or
- drill more wells or build more facilities on a project than we can afford, whether on a cash basis or through financing, which may limit our participation in those projects or limit the percentage of our revenues from those projects.

The occurrence of any of the foregoing events could have a material adverse effect on our anticipated exploration and development activities.

Government regulation may affect our ability to conduct operations, and the nature of our business exposes us to environmental liability.

Numerous federal and state regulations affect our oil and gas operations. Current regulations are constantly reviewed by the various agencies at the same time that new regulations are being considered and implemented. In addition, because we hold federal leases, the federal government requires us to comply with numerous additional regulations that focus on government contractors. The regulatory burden upon the oil and gas industry increases the cost of doing business and consequently affects our profitability.

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.

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.

In addition, 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. Such environmental liability could substantially reduce our net income and could have a significant impact on our financial ability to carry out our oil and gas operations.

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 or other physical damage, 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. As a result, any damage not covered by our insurance could have a material adverse effect on our financial condition, results of operations and cash flows.

Risks Relating to General Corporate Matters

We have higher levels of indebtedness after the acquisition of Remington in 2006.

As of December 31, 2006, we have approximately $1.5 billion of indebtedness outstanding. The significant level of combined indebtedness may have an adverse effect on our future operations, including:

- limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, acquisitions, investments, debt service requirements and other general corporate requirements;
- increasing our vulnerability to general economic downturns, competition and industry conditions, which could place us at a competitive disadvantage compared to our competitors that are less leveraged;
- increasing our exposure to rising interest rates because a portion of our borrowings are at variable interest rates;
- reducing the availability of our cash flow to fund our working capital requirements, capital expenditures, acquisitions, investments and other general corporate requirements because we will be required to use a substantial portion of our cash flow to service debt obligations;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limiting our ability to expand our business through capital expenditures or pursuit of acquisition opportunities due to negative covenants in senior secured credit facilities that place annual and aggregate limitations on the types and amounts of investments that we may make, and limit our ability to use proceeds from asset sales for purposes other than debt repayment (except in certain circumstances where proceeds will be reinvested under criteria defined by our credit agreements).

If we fail to comply with the covenants and other restrictions in the agreements governing our debt, it could lead to an event of default and the acceleration of our repayment of outstanding debt. Our ability to comply with these covenants and other restrictions may be affected by events beyond our control, including prevailing economic and financial conditions.

We may not be able to compete successfully against current and future competitors.

The businesses in which we operate are 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. In the exploration and production business, some of the larger integrated companies may be better able to respond to industry changes including price fluctuations, oil and gas demands, political change and government regulations.

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 professionals 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 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 Helix 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 most 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.

Our operations outside of the United States subject us to additional risks.

Our operations outside of the United States are subject to risks inherent in foreign operations, including, without limitation:

- the loss of revenue, property and equipment from expropriation, nationalization, war, insurrection, acts of terrorism and other political risks;
- increases in taxes and governmental royalties;
- changes in laws and regulations affecting our operations;
- renegotiation or abrogation of contracts with governmental entities;
- changes in laws and policies governing operations of foreign-based companies;
- currency restrictions and exchange rate fluctuations;
- world economic cycles;
- restrictions or quotas on production and commodity sales;
- limited market access; and
- other uncertainties arising out of foreign government sovereignty over our international operations.

In addition, laws and policies of the United States affecting foreign trade and taxation may also adversely affect our international operations.

Our ability to market oil and natural gas discovered or produced in any future foreign operations, and the price we could obtain for such production, depends on many factors beyond our control, including:

- ready markets for oil and natural gas;
- the proximity and capacity of pipelines and other transportation facilities;
- fluctuating demand for crude oil and natural gas;
- the availability and cost of competing fuels; and
- the effects of foreign governmental regulation of oil and gas production and sales.

Pipeline and processing facilities do not exist in certain areas of exploration and, therefore, any actual sales of our production could be delayed for extended periods of time until such facilities are constructed.

As the initial public offering of CDI common stock was completed, in the future, we may not have the same access to services and equipment, as we had historically.

Although we have made arrangements to retain access to the services and equipment of CDI through certain inter-company agreements, it is possible that we will not have the same access to those services and equipment as we had historically, and as our ownership in CDI decreases over time, our access to such equipment and services could be further diminished.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

We own a fleet of 33 vessels (one of which was held-for-sale at December 31, 2006 and sold in January 2007) and 31 ROVs and trenchers. We also lease one vessel. We believe that the market in the Gulf of Mexico requires specially designed and/or equipped vessels to competitively deliver subsea construction and well operations services. Eleven of our vessels have DP capabilities specifically designed to respond to the deepwater market requirements. Fifteen of our vessels (thirteen of which are based in the Gulf of Mexico) have the capability to provide saturation diving services.

Divestitures in 2006

In December 2006, we contributed the assets of our Shelf Contracting segment into CDI, our then wholly owned subsidiary. CDI subsequently completed an initial public offering selling 22,173,000 shares of its common stock, which, together with shares issued to CDI employees immediately after the offering, reduced our ownership of CDI to 73.0%. CDI received net proceeds of $264.4 million from its initial public offering. All of the net proceeds were distributed to us as a dividend. In connection with the offering, CDI entered into a $250 million revolving credit facility. In December 2006, Cal Dive borrowed $201 million under the facility and distributed $200 million of the proceeds to us as a dividend. See "— Note 3 — Initial Public Offering of Cal Dive International, Inc." in Item 8 for additional information.

Related to the Acergy acquisition, we entered into a consent order with the U.S. Department of Justice pursuant to which we agreed to divest three assets: the *Carrier*, the *Defender* and a portable saturation diving system acquired from Torch. As a result, these vessels were classified as held for sale at December 31, 2005. In 2006, we sold the portable saturation diving system and the *Defender.* As of December 31, 2006, the *Carrier* remained classified as held for sale. In January 2007, the *Carrier* was sold to an unrelated third-party. No gains or losses were recognized related to the sale.

Acquisitions in 2006

In January 2006, our wholly owned subsidiary, Vulcan Marine Technology LLC, acquired the *Caesar* (formerly known as the *Baron*), a four year old mono-hull vessel originally built for the cable lay market. The vessel was under charter to a third-party until mid January 2007. After the completion of the charter, the vessel was in transit to a shipyard in China where we plan to convert the vessel into a deepwater pipelay asset. The vessel is 485 feet long and already has a state-of-the-art, class 2, dynamic positioning system. The conversion program will primarily involve the installation of a conventional 'S' lay pipelay system together with a main crane and a significant upgrade to the accommodation capability. A conversion team has already been assembled with a base at Rotterdam, the Netherlands, and the vessel is likely to enter service during the second half of 2007. The estimated cost to acquire and convert the vessel will be approximately $137.5 million. We have entered into an agreement with the third party currently leasing the vessel, whereby the third party has an option to purchase up to 49% of Vulcan for consideration totaling the proportionate share of the cost of the vessel plus the actual cost of conversion (conversion cost is estimated to be $110.0 million). The third party must make all contributions to Vulcan on or before March 31, 2007.

In January 2006, the *DLB 801* was acquired from Acergy. Subsequent to our purchase of the *DLB 801*, we sold a 50% interest in the vessel in January 2006 for approximately $19.0 million. The vessel is currently under a 10-year charter lease agreement with the purchaser of the 50% interest, in which the purchaser has an option to purchase the remaining 50% interest in the vessel beginning in January 2009. This lease was accounted for as an operating lease. In March 2006, we also acquired the *Kestrel* from Acergy.

On July 1, 2006, we acquired 100% of Remington, an independent oil and gas exploration and production company headquartered in Dallas, Texas, with operations concentrated in the onshore and offshore regions of the Gulf Coast, for approximately $1.4 billion in cash and stock and the assumption of $349.6 million of liabilities. The acquisition of Remington increased our oil and gas properties by approximately $860 million.

In addition, in July 2006, we acquired the business of Singapore-based Fraser Diving International Ltd for an aggregate purchase price of approximately $29.3 million, subject to post-closing adjustments, and the assumption of $2.2 million of liabilities. FDI owns six portable saturation diving systems and 15 surface diving systems that operate primarily in Southeast Asia, the Middle East, Australia and the Mediterranean. Included in the purchase price is a payment of $2.5 million made in December 2005 to FDI for the purchase of one of the portable saturation diving systems. The acquisition was accounted for as a business combination with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values. All of the assets acquired from FDI are included in our Shelf Contracting segment.

In August 2006, we acquired a 100% working interest in the *Typhoon* oil field (Green Canyon Blocks 236/237), the Boris oil field (Green Canyon Block 282) and the Little Burn oil field (Green Canyon Block 238) for the assumption of certain decommissioning liabilities. We have received suspension of production ("SOP") approval from the MMS. We will also have farm-in rights on five near by blocks where three prospects have been identified in the Typhoon mini-basin. Following the acquisition of the Typhoon field and MMS approval, we renamed the field *Phoenix.* We expect to deploy a minimal floating production system in mid-2008 in the *Phoenix* field (see below).

Further, in October 2006, we, along with Kommandor RØMØ A/S ("Kommandor RØMØ"), a Danish corporation, formed Kommandor, LLC ("Kommandor"), a Delaware limited liability company, to convert a ferry vessel into a dynamically-positioned minimal floating production system (see "— Production Facilities" below). Kommandor qualified as a variable interest entity ("VIE") under FASB Interpretation No. 46 *Consolidation of Variable Interest Entities* ("FIN 46"). We are the primary beneficiary of Kommandor. As a result, we have consolidated the results of Kommandor at December 31, 2006.

Also in October 2006, we acquired a 58% interest in Seatrac Pty Ltd. ("Seatrac") for total consideration of approximately $12.7 million (including $180,000 of transaction costs), with approximately $9.1 million paid to existing shareholders and $3.4 million for subscription of new Seatrac shares (see "Note 6 — Other Acquisitions" in Item 8. *Financial Statements and Supplementary Data* for a detailed discussion of Seatrac). We changed the name of the entity to Well Ops SEA Pty Ltd.

In December 2006, we acquired a 100% working interest in the *Camelot* oil field in the North Sea for the assumption of certain decommissioning liabilities totaling approximately $7.6 million. At December 31, 2006, *Camelot* had proved reserves of approximately 24 Bcfe. We have commenced existing field rejuvenation and expect first production in 2007. It is our intent to sell down to a 50% working interest prior to additional drilling or other large capital investments being made in the *Camelot* field area.

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OUR VESSELS

Listing of Vessels, Barges and ROVs Related to Contracting Services Operations (1)

	Flag State	Placed in Service(2)	Length (Feet)	Berths	SAT Diving	DP or Anchor Moored	Crane Capacity (tons)
SHELF CONTRACTING (CAL DIVE INTERNATIONAL, INC.):							
Pipelay —							
DLB 801 (3)	Panama	1/2006	351	230	Capable	Anchor	815
Brave	U.S.	11/2005	275	80	—	Anchor	30 and 50
Rider	U.S.	11/2005	275	80	—	Anchor	50
Saturation Diving —							
DP DSV *Eclipse*	Bahamas	3/2002	367	109	X	DP	5; 4.3; 92/43; 20.4 A-Frame
DP DSV *Kestrel*	Vanuatu	9/2006	323	80	X	DP	40; 15 ; 10; Hydralift HLR 308
DP DSV *Mystic Viking*	Bahamas	6/2001	253	60	X	DP	50
DP MSV *Uncle John*	Bahamas	11/1996	254	102	X	DP	2×100
DSV *American Constitution*	Panama	11/2005	200	46	X	4 point	20.41
DSV *Cal Diver I*	U.S.	7/1984	196	40	X	4 point	20
DSV *Cal Diver II*	U.S.	6/1985	166	32	X	4 point	40 A-Frame
DSV *Carrier* (4)	Vanuatu	—	270	36	Capable	4 point	—
DSV Midnight Star (5)	Vanuatu	6/2006	197	42	—	4 point	20 and 40
Surface Diving —							
American Diver	U.S.	11/2005	105	22	—	—	—
American Liberty	U.S.	11/2005	110	22	—	—	1.588
Cal Diver IV	U.S.	3/2001	120	24	—	—	—
DSV *American Star*	U.S.	11/2005	165	30	—	4 point	9.072
DSV *American Triumph*	U.S.	11/2005	164	32	—	4 point	13.61
DSV *American Victory*	U.S.	11/2005	165	34	—	4 point	9.072
DSV *Cal Diver V*	U.S.	9/1991	166	34	—	4 point	20 A-Frame
DSV *Dancer*	U.S.	3/2006	173	34	—	4 point	30
DSV *Mr. Fred*	U.S.	3/2000	166	36	—	4 point	25
Fox	U.S.	10/2005	130	42	—	—	—
Mr. Jack	U.S.	1/1998	120	22	—	—	10
Mr. Jim	U.S.	2/1998	110	19	—	—	—
Polo Pony	U.S.	3/2001	110	25	—	—	—
Sterling Pony	U.S.	3/2001	110	25	—	—	—
White Pony	U.S.	3/2001	116	25	—	—	—
CONTRACTING SERVICES:							
Pipelay —							
Caesar (6)	Vanuatu	1/2006	482	220	—	DP	300 and 36
Express	Vanuatu	8/2005	520	132	—	DP	500 and 120
Intrepid	Bahamas	8/1997	381	50	—	DP	400
Talisman	U.S.	11/2000	195	14	—	—	—
Well Operations —							
Q4000 (7)	U.S.	4/2002	312	135	Capable	DP	160 and 360; 600 Derrick
Seawell	U.K.	7/2002	368	129	X	DP	130
Robotics —							
27 ROVs and 4 Trenchers (8)	—	Various	—	—	—	—	—
Northern Canyon (9)	Bahamas	6/2002	276	58	—	DP	50

(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, Bureau Veritas, or BV, Det Norske Veritas, or DNV, Lloyds Register of Shipping, or Lloyds, and the U.S. Coast Guard, or USCG. The ABS, BV, DNV and Lloyds are classification societies used by ship owners to certify that their vessels meet certain structural, mechanical and safety equipment standards.

(2) Represents the date we placed the vessel in service and not the date of commissioning.

(3) The *DLB 801* was purchased in January 2006 and a 50% interest in the vessel was subsequently sold to an unaffiliated purchaser that same month. The vessel is now under a 10-year charter lease agreement with the purchaser of the 50% interest. The charter lease agreement includes an option by the purchasers to purchase our 50% interest in the vessel beginning in January 2009.

(4) Held for sale at December 31, 2006. The vessel was sold in January 2007.

(5) Expected to be converted in the second or third quarter of 2007 to full saturation diving capabilities.

(6) Currently under conversion into a deepwater pipelay asset by late 2007.

(7) Expected to add drilling capabilities on the vessel in mid-2007.

(8) Average age of our fleet of ROVs and trenchers is approximately 4.01 years.

(9) Leased.

The following table details the average utilization rate for our vessels by category (calculated by dividing the total number of days the vessels in this category generated revenues by the total number of calendar days in the applicable period) for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31,		
	2006	2005	2004
Contracting Services:			
Pipelay	86%	86%	72%
Well operations	81%	84%	80%
ROVs	71%	69%	51%
Shelf Contracting	84%	65%	52%

We incur routine drydock, inspection, maintenance and repair costs pursuant to Coast Guard regulations and in order to maintain our vessels in class under the rules of the applicable class society. 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 in other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels. The *Q4000* is subject to a mortgage that secures the MARAD financing guarantees as described in Item 8. *Financial Statements and Supplementary Data* "— Note 10 — Long-term Debt."

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SUMMARY OF NATURAL GAS AND OIL RESERVE DATA

The table below sets forth information, as of December 31, 2006, with respect to estimates of net proved reserves, prepared in accordance with guidance established by the SEC. Our U.S. reserve estimates at December 31, 2006 have been audited by Huddleston & Co., Inc., independent petroleum engineers (83% of our most significant U.S. proved reserves on a discounted future net revenue basis). 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, 2006		
	Proved Developed Reserves	Proved Undeveloped Reserves	Total Proved Reserves
United States:			
Gas (Bcf)	156	138	294
Oil (MMBbls)	13	23	36
Total (Bcfe)	236	276	512
United Kingdom:			
Gas (Bcf)	—	24	24
Oil (MMBbls)	—	—	—
Total (Bcfe)	—	24	24
Total:			
Gas (Bcf)	156	162	318
Oil (MMBbls)	13	23	36
Total (Bcfe)	236	300	536

For additional information regarding estimates of oil and gas reserves, including estimates of proved and proved developed reserves, the standardized measure of discounted future net cash flows, and the changes in discounted future net cash flows, see “Item 8. *Financial Statements and Supplementary Data* “— Note 20 — Supplemental Oil and Gas Disclosures.”

Production, Price and Cost Data

Production, price and cost data for our oil and gas operations in the United States are as follows:

	Year Ended December 31,		
	2006	2005	2004
Production:			
Gas (Bcf)	28	18	26
Oil (MMBbls)	3	3	3
Total (Bcfe)	48	33	42
Average sales prices realized (including hedges):			
Gas (per Mcf)	$ 7.86	$ 8.08	$ 5.76
Oil (per Bbl)	$60.41	$49.15	$33.92
Total (per Mcfe)	$ 8.79	$ 8.13	$ 5.72
Average production cost per Mcfe	$ 1.85	$ 1.71	$ 0.95
Average depletion and amortization per Mcfe	$ 2.79	$ 2.14	$ 1.66

As we acquired *Camelot* in December 2006 (which was not then producing), we had no oil and gas production in the United Kingdom in 2006.

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Productive Wells

The number of productive oil and gas wells in which we held interest as of December 31, 2006 is as follows:

	Oil Wells		Gas Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
United States — Offshore	145	107	155	71	300	178
United States — Onshore	24	8	75	15	99	23
Total	169	115	230	86	399	201

Productive wells are producing wells and wells capable of production. A gross well is a well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned. A net well is deemed to exist when the sum of fractional ownership working interests in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof. One or more completions in the same borehole are counted as one well in this table.

The following table summarizes non-producing wells as of December 31, 2006. Included in non-producing wells are productive wells awaiting additional action, pipeline connections or shut-in for various reasons.

	Oil Wells		Gas Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Not producing (shut-in)	267	205	299	141	566	346

Developed and Undeveloped Acreage

The developed and undeveloped acreage (including both leases and concessions) that we held at December 31, 2006 is as follows:

	Undeveloped		Developed	
	Gross	Net	Gross	Net
United States —				
Offshore	625,100	393,870	711,189	378,731
Onshore	9,470	6,956	20,914	7,040
Total United States	634,570	400,826	732,103	385,771
United Kingdom — offshore	34,842	34,842	—	—
Total	669,412	435,668	732,103	385,771

Developed acreage is acreage spaced or assignable to productive wells. A gross acre is an acre in which a working interest is owned. A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof. Undeveloped acreage is considered to be those leased acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of crude oil and natural gas regardless of whether or not such acreage contains proved reserves. Included within undeveloped acreage are those leased acres (held by production under the terms of a lease) that are not within the spacing unit containing, or acreage assigned to, the productive well so holding such lease. The current terms of our

leases on undeveloped acreage are scheduled to expire as shown in the table below (the terms of a lease may be extended by drilling and production operations (acreage):

	Offshore		Onshore		Total	
	Gross	Net	Gross	Net	Gross	Net
2007	156,732	70,872	3,708	2,490	160,440	73,362
2008	144,461	79,876	4,292	2,996	148,753	82,872
2009	114,729	74,682	1,470	1,470	116,199	76,152
2010	105,966	80,652	—	—	105,966	80,652
Total	521,888	306,082	9,470	6,956	531,358	313,038

Drilling Activity

The following table shows the results of oil and gas wells drilled in the United States for each of the years ended December 31, 2006, 2005 and 2004:

	Net Exploratory Wells			Net Development Wells		
	Productive	Dry	Total	Productive	Dry	Total
Year ended December 31, 2006	6.5	2.1	8.6	4.6	—	4.6
Year ended December 31, 2005	0.4	—	0.4	1.2	—	1.2
Year ended December 31, 2004	1.3	—	1.3	1.1	—	1.1

As we acquired *Camelot* in December 2006, no wells were drilled in the United Kingdom in 2006.

A productive well is an exploratory or development well that is not a dry hole. A dry hole is an exploratory or development well determined to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

An exploratory well is a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. A development well, for purposes of the table above and as defined in the rules and regulations of the SEC, is a well drilled within the proved area of a crude oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive. The number of wells drilled refers to the number of wells completed at any time during the respective year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of crude oil or natural gas, or in the case of a dry hole, to the reporting of abandonment to the appropriate agency.

At December 31, 2006, our oil and gas operations were drilling 2 gross (0.6 net) development wells and 6 gross (4 net) exploration wells, and 0.4 net suspended exploratory wells. These wells are located in the Gulf of Mexico. The drilling cost to us for these wells will be approximately $104.2 million if all are dry and approximately $163.4 million if all are completed as producing wells.

PRODUCTION FACILITIES

Through our interest in Deepwater Gateway, L.L.C., a limited liability company in which Enterprise Products Partners L.P. is the other member, we own a 50% interest in the *Marco Polo* TLP, which was installed on Green Canyon Block 608 in 4,300 feet of water. Deepwater Gateway, L.L.C. was formed to construct, install and own the *Marco Polo* TLP in order to process production from Anadarko Petroleum Corporation's *Marco Polo* field discovery at Green Canyon Block 608. Anadarko required 50,000 barrels of oil per day and 150 million feet per day of processing capacity for *Marco Polo.* The *Marco Polo* TLP was designed to process 120,000 barrels of oil per day and 300 million cubic feet of gas per day and payload with space for up to six subsea tie backs.

We also own a 20% interest in Independence Hub, LLC, an affiliate of Enterprise Products Partners L.P., that will own the "Independence Hub" platform, a 105 foot deep draft, semi-submersible platform to be located in Mississippi Canyon block 920 in a water depth of 8,000 feet that will serve as a regional hub for natural gas production from multiple ultra-Deepwater fields in the previously untapped eastern Gulf of Mexico. Installation of

the platform is scheduled for the first quarter of 2007 and first production is expected in mid-2007. The Independence Hub facility will be capable of processing 1 billion cubic feet (bcf) per day of gas.

We own a 20% interest in the *Gunnison* truss spar facility, together with the operator Kerr-McGee Oil & Gas Corporation, which owns a 50% interest, and Nexen, Inc., which owns the remaining 30% interest. The *Gunnison* spar, which is moored in 3,150 feet of water and located on Garden Banks Block 668, has daily production capacity of 40,000 barrels of oil and 200 million cubic feet of gas. This facility is designed with excess capacity to accommodate production from satellite prospects in the area.

Further, in October 2006, we invested $15 million for a 50% interest in Kommandor to convert a ferry vessel into a dynamically-positioned minimal floating production system. Upon completion of the initial conversion, this vessel will be leased under a bareboat charter to us for further conversion and subsequent use as a floating production system in the Deepwater Gulf of Mexico, initially for the *Phoenix* field. Conversion of the vessel is expected to be completed in two phases. The first phase is expected to be completed by the end of 2007 for approximately $60 million. The second phase of the conversion is expected to be completed by mid-2008. Estimated cost of conversion for the second phase is approximately $100 million, of which we expect to fund 100%.

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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 Port of Iberia, Louisiana. We own the Aberdeen (Dyce), Scotland facility. All of our other facilities are leased.

Properties and Facilities Summary

Location	Function	Size
Houston, Texas	Helix Energy Solutions Group, Inc. Corporate Headquarters, Project Management, and Sales Office Cal Dive International, Inc. Corporate Headquarters, Project Management, and Sales Office Energy Resource Technology GOM, Inc.Corporate Headquarters Well Ops Inc. Corporate Headquarters, Project Management, and Sales Office Kommandor LLC (1) Corporate Headquarters	85,000 square feet
Houston, Texas	Canyon Offshore, Inc. Corporate, Management and Sales Office	27,000 square ft.
Dallas, Texas	Energy Resource Technology GOM, Inc. Dallas Office	25,000 square ft.
Port of Iberia, Louisiana	Cal Dive International, Inc. (2) Operations, Offices and Warehouse	23 acres (Buildings: 68,602 square feet)
Fourchon, Louisiana	Cal Dive International, Inc. (2) Marine, Operations, Living Quarters	10 acres (Buildings: 2,300 square feet)
New Orleans, Louisiana	Cal Dive International, Inc. (2) Sales Office	2,724 square feet
Dubai, United Arab Emirates	Cal Dive International, Inc. (2) Sales Office and Warehouse	12,916 square feet
Aberdeen (Dyce), Scotland	Well Ops (U.K.) Limited Corporate Offices and Operations Canyon Offshore Limited Corporate Offices, Operations and Sales Office	3.9 acres (Building: 42,463 square ft.)
Aberdeen (Westhill), Scotland	Helix RDS Limited Corporate Offices ERT (UK) Limited Corporate Offices	11,333 square ft.
London, England	Helix RDS Limited Corporate Offices	3,365 square ft.
Kuala Lumpur, Malaysia	Helix RDS Sdn Bhd Corporate Offices	2,227 square ft.
Perth, Australia	Cal Dive International, Inc. (2) Operations, Offices and Project Management	28,738 square feet
Perth, Australia	Well Ops SEA Pty Ltd (3) Corporate Offices	1.0 acre (Building: 12,040 square feet)
Perth, Australia	Helix RDS Pty Ltd Corporate Offices Helix ESG Pty Ltd. Corporate Offices	8,202 square ft.
Rotterdam, The Netherlands	Helix Energy Solutions BV Corporate Offices	6,620 square ft.
Singapore	Cal Dive International, Inc. (2) Marine, Operations, Offices, Project Management and Warehouse	29,772 square feet
Singapore	Canyon Offshore International Corp Corporate, Operations and Sales Well Ops PTE Ltd Corporate Headquarters	13,180 square ft.

(1) Kommandor LLC is a joint venture in which we owned 50% at December 31, 2006. Kommandor is included in our consolidated results as of December 31, 2006.

(2) Cal Dive International, Inc. is our Shelf Contracting subsidiary, of which we owned 73.0% at December 31, 2006.

(3) At December 31, 2006, we owned 58% of Well Ops SEA Pty Ltd.

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 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. 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, Cal Dive Offshore Ltd ("CDO"), entered into a subcontract with Seacore Marine Contractors Limited ("Seacore") to provide a vessel to Seacore for use in performing a contract between Seacore and Coflexip Stena Offshore Newfoundland ("Coflexip") in Canada. Due to various difficulties, that contract was terminated and an arbitration to recover damages was commenced. We were not a party to that arbitration. A liability finding was made by the arbitrator against Seacore and in favor of Coflexip. Seacore and Coflexip settled this matter with Seacore paying Coflexip CAD$6.95 million. Seacore then initiated an arbitration proceeding against CDO seeking payment of that amount, and subsequently commenced a lawsuit against us seeking the same recovery. Recently we have settled this litigation and arbitration, with us making a payment to Seacore in the amount of CAD$825,000 (or approximately $703,000), and the parties fully and finally releasing each other from all claims pertaining the matter.

On December 2, 2005, we received an order from the U.S. Department of the Interior Minerals Management Service ("MMS") that the price threshold for both oil and gas was exceeded for 2004 production and that royalties are due on such production notwithstanding the provisions of the Deep Water Royalty Relief Act of 2005 ("DWRRA"), which was intended to stimulate exploration and production of oil and natural gas in the deepwater Gulf of Mexico by providing relief from the obligation to pay royalty on certain federal leases. Our only oil and gas leases affected by this dispute are Garden Banks Blocks 667, 668 and 669 ("*Gunnison*"). On May 2, 2006, the MMS issued another order that superseded the December 2005 order, and claimed that royalties on gas production are due for 2003 in addition to oil and gas production in 2004. The May 2006 Order also seeks interest on all royalties allegedly due. We filed a timely notice of appeal with respect to both the December 2005 Order and the May 2006 Order. Other operators in the Deep Water Gulf of Mexico who have received notices similar to ours are seeking royalty relief under the DWRRA, including Kerr-McGee Oil and Gas Corporation ("Kerr-McGee"), the operator of *Gunnison*. In March of 2006, Kerr-McGee filed a lawsuit in federal district court challenging the enforceability of price thresholds in certain deepwater Gulf of Mexico Leases, such as ours. We do not anticipate that the MMS director will issue decisions in our or the other companies' administrative appeals until the Kerr-McGee litigation has been resolved. As a result of this dispute, we have recorded reserves for the disputed royalties (and any other royalties that may be claimed for production during 2005 and 2006) plus interest at 5% for our portion of the *Gunnison* related MMS claim. The total reserved amount at December 31, 2006 was approximately $42.6 million. At this time, it is not anticipated that any penalties would be assessed even if we are unsuccessful in our appeal.

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Although the above discussed matters may have the potential for additional liability and may have an impact on our consolidated financial results for a particular reporting period, we believe that the outcome of all such matters and proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

None.

Executive Officers of the Company

The executive officers of Helix are as follows:

Name	Age	Position
Owen Kratz	52	Executive Chairman and Director
Martin R. Ferron	50	President, Chief Executive Officer and Director
Bart H. Heijermans	40	Executive Vice President and Chief Operating Officer
Robert P. Murphy	48	Executive Vice President — Oil & Gas
A. Wade Pursell	42	Executive Vice President and Chief Financial Officer
Alisa B. Johnson	49	Senior Vice President, General Counsel and Corporate Secretary
Lloyd A. Hajdik	41	Vice President — Corporate Controller and Chief Accounting Officer

Owen Kratz is Executive Chairman and the principal executive officer of Helix. He was appointed Chairman in May 1998 and served as our Chief Executive Officer from April 1997 until October 2006, at which time he was appointed Executive Chairman. Mr. Kratz served as President from 1993 until February 1999, and has been a Director since 1990. He served as Chief Operating Officer from 1990 through 1997. Mr. Kratz joined Helix in 1984 and has held various offshore positions, including saturation diving supervisor, and has had management responsibility for client relations, marketing and estimating. Mr. Kratz has a Bachelor of Science degree in Biology and Chemistry from State University of New York.

Martin R. Ferron has served on our Board of Directors since September 1998. Mr. Ferron became President in February 1999 and was appointed Chief Executive Officer in October 2006. Mr. Ferron served as Chief Operating Officer from January 1998 until September 2005. Mr. Ferron has over 25 years of experience in the oilfield industry, including seven in senior management positions with the international operations of McDermott and Oceaneering. Mr. Ferron has a civil engineering degree, a master’s degree in marine technology, an MBA and is a chartered civil engineer.

Bart H. Heijermans became Executive Vice President and Chief Operating Officer of Helix in September 2005. Prior to joining Helix, Mr. Heijermans worked as Senior Vice President Offshore and Gas Storage for Enterprise Products Partners, L.P. from 2004 to 2005 and previously from 1998 to 2004 was Vice President Commercial and Vice President Operations and Engineering for GulfTerra Energy Partners, L.P. Before his employment with GulfTerra, Mr. Heijermans held various positions with Royal Dutch Shell in the United States, the United Kingdom and the Netherlands. Mr. Heijermans received a Master of Science degree in Civil and Structural Engineering from the University of Delft, the Netherlands and is a graduate of the Harvard Business School Executive Program.

Robert P. Murphy was elected as Executive Vice President — Oil & Gas of Helix on February 28, 2007, and as President and Chief Operating Officer of Helix Oil & Gas, Inc., a wholly owned subsidiary, on November 29, 2006. Mr. Murphy joined Helix on July 1, 2006 when Helix acquired Remington Oil & Gas Corporation, where Mr. Murphy served as President, Chief Operating Officer and was on the Board of Directors. Prior to joining Remington, Mr. Murphy was Vice President — Exploration of Cairn Energy USA, Inc, of which company Mr. Murphy also served on the Board of Directors. Mr. Murphy received a Bachelor of Science degree in Geology from The University of Texas at Austin, and has a Master of Science in Geosciences from the University of Texas at Dallas.

A. Wade Pursell was elected as Executive Vice President and Chief Financial Officer on February 28, 2007, and prior to that, held the office of Senior Vice President and Chief Financial Officer, to which he was appointed in October 2000. Mr. Pursell oversees the finance, treasury, accounting, tax, information technology, administration and corporate planning functions. He joined Helix 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. Mr. Pursell received a Bachelor of Science degree from the University of Central Arkansas.

Alisa B. Johnson became Senior Vice President, General Counsel and Secretary of Helix in September 2006. Ms. Johnson has been involved with the energy industry for over 15 years. Prior to joining Helix, Ms. Johnson worked for Dynegy Inc. for nine years, at which company she held various legal positions, including Senior Vice President and Group General Counsel — Generation. From 1990 to 1997, Ms. Johnson held various legal positions at Destec Entergy, Inc. Prior to that Ms. Johnson was in private law practice. Ms. Johnson received her Bachelor of Arts degree from Rice University and her law degree from the University of Houston.

Lloyd A. Hajdik joined the Company in December 2003 as Vice President — Corporate Controller and became Chief Accounting Officer in February 2004. From January 2002 to November 2003 he was Assistant Corporate Controller for Houston-based NL Industries, Inc. Prior to NL Industries, Mr. Hajdik served as Senior Manager of SEC Reporting and Accounting Services for Compaq Computer Corporation from 2000 to 2002, and as Controller for Halliburton's Baroid Drilling Fluids and Zonal Isolation product service lines from 1997 to 2000. Mr. Hajdik served as Controller for Engineering Services for Cliffs Drilling Company from 1995 to 1997 and was with Ernst & Young in the audit practice from 1989 to 1995. Mr. Hajdik graduated from Texas State University — San Marcos (formerly Southwest Texas State University) receiving a Bachelor of Business Administration degree. Mr. Hajdik is a Certified Public Accountant and a member of the Texas Society of CPAs as well as the American Institute of Certified Public Accountants.

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.***

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "HLX." Prior to July 18, 2006, our common stock was quoted on the NASDAQ under the symbol "HELX." Prior to March 6, 2006, our common stock traded under the symbol "CDIS" on the NASDAQ. The following table sets forth, for the periods indicated, the high and low closing sale prices per share of our common stock:

	Common Stock Prices	
	High (1)	Low (1)
2005		
First Quarter	$26.14	$19.11
Second Quarter	$26.94	$20.57
Third Quarter	$32.18	$25.98
Fourth Quarter	$40.17	$26.40
2006		
First Quarter	$45.61	$32.85
Second Quarter	$45.00	$29.14
Third Quarter	$41.92	$30.00
Fourth Quarter	$37.30	$27.55
2007		
First Quarter (2)	$34.59	$27.89

(1) Adjusted to reflect the two-for-one stock split effective as the close of business on December 8, 2005.

(2) Through February 28, 2007

On February 28, 2007, the closing sale price of our common stock on the NYSE was $33.49 per share. As of February 22, 2007, there were an estimated 313 registered shareholders (approximately 56,179 beneficial owners) of our common stock.

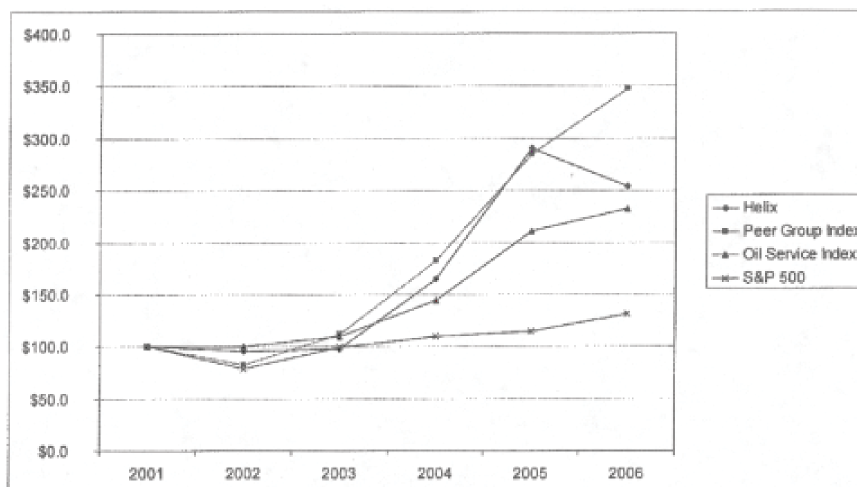
We have never declared or paid cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, for the future operation and growth of our business. In addition, our financing arrangements prohibit the payment of cash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

Shareholder Return Performance Graph

The following graph compares the cumulative total shareholder return on our common stock for the period since December 31, 2001 to the cumulative total shareholder return for (i) the stocks of 500 large-cap corporations maintained by Standard & Poor's ("S&P 500"), assuming the reinvestment of dividends; (ii) the Philadelphia Oil Service Sector index ("OSX"), a price-weighted index of leading oil service companies, assuming the reinvestment of dividends; and (iii) a peer group selected by us (the "Peer Group") consisting of the following companies: Global Industries, Ltd., Acergy US, Inc., Oceaneering International, Inc., Technip-Coflexip, Superior Energy Services, Inc., TETRA Technologies, Inc., Subsea 7, Newfield Exploration Company, ATP Oil & Gas Corp, W&T Offshore, Inc., Energy Partners, Ltd., and Mariner Energy, Inc. The returns of each member of the Peer Group have been weighted according to each individual company's equity market capitalization as of December 31, 2006 and have been adjusted for the reinvestment of any dividends. We believe that the members of the Peer Group provide services and products more comparable to us than those companies included in the OSX. The graph assumes $100 was invested on December 31, 2001 in our common stock at the closing price on that date price and on December 31, 2001 in the three indices presented. We paid no cash dividends during the period presented. The cumulative total

percentage returns for the period presented were as follows: our stock — 154.2%; the Peer Group — 247.4%; the OSX — 132.2%; and S&P 500- 31.1%. These results are not necessarily indicative of future performance.

Comparison of Five Year Cumulative Total Return among Helix, S&P 500, OSX and Peer Group



	As of December 31,					
	2001	2002	2003	2004	2005	2006
Helix	$100.0	$ 95.2	$ 97.7	$165.1	$290.8	$254.2
Peer Group Index	$100.0	$ 82.9	$111.5	$182.2	$285.1	$347.4
Oil Service Index	$100.0	$100.5	$109.5	$144.1	$210.9	$232.2
S&P 500	$100.0	$ 78.8	$ 99.6	$109.8	$114.7	$131.1

Source: Bloomberg

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Maximum Value of Shares That May Yet Be Purchased Under the Program (In thousands) (2)
October 1 to October 31, 2006	1,072,800	$ 29.22	1,072,800	$ 18,649
November 1 to November 30, 2006	601,880	$ 30.98	601,880	—
December 1 to December 31, 2006 (1)	4,273	$ 34.14	—	N/A
	1,678,953	$ 29.87	1,674,680	$ —

(1) Represents shares delivered to the Company by employees in satisfaction of withholding taxes and upon forfeiture of restricted shares.

(2) In January 2007, we issued 109,754 shares of our common stock to our employees under our 1998 Employee Stock Purchase Plan to satisfy the employee purchase period from July 1, 2006 to December 31, 2006. We subsequently repurchased the same number of shares of our common stock in the open market at $29.94 per share.

Item 6. *Selected Financial Data.*

The financial data presented below for each of the five years ended December 31, 2006, should be read in conjunction with Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Item 8. *Financial Statements and Supplementary Data* included elsewhere in this Form 10-K.

	Year Ended December 31,				
	2006 (1)	2005	2004	2003	2002
	(In thousands, except per share amounts)				
Net revenues	$1,366,924	$799,472	$543,392	$396,269	$302,705
Gross profit	515,408	283,072	171,912	92,083	53,792
Equity in earnings (losses) of investments	18,130	13,459	7,927	(87)	—
Net income before change in accounting principle	347,394	152,568	82,659	33,678	12,377
Cumulative effect of change in accounting principle, net	—	—	—	530	—
Net income	347,394	152,568	82,659	34,208	12,377
Preferred stock dividends and accretion	3,358	2,454	2,743	1,437	—
Net income applicable to common shareholders	344,036	150,114	79,916	32,771	12,377
Earnings per common share — Basic (2):					
Earnings per share before change in accounting principle	4.07	1.94	1.05	0.43	0.17
Cumulative effect of change in accounting principle	—	—	—	0.01	—
Earnings per share — Basic	4.07	1.94	1.05	0.44	0.17
Earnings per common share — Diluted (2):					
Earnings per share before change in accounting principle	3.87	1.86	1.03	0.43	0.17
Cumulative effect of change in accounting principle	—	—	—	0.01	—
Earnings per share — Diluted	3.87	1.86	1.03	0.44	0.17

(1) Includes effect of the Remington acquisition since July 1, 2006. See Item 8. *Financial Statements and Supplementary Data* "— Note 4 — Acquisition of Remington Oil and Gas Corporation" for additional information.

(2) All earnings per share information reflects a two-for-one stock split effective as of the close of business on December 8, 2005.

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	As of December 31,				
	2006 (1)	2005	2004	2003	2002
			(In thousands)		
Total assets	$ 4,290,187	$ 1,660,864	$ 1,038,758	$882,842	$840,010
Long-term debt (including current maturities)	1,480,356	447,171	148,560	222,831	227,777
Minority interest	59,802	—	—	—	—
Convertible preferred stock	55,000	55,000	55,000	24,538	—
Shareholders' equity	1,525,948	629,300	485,292	381,141	337,517

(1) Includes effect of the Remington acquisition in July 2006. See Item 8. *Financial Statements and Supplementary Data* "— Note 4 — Acquisition of Remington Oil and Gas Corporation" for additional information.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operation*

The following management discussion and analysis should be read in conjunction with our historical consolidated financial statements and their notes included elsewhere in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and elsewhere in this report.

Executive Summary

Our Business

We are an international offshore energy company that provides development solutions and other key services to the open energy market as well as to our own oil and gas properties. Our oil and gas business is a prospect generation, exploration, development and production company. Employing our own key services and methodologies we seek to lower finding and development (F&D) costs, relative to industry norms.

Industry Overview and Major Influences

The offshore oil and gas industry originated in the early 1950s as producers began to explore and develop the new frontier of offshore fields. The industry has grown significantly since the 1970s with service providers taking on greater roles on behalf of the producers. Industry standards were established during this period largely in response to the emergence of the North Sea as a major province leading the way into a new hostile frontier. The methodology of these standards was driven by the requirement of mitigating the risk of developing relatively large reservoirs in a then challenging environment. These standards are still largely adhered to today for all developments even if they are small and the frontier is more understood. There are factors we believe will influence the industry in the coming years: (1) Increasing world demand for oil and natural gas; (2) global production rates peaking; (3) globalization of the natural gas market; (4) increasing number of mature and small reservoirs; (5) increasing ratio of contribution to global production from marginal fields; (6) increasing offshore activity; and (7) increasing number of subsea developments.

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

- worldwide economic activity;
- demand for oil and natural gas, especially in the United States, China and India;
- economic and political conditions in the Middle East and other oil-producing regions;
- actions taken by the Organization of Petroleum Exporting Countries ("OPEC");

- the availability and discovery rate of new oil and natural gas reserves in offshore areas;
- the cost of offshore exploration for and production and transportation of oil and gas;
- the ability of oil and natural gas companies to generate funds or otherwise obtain external capital for exploration, development and production operations;
- 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 affecting energy exploration production transportation and consumption;
- weather conditions;
- environmental and other governmental regulations; and
- tax policies.

Activity Summary

Over the last few years we continued to evolve the Helix model by completing a variety of transactions and events which have had, and we believe will continue to have, significant impacts on our results of operations and financial condition. In 2005, we substantially increased the size of our Shelf Contracting fleet and Deepwater pipelay fleet through the acquisition of assets from Torch and Acergy for a combined purchase price of $210.2 million. We also acquired a significant mature property package on the Gulf of Mexico OCS from Murphy Oil Corporation for $163.5 million cash and assumption of abandonment liability of $32 million. Finally, we established our Reservoir and Well Tech Services group through the acquisition of Helix Energy Limited (“Helix RDS”) for $32.7 million. In 2006, we acquired Remington, an exploration, development and production company, for approximately $1.4 billion in cash and stock and the assumption of $349.6 million of liabilities. We changed our name from Cal Dive International, Inc. to Helix Energy Solutions Group, Inc., leaving the “Cal Dive” name in our diving subsidiary, and in December 2006 completed a carve-out IPO of that company selling a 26.5% stake receiving pre-tax net proceeds of $264.4 million from CDI and a pre-tax dividend of $200 million from CDI’s revolver. We acquired the *Caesar*, a 485 foot cable lay vessel which we intend to convert into a Deepwater pipelay asset (total acquisition plus estimated conversion cost is $137.5 million). We also acquired a 100% interest in the *Phoenix* field (formerly known as *Typhoon*) where we expect to deploy a minimal floating production system in mid-2008. We also expanded our subsea well intervention services in Australia through the acquisition of 58% of Seatrac. Finally, we moved our stock listing from Nasdaq (HELX) to the New York Stock Exchange (HLX) in July 2006.

In February 2007, we announced an update on drilling activity at our 100% owned *Noonan* prospect on Garden Banks Block 506 in 2,700 feet of water. Since operations commenced in October 2006, we have completed the drilling of an exploratory well and two appraisal sidetracks. Formation evaluation from wireline logs, pressure analysis and sidewall cores have successfully delineated our reservoir for completion of the well.

Results of Operations

Our operations are conducted through the following lines of businesses: contracting services operations and oil and gas operations. We have disaggregated our contracting services operations into three reportable segments in accordance with SFAS 131. As a result, our reportable segments consist of the following: Contracting Services (formerly known as Deepwater Contracting), Shelf Contracting, Oil and Gas (formerly known as Oil and Gas Production) and Production Facilities. Contracting Services operations include services such as deepwater pipelay, well operations, robotics and reservoir and well tech services. Shelf Contracting operations consist of assets deployed primarily for diving-related activities and shallow water construction. See Item 8. *Financial Statements and Supplementary* Data “— Note 3 — Initial Public Offering of Cal Dive International, Inc.” for discussion of

initial public offering of CDI common stock (represented by the Shelf Contracting segment). All material intercompany transactions between the segments have been eliminated in our consolidated results of operations.

Comparison of Years Ended 2006 and 2005

The following table details various financial and operational highlights for the periods presented:

	Year Ended December 31, 2006	Year Ended December 31, 2005	Increase/ (Decrease)
Revenues (in thousands) —			
Contracting Services	$ 485,246	$328,315	$156,931
Shelf Contracting	509,917	223,211	286,706
Oil and Gas	429,607	275,813	153,794
Intercompany elimination	(57,846)	(27,867)	(29,979)
	$ 1,366,924	$799,472	$567,452
Gross profit (in thousands) —			
Contracting Services	$ 138,516	$ 69,381	$ 69,135
Shelf Contracting	222,530	71,215	151,315
Oil and Gas	162,386	142,476	19,910
Intercompany elimination	(8,024)	—	(8,024)
	$ 515,408	$283,072	$232,336
Gross Margin —			
Contracting Services	29%	21%	8 pts
Shelf Contracting	44%	32%	12 pts
Oil and Gas	38%	52%	(14) pts
Total company	38%	35%	3 pts
Number of vessels (1)/ Utilization (2) —			
Contracting Services:			
Pipelay	3/86%	2/86%	
Well operations	2/81%	2/84%	
ROVs	32/71%	30/69%	
Shelf Contracting	25/84%	23/65%	

(1) Represents number of vessels as of the end the period excluding acquired vessels prior to their in-service dates, vessels taken out of service prior to their disposition and vessels jointly owned with a third party.

(2) 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 calendar days in the applicable period.

Intercompany segment revenues during the years ended December 31, 2006 and 2005 were as follows (in thousands):

	Year Ended December 31, 2006	Year Ended December 31, 2005	Increase/ (Decrease)
Contracting Services	$42,585	$26,431	$ 16,154
Shelf Contracting	15,261	1,436	13,825
	$57,846	$27,867	$ 29,979

Intercompany segment profit (which only relates to intercompany capital projects) during the years ended December 31, 2006 and 2005 were as follows (in thousands):

	Year Ended December 31, 2006	Year Ended December 31, 2005	Increase/ (Decrease)
Contracting Services	$2,460	$ —	$ 2,460
Shelf Contracting	5,564	—	5,564
	$8,024	$ —	$ 8,024

The following table details various financial and operational highlights related to our oil and gas operations for the periods presented:

	Year Ended December 31, 2006	Year Ended December 31, 2005	Increase/ Decrease
Oil and Gas information —			
Oil production volume (MBbls)	3,400	2,473	927
Oil sales revenue (in thousands)	$205,415	$121,510	$83,905
Average oil sales price per Bbl (excluding hedges)	$ 61.08	$ 51.87	$ 9.21
Average realized oil price per Bbl (including hedges)	$ 60.41	$ 49.15	$ 11.26
Increase in oil sales revenue due to:			
Change in prices (in thousands)	$ 27,840		
Change in production volume (in thousands)	56,065		
Total increase in oil sales revenue (in thousands)	$ 83,905		
Gas production volume (MMcf)	27,949	18,137	9,812
Gas sales revenue (in thousands)	$219,674	$146,591	$73,083
Average gas sales price per mcf (excluding hedges)	$ 7.46	$ 8.48	$ (1.02)
Average realized gas price per mcf (including hedges)	$ 7.86	$ 8.08	$ (0.22)
Increase (decrease) in gas sales revenue due to:			
Change in prices (in thousands)	$ (4,018)		
Change in production volume (in thousands)	77,101		
Total increase in gas sales revenue (in thousands)	$ 73,083		
Total production (MMcfe)	48,349	32,975	15,374
Price per Mcfe	$ 8.79	$ 8.13	$ 0.66

Presenting the expenses of our Oil and Gas segment on a cost per Mcfe of production basis normalizes for the impact of production gains/losses and provides a measure of expense control efficiencies. The following table

highlights certain relevant expense items in total (in thousands) and on this basis with barrels of oil converted to Mcfe at a ratio of one barrel to six Mcf:

	Year Ended December 31,			
	2006		2005	
	Total	Per Mcfe	Total	Per Mcfe
Oil and gas operating expenses (1):				
Direct operating expenses	$ 50,930	$ 1.05	$26,997	$ 0.82
Workover	11,462	0.24	9,668	0.29
Transportation	3,174	0.07	3,814	0.12
Repairs and maintenance	13,081	0.27	6,030	0.18
Overhead and company labor	10,492	0.22	9,726	0.30
Total	$ 89,139	$ 1.85	$56,235	$ 1.71
Depletion and amortization	$ 134,967	$ 2.79	$70,637	$ 2.14

(1) Excludes exploration expense of $43.1 million and $6.5 million for the years ended December 31, 2006 and 2005, respectively. Exploration expense is not a component of lease operating expense.

Revenues. During the year ended December 31, 2006, our revenues increased by 71% as compared to 2005. Contracting Services revenues increased primarily due to improved market demand (resulting in improved contract pricing for the Pipelay, Well Operations and ROV divisions), and the addition of the *Express* acquired from Torch in 2005 and Helix Energy Limited acquired in 2005. Shelf Contracting revenue increased due to the additional vessels acquired from Acergy and Torch during 2005 and improved market demand, much of which was the result of damages sustained in the 2005 hurricanes in the Gulf of Mexico. This resulted in significantly improved utilization rates and an overall increase in pricing for our Shelf Contracting services.

Oil and Gas revenue increased 56%, during 2006 compared with the prior year. The increase was primarily due to increases in oil and natural gas production. The production volume increase of 47% over 2005 was mainly attributable to the full second half impact of the Remington acquisition, partially offset by continued pipeline shut-ins on certain fields. Oil and Gas revenue also increased due to higher oil prices realized in 2006 as compared to 2005, offset slightly by a $0.22 decline in average realized gas prices.

Gross Profit. Gross profit in 2006 increased 82% as compared to the same period in 2005. The Contracting Services gross profit increase was primarily attributable to improved contract pricing for the Pipelay, Well Operations and ROV divisions, and the addition of the *Express.* The gross profit increase within Shelf Contracting was primarily attributable to additional gross profit derived from the Torch and Acergy acquisitions, improved utilization rates and increased contract pricing as discussed above.

Oil and Gas gross profit increased 14% in 2006 compared to 2005. Gross profit was negatively impacted by $43.1 million of exploration costs incurred during 2006 compared with $6.5 million incurred in 2005. The increase in exploration costs was primarily due to dry hole costs of $21.7 million related to the Tulane prospect as a result of mechanical difficulties experienced in the drilling of this well. The well was subsequently plugged and abandoned in the first quarter of 2006. In addition, we incurred dry hole costs totaling approximately $15.9 million in the third quarter of 2006 associated with two deep shelf wells commenced by Remington prior to the acquisition. We expensed inspection and repair costs of approximately $16.8 million as a result of Hurricanes *Katrina* and *Rita*, partially offset by $9.7 million in insurance recoveries in 2006 compared to $7.1 million of hurricane inspection and repair costs in 2005. In addition, depletion and amortization per Mcfe increased 30% in 2006 compared to 2005 due primarily to the acquisition costs associated with the Remington properties acquired in July 2006. These decreases were offset by higher oil prices realized and higher oil and gas production as discussed above. In addition, in 2005 we recorded $2.7 million of losses associated with hedge instrument ineffectiveness as a result of production shut-ins caused by the aforementioned hurricanes. No hedge ineffectiveness was recorded in 2006.

Selling and Administrative Expenses. Selling and administrative expenses of $119.6 million were $56.8 million higher than the $62.8 million incurred in 2005. The increase was due primarily to higher overhead to support

our growth. Selling and administrative expenses increased slightly to 9% of revenues in 2006 compared to 8% in 2005.

Equity in Earnings of Investments. Equity in earnings of our 50% investment in Deepwater Gateway, L.L.C. increased to $18.4 million in 2006 compared with $10.6 million in 2005 due to increased throughput at the *Marco Polo* TLP. Further, equity losses in our 40% minority ownership interest in OTSL for 2006 totaled approximately $487,000 compared with equity earnings of $2.8 million in 2005.

Gain on Subsidiary Equity Transaction. Gain on subsidiary equity transaction of $223.1 million is related to the CDI initial public offering of 22,173,000 shares of its common stock in December 2006, together with shares issued to CDI employees immediately after the offering, our ownership reduced to 73.0%. CDI received net proceeds of $264.4 million from its initial public offering. Together with CDI's drawdown of its revolving credit facility, CDI paid pre-tax dividends of $464.4 million to us in December 2006. The gain is as a result of these transactions.

Net Interest Expense and Other. We reported interest and other expense of $34.6 million in 2006 compared to $7.6 million in the prior year. Gross interest expense of $51.9 million during 2006 was higher than the $15.0 million incurred in 2005. Approximately $31.4 million of the increase was related to our Term Loan which closed in July 2006 and $2.4 million of the increase was related to our $300 million Convertible Senior Notes which closed in March 2005. Offsetting the increase in interest expense was $10.6 million of capitalized interest in 2006, compared with capitalized interest of $2.0 million in the prior year.

Provision for Income Taxes. Income taxes increased to $257.2 million in 2006 compared to $75.0 million in the prior year. $126.6 million of the income tax expense increase was related to the CDI dividends to us. The remaining increase was primarily due to increased profitability. The effective tax rate of 42.5% for 2006 was higher than the 33.0% effective tax rate for same period in 2005 due primarily to the CDI dividends of $464.4 million received in December 2006.

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Comparison of Years Ended 2005 and 2004

The following table details various financial and operational highlights for the periods presented:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase/ (Decrease)
Revenues (in thousands) —			
Contracting Services	$328,315	$197,688	$130,627
Shelf Contracting	223,211	126,546	96,665
Oil and Gas	275,813	243,310	32,503
Intercompany elimination	(27,867)	(24,152)	(3,715)
	$799,472	$543,392	$256,080
Gross profit (in thousands) —			
Contracting Services	$ 69,381	$ 11,142	$ 58,239
Shelf Contracting	71,215	25,516	45,699
Oil and Gas	142,476	135,427	7,049
Intercompany elimination	—	(173)	173
	$283,072	$171,912	$111,160
Gross Margin —			
Contracting Services	21%	6%	15 pts
Shelf Contracting	32%	20%	12 pts
Oil and Gas	52%	56%	(4) pts
Total company	35%	32%	3 pts
Number of vessels (1)/ Utilization (2) —			
Contracting Services:			
Pipelay	2/86%	1/72%	
Well operations	2/84%	2/80%	
ROVs	30/69%	22/51%	
Shelf Contracting	23/65%	17/52%	

(1) Represents number of vessels as of the end the period excluding acquired vessels prior to their in-service dates, vessels taken out of service prior to their disposition and vessels jointly owned with a third party.

(2) 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 calendar days in the applicable period.

Intercompany segment revenues during the years ended December 31, 2005 and 2004 were as follows (in thousands):

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase/ (Decrease)
Contracting Services	$26,431	$22,246	$ 4,185
Shelf Contracting	1,436	1,906	(470)
	$27,867	$24,152	$ 3,715

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Intercompany segment profit (which only relates to intercompany capital projects) during the years ended December 31, 2005 and 2004 were as follows (in thousands):

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase/ (Decrease)
Contracting Services	$ —	$ 91	$ (91)
Shelf Contracting	—	82	(82)
	$ —	$173	$ (173)

The following table details various financial and operational highlights related to our oil and gas operations for the periods presented:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase/ (Decrease)
Oil and Gas information —			
Oil production volume (MBbls)	2,473	2,593	(120)
Oil sales revenue (in thousands)	$ 121,510	$ 87,951	$ 33,559
Average oil sales price per Bbl (excluding hedges)	$ 51.87	$ 38.05	$ 13.82
Average realized oil price per Bbl (including hedges)	$ 49.15	$ 33.92	$ 15.23
Increase (decrease) in oil sales revenue due to:			
Change in prices (in thousands)	$ 37,664		
Change in production volume (in thousands)	(4,105)		
Total increase in oil sales revenue (in thousands)	$ 33,559		
Gas production volume (MMcf)	18,137	25,957	(7,820)
Gas sales revenue (in thousands)	$ 146,591	$149,395	$ (2,804)
Average gas sales price per mcf (excluding hedges)	$ 8.48	$ 5.77	$ 2.71
Average realized gas price per mcf (including hedges)	$ 8.08	$ 5.76	$ 2.32
Increase (decrease) in gas sales revenue due to:			
Change in prices (in thousands)	$ 42,078		
Change in production volume (in thousands)	(44,882)		
Total decrease in gas sales revenue (in thousands)	$ (2,804)		
Total production (MMcfe)	32,975	41,515	(8,540)
Price per Mcfe	$ 8.13	$ 5.72	$ 2.41

Presenting the expenses of our Oil and Gas segment on a cost per Mcfe of production basis normalizes for the impact of production gains/losses and provides a measure of expense control efficiencies. The following table

highlights certain relevant expense items in total (in thousands) and on this basis with barrels of oil converted to Mcfe at a ratio of one barrel to six Mcf:

	Year Ended December 31,			
	2005		2004	
	Total	Per Mcfe	Total	Per Mcfe
Oil and gas operating expenses (1):				
Direct operating expenses	$ 26,997	$ 0.82	$19,030	$ 0.46
Workover	9,668	0.29	3,111	0.07
Transportation	3,814	0.12	3,898	0.09
Repairs and maintenance	6,030	0.18	5,173	0.12
Overhead and company labor	9,726	0.30	8,198	0.21
Total	$ 56,235	$ 1.71	$39,410	$ 0.95
Depletion and amortization	$ 70,637	$ 2.14	$69,046	$ 1.66

(1) Excludes exploration expense of $6.5 million for the year ended December 31, 2005. We had no exploration expenses in 2004. Exploration expense is not a component of lease operating expense.

Revenues. During the year ended December 31, 2005, our revenues increased 47% as compared to the same period in 2004. Our Contracting Services revenues increase was due primarily to improved market demand resulting in significantly improved utilization rates and contracting pricing for all divisions within the segment (deepwater, well operations and ROVs). The Shelf Contracting revenues increase was also due to improved market demand, much of which was the result of damages sustained in Hurricanes *Katrina* and *Rita.* This resulted in significantly improved utilization rates and contract pricing for all divisions within the segment (shallow water pipelay, diving and portable SAT systems). Further, Shelf Contracting's revenues increased in 2005 compared with 2004 directly as a result of the acquisition of the Torch and Acergy vessels in the third and fourth quarter of 2005, with much of the impact attributable to the fourth quarter.

The increase in our Oil and Gas revenue for the year ended December 31, 2005 was primarily due to increase in average price realized. These increases were partially offset by lower production primarily as a result of production shut-ins due to Hurricanes *Katrina* and *Rita* in the third and fourth quarters of 2005.

Gross Profit. Gross profit in 2005 increased 65% as compared to 2004. The Contracting Services gross profit increase was primarily attributable to improved utilization rates and contract pricing for all divisions within the segment. Gross profit for the Shelf Contracting segment also increased as a result of improved utilization rates and contract pricing for all divisions within the segment. In addition, our Shelf Contracting segment recorded asset impairments on certain vessels totaling $790,000 in 2005 as compared to $3.9 million in 2004 for conditions meeting our asset impairment criteria.

Our Oil and Gas gross profit increase was due to the aforementioned higher commodity price increases, offset by decreased production levels. Further, in 2005, gross profit for the Oil and Gas segment was also negatively impacted by impairment analysis on certain properties and expensed well work which resulted in $4.8 million of impairments, inspection and repair costs of approximately $7.1 million as a result of Hurricanes *Katrina* and *Rita* (no insurance recoveries were recorded as of December 31, 2005), and $5.7 million of expensed seismic data purchased for our offshore property acquisitions.

Selling & Administrative Expenses. Selling and administrative expenses of $62.8 million for the year ended December 31, 2005 were $13.9 million higher than the $48.9 million incurred in 2004 due primarily to increased incentive compensation as a result of increased profitability. Selling and administrative expenses at 8% of revenues for 2005 was slightly lower than the 9% of revenues in 2004.

Equity in Earnings of Investments. Equity in earnings of our 50% investment in Deepwater Gateway increased to $10.6 million in 2005 compared with $7.9 million in 2004. The increase was attributable to the demand fees which commenced following the March 2004 mechanical completion of the *Marco Polo* tension leg platform, owned by Deepwater Gateway, as well as production tariff charges which commenced in the third quarter of 2004 as

Marco Polo began producing. Further, equity in earnings from our 40% minority ownership interest in OTSL in 2005 totaled approximately $2.8 million. We acquired our interest in OTSL in July 2005.

Other (Income) Expense. We reported other expense of $7.6 million for the year ended December 31, 2005 compared to other expense of $5.3 million for the year ended December 31, 2004. Net interest expense of $7.0 million in 2005 was higher than the $5.6 million incurred in 2004 due primarily to higher levels of debt associated with our $300 million Convertible Senior Notes which closed in March 2005. Offsetting the increase in interest expense was $2.0 million of capitalized interest in 2005, compared with $243,000 in 2004, which related to our investment in *Gunnison* and Independence Hub, and interest income of $5.5 million in 2005 compared to $439,000 in 2004.

Income Taxes. Income taxes increased to $75.0 million for the year ended December 31, 2005 compared to $43.0 million in 2004, primarily due to increased profitability. The effective tax rate of 33% in 2005 was lower than the 34% effective tax rate for 2004 due to our ability to realize foreign tax credits and oil and gas percentage depletion due to improved profitability both domestically and in foreign jurisdictions, and implementation of the Internal Revenue Code section 199 manufacturing deduction as it primarily related to oil and gas production. In 2004, we recognized a benefit for our research and development credits in the first quarter of 2004 as a result of the conclusion of the Internal Revenue Service ("IRS") examination of our income tax returns for 2001 and 2002, and the tax cost or benefit of U.S. and U.K. branch operations.

Liquidity and Capital Resources

Overview

The following tables present certain information useful in the analysis of our financial condition and liquidity for the periods presented (in thousands):

	2006	2005
Net working capital	$ 310,524	$120,388
Long-term debt (1)	1,454,469	440,703

(1) Long-term debt does not include current maturities portion of the long-term debt as amount is included in net working capital.

	Year Ended December 31,		
	2006	2005	2004
Net cash provided by (used in):			
Operating activities	$ 514,036	$ 242,432	$ 226,807
Investing activities	$ (1,379,930)	$ (499,925)	$ (132,562)
Financing activities	$ 978,260	$ 288,066	$ (40,037)

Our primary cash needs are to fund capital expenditures to allow the growth of our current lines of business and to repay outstanding borrowings and make related interest payments. Historically, we have funded our capital program, including acquisitions, with cash flows from operations, borrowings under credit facilities and use of project financing along with other debt and equity alternatives. Some of the significant financings, and corresponding uses, during 2006 were as follows:

- In July 2006, we borrowed $835 million in a term loan ("Term Loan") and entered into a new $300 million revolving credit facility. The proceeds of the Term Loan were used to fund the cash portion of the acquisition of Remington. We also issued 13,032,528 shares of our common stock to the Remington shareholders. See "Note 10 — Long-Term Debt" in Item 8. *Financial Statements and Supplementary Data* for additional information.
- In December 2006, we completed an IPO of our Shelf Contracting business segment (Cal Dive International, Inc.), selling 26.5% of that company and receiving pre-tax net proceeds of $264.4 million. We may sell additional shares of CDI common stock in the future. Proceeds from the offering were used for general corporate purposes, including the repayment of $71.0 million of our revolving credit facility. See "Note 3 —

Initial Public Offering of Cal Dive, International, Inc." in Item 8. *Financial Statements and Supplementary Data* for additional information.

- In connection with the IPO, CDI Vessel Holdings LLC ("CDI Vessel"), a subsidiary of CDI, entered into a secured credit facility for up to $250 million in revolving loans under a five-year revolving credit facility. During December 2006, CDI Vessel borrowed $201 million under the revolving credit facility and distributed $200 million of those proceeds to us as a dividend. CDI expects to use the remaining availability under the revolving credit facility for working capital and other general corporate purposes (see "Note 10 — Long-term Debt" in Item 8. *Financial Statements and Supplementary Data* for a detailed discussion of CDI's credit facilities). We do not have access to the unused portion of CDI's revolving credit facility.
- In October 2006, we invested $15 million for a 50% interest in Kommandor, a Delaware limited liability company, to convert a ferry vessel into a dynamically-positioned minimal floating production system. We have consolidated the results of Kommandor in accordance with FIN 46. For additional information, see Item 8. *Financial Statements and Supplementary Data* "— Note 9 — Consolidated Variable Interest Entities." We have named the vessel *Helix Producer I.*
- Also in October 2006, we acquired a 58% interest in Seatrac for total consideration of approximately $12.7 million (including $180,000 of transaction costs), with approximately $9.1 million paid to existing shareholders and $3.4 million for subscription of new Seatrac shares (see "Note 6 — Other Acquisitions" in Item 8. *Financial Statements and Supplementary Data* for a detailed discussion of Seatrac). We changed the name of the entity to Well Ops SEA Pty Ltd.
- In 2006, our Board of Directors also authorized us to discretionarily purchase up to $50 million of our common stock in the open market. In October and November 2006, we purchased approximately 1.7 million shares under this program for a weighted average price of $29.86 per share, or $50.0 million.

Some of the significant financings and corresponding uses during 2005 and 2004 were as follows:

- In March 2005, we issued $300 million of 3.25% Convertible Senior Notes due 2025 ("Convertible Senior Notes"). Proceeds from the offering were used for general corporate purposes including a capital contribution of $72 million (made in March 2005) to Deepwater Gateway to enable it to repay its term loan and to fund the acquisitions described below. For additional information on the terms of the Convertible Senior Notes, see "Note 10 — Long- term Debt" in Item 8. *Financial Statements and Supplementary Data.*
- In June 2005, we were the high bidder for seven vessels in a bankruptcy auction, including the *Express*, and a portable saturation system for approximately $85.9 million, including certain costs incurred related to the transaction.
- In November 2005, we closed the transaction to purchase the diving assets of Acergy that operate in the Gulf of Mexico for approximately $46.1 million. In addition, we purchased the *DLB 801* and *Kestrel* for approximately $78.2 million were closed in the first quarter of 2006 when these assets completed their work campaigns in Trinidadian waters.
- In June 2005, we acquired a mature property package on the Gulf of Mexico shelf from Murphy Oil Corporation ("Murphy"). The acquisition cost included both cash ($163.5 million) and the assumption of the abandonment liability from Murphy of approximately $32.0 million (a non-cash investing activity).
- In June 2004, the preferred stockholder of our cumulative convertible preferred stock exercised its right and purchased an additional $30 million of cumulative convertible preferred stock. As a result, total convertible preferred stock outstanding increased to $55 million. Proceeds from this sale were used for general corporate purposes. For additional information on our preferred stock, see "Note 12 — Convertible Preferred Stock" in Item 8. *Financial Statements and Supplementary Data.*
- In August 2004, we entered into a four-year, $150 million revolving credit facility. We cancelled this credit facility on June 30, 2006 and replaced it with the aforementioned $300 million revolving credit facility.

In accordance with the our Senior Credit Facilities, the Convertible Senior Notes, the MARAD debt and Cal Dive's credit facilities, 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, 2006, we were in compliance with these covenants. The Senior Credit Facilities contain provisions that limit our ability to incur certain types of additional indebtedness. These provisions effectively prohibit us from incurring any additional secured indebtedness or indebtedness guaranteed by the Company. The Senior Credit Facilities do however permit us to incur unsecured indebtedness, and also provide for our subsidiaries to incur project financing indebtedness (such as our MARAD loans) secured by the underlying asset, provided that the indebtedness is not guaranteed by us.

In 2007, we expect to make $77 million of interest payments, excluding the effect of interest rate swaps. In addition, we expect to make preferred dividend payments totaling approximately $3.8 million in 2007. As of December 31, 2006, we had $300 million of available borrowing capacity under our credit facilities, and CDI had $49 million of available borrowing under its revolving credit facility. See "Note 10 — Long-term Debt" in Item 8. *Financial Statements and Supplementary Data* for additional information related to our long-term debts, including our obligations under capital commitments.

Working Capital

Cash flow from operating activities increased $271.6 million in 2006 as compared to 2005. This increase was primarily due to higher net income and positive working capital changes. Of the $194.8 million increase in net income in 2006, compared with 2005, approximately $96.5 million, net of $126.6 million of taxes, was related to the gain on the CDI initial public offering and related debt push down to CDI. Further, the net income increased due to higher oil and gas production and oil price realized in 2006, and as a result of net income contribution from the Remington, Acergy and Torch acquisitions. Working capital was more favorable in 2006 as compared to 2005 due to higher income tax payable, which we expect to pay in the first quarter of 2007 and as a result of more favorable accounts receivable turnover.

Cash flow from operating activities increased $15.6 million in 2005 as compared to 2004. This increase was primarily due to higher profitability of $69.9 million as a result of significantly higher oil and gas prices realized and improved utilization in 2005 as compared to 2004. These increases were partially offset by negative working capital changes.

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Investing Activities

Capital expenditures have consisted principally of strategic asset acquisitions related to the purchase or construction of DP vessels, acquisition of select businesses, improvements to existing vessels, acquisition of oil and gas properties and investments in our Production Facilities. Significant sources (uses) of cash associated with investing activities for the years ended December 31, 2006, 2005 and 2004 were as follows (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Capital expenditures:			
Contracting services	$ (130,938)	$ (90,037)	$ (21,016)
Shelf contracting	(38,086)	(32,383)	(1,792)
Oil and gas (1)	(282,318)	(238,698)	(27,315)
Production facilities	(17,749)	(369)	—
Acquisition of businesses, net of cash acquired:			
Remington Oil and Gas Corporation (2)	(772,244)	—	—
Acergy US. Inc. (3)	(78,174)	(66,586)	—
Fraser Diving International Ltd. (3)	(21,954)	—	—
Seatrac (3)	(10,571)	—	—
Kommandor LLC	(5,000)	—	—
(Purchases) sale of short-term investments	(285,395)	30,000	(30,000)
Investments in production facilities	(27,578)	(111,060)	(32,206)
Distributions from equity investments, net (4)	—	10,492	—
Increase in restricted cash	(6,666)	(4,431)	(20,133)
Affiliate loan to OTSL	—	(1,500)	—
Proceeds from sale of subsidiary stock	264,401	—	—
Proceeds from sale of properties	32,342	5,617	(100)
Other, net	—	(970)	—
Cash used in investing activities	$ (1,379,930)	$ (499,925)	$ (132,562)

(1) Includes approximately $38.3 million of capital expenditures related to exploratory dry holes in 2006. For additional information, see Item 8. *Financial Statements and Supplementary Data* "— Note 5."

(2) For additional information related to the Remington acquisition, see Item 8. *Financial Statements and Supplementary Data* "— Note 4."

(3) For additional information related to the Acergy, Fraser and Seatrac acquisitions, see Item 8. *Financial Statements and Supplementary Data* "— Note 6."

(4) Distributions from equity investments is net of undistributed equity earnings from our investments. Gross distributions from our equity investments are detailed below.

Short-term Investments

As of December 31, 2006, we held approximately $285.4 million in municipal auction rate securities. We did not hold these types of securities at December 31, 2005. These instruments are long-term variable rate bonds tied to short-term interest rates that are reset through a "Dutch Auction" process which occurs every 7 to 35 days and have been classified as available-for-sale securities. Although these instruments do not meet the definition of cash and cash equivalents, we expect to use these instruments to fund our working capital as needed due to the liquid nature of these securities.

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Restricted Cash

As of December 31, 2006, we had $33.7 million of restricted cash, included in other assets, net, in the accompanying condensed consolidated balance sheet, all of which related to the escrow funds for decommissioning liabilities associated with the South Marsh Island 130 ("SMI 130") acquisition in 2002 by our Oil and Gas segment. Under the purchase agreement for the acquisition, we were obligated to escrow 50% of production up to the first $20 million and 37.5% of production on the remaining balance up to $33 million in total escrow. We have fully escrowed the requirement as of December 31, 2006. We may use the restricted cash for decommissioning the related field.

Outlook

We anticipate capital expenditures in 2007 will range from $850 million to $1.1 billion. We may increase or decrease these plans based on various economic factors. We believe internally generated cash flow, the cash generated from the Cal Dive initial public offering and borrowings under our existing credit facilities will provide the necessary capital to fund our 2007 initiatives.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual cash obligations as of December 31, 2006 and the scheduled years in which the obligation are contractually due (in thousands):

	Total (1)	Less Than 1 year	1-3 Years	3-5 Years	More Than 5 Years
Convertible Senior Notes (2)	$ 300,000	$ —	$ —	$ —	$ 300,000
Term Loan	832,900	8,400	16,800	16,800	790,900
MARAD debt	131,286	3,823	8,228	9,069	110,166
CDI Revolving Credit Facility	201,000	—	—	201,000	—
Loan notes	11,146	11,146	—	—	—
Capital leases	4,024	2,519	1,505	—	—
Investments in Independence Hub, LLC (3)	4,268	4,268	—	—	—
Drilling and development costs	138,900	130,100	8,800	—	—
Property and equipment (4)	172,504	172,504	—	—	—
Operating leases	62,958	32,205	20,652	5,421	4,680
Other (6)	9,624	6,859	2,765	—	—
Total cash obligations	$ 1,868,610	$371,824	$58,750	$232,290	$ 1,205,746

(1) Excludes unsecured letters of credit outstanding at December 31, 2006 totaling $5.3 million. These letters of credit primarily guarantee various contract bidding, insurance activities and shipyard commitments.

(2) Maturity 2025. Can be converted prior to stated maturity if closing sale price of Helix's common stock for at least 20 days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter exceeds 120% of the closing price on that 30th trading day (i.e. $38.56 per share) and under certain triggering events as specified in the indenture governing the Convertible Senior Notes. To the extent we do not have alternative long-term financing secured to cover the conversion, the Convertible Senior Notes would be classified as a current liability in the accompanying balance sheet. As of December 31, 2006, no conversion triggers were met.

(3) Excludes guaranty of performance related to the construction of the Independence Hub platform under Independence Hub, LLC (estimated to be immaterial at December 31, 2006). Under the guaranty agreement with Enterprise, we and Enterprise guarantee performance under the Independence Hub Agreement between Independence Hub and the producers group of exploration and production companies up to $426 million, plus

applicable attorneys' fees and related expenses. See Item 8. *Financial Statements and Supplementary Data* "— Note 8" for additional information.

(4) Costs incurred as of December 31, 2006 and additional property and equipment commitments at December 31, 2006 consisted of the following (in thousands):

	Costs Incurred	Costs Committed	Total Project Cost
Caesar conversion	$ 15,014	$ 52,157	$ 110,000
Q4000 upgrade	15,300	18,966	40,000
Well Enhancer construction	19,443	87,343	160,000
Helix Producer I conversion	16,789	14,038	160,000
Total	$ 66,546	$ 172,504	$ 470,000

(5) Operating leases included facility leases and vessel charter leases. Vessel charter lease commitments at December 31, 2006 were approximately $40.2 million.

(6) Other consisted of scheduled payments pursuant to 3-D seismic license agreements.

Contingencies

In December 2005 and in May 2006, our Oil and Gas segment received notice from the MMS that the price threshold was exceeded for 2004 oil and gas production and for 2003 gas production, respectively, and that royalties are due on such production notwithstanding the provisions of the DWRRA. As of December 31, 2006, we have approximately $42.6 million accrued for the related royalties and interest. See Item 8. *Financial Statements and Supplementary Data* "— Note 17" for a detailed discussion of this contingency.

Critical Accounting Estimates and Policies

Our results of operations and financial condition, as reflected in the accompanying financial statements and related footnotes, are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We base our estimates on historical experience, available information and various other assumptions we believe to be reasonable under the circumstances. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We believe the most critical accounting policies in this regard are those described below. 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. For a detailed discussion on the application of our accounting policies, see Item 8. *Financial Statements and Supplementary Data* "— Notes to Consolidated Financial Statements — Note 2"

Revenue Recognition

Revenues from Contracting Services and Shelf Contracting are derived from contracts that are typically of short duration. These contracts contain either lump-sum turnkey provisions or provisions for 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.

Revenues generated from specific time, materials and equipment contracts are generally earned on a dayrate basis and recognized as amounts are earned in accordance with contract terms. In connection with these contracts, we may receive revenues for mobilization of equipment and personnel. In connection with new contracts, revenues related to mobilization are deferred and recognized over the period in which contracted services are performed using the straight-line method. Incremental costs incurred directly for mobilization of equipment and personnel to the contracted site, which typically consist of materials, supplies and transit costs, are also deferred and recognized over the period in which contracted services are performed using the straight-line method. Our policy to amortize the revenues and costs related to mobilization on a straight-line basis over the estimated contract service period is

consistent with the general pace of activity, level of services being provided and dayrates being earned over the service period of the contract. Mobilization costs to move vessels when a contract does not exist are expensed as incurred.

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. In determining whether a contract should be accounted for using the percentage-of-completion method, we consider whether:

- the customer provides specifications for the construction of facilities or for the provision of related services;
- we can reasonably estimate our progress towards completion and our costs;
- the contract includes provisions as to the enforceable rights regarding the goods or services to be provided, consideration to be received and the manner and terms of payment;
- the customer can be expected to satisfy its obligations under the contract; and
- we can be expected to perform our contractual obligations.

Under the percentage-of-completion method, we recognize estimated contract revenue based on costs incurred to date as a percentage of total estimated costs. Changes in the expected cost of materials and labor, productivity, scheduling and other factors affect the total estimated costs. Additionally, external factors, including weather or other factors outside of our control, may also affect the progress and estimated cost of a project's completion and, therefore, the timing of income and revenue recognition. We routinely review estimates related to our contracts and reflect revisions to profitability in earnings on a current basis. If a current estimate of total contract cost indicates an ultimate loss on a contract, we recognize the projected loss in full when it is first determined. We recognize additional contract revenue related to claims when the claim is probable and legally enforceable.

Unbilled revenue represents revenue attributable to work completed prior to period end that has not yet been invoiced. All amounts included in unbilled revenue at December 31, 2006 and 2005 are expected to be billed and collected within one year.

We record 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. We may have an interest with other producers in certain properties. In this case, we use the entitlements method to account for sales of production. Under the entitlements method, we may receive more or less than our entitled share of production. If we receive more than our entitled share of production, the imbalance is treated as a liability. If we receive less than our entitled share, the imbalance is recorded as an asset. As of December 31, 2006, the net imbalance was a $200,000 asset and was included in Other Current Assets ($4.7 million) and Accrued Liabilities ($4.5 million) in the accompanying consolidated balance sheet.

Purchase Price Allocation

In connection with a purchase business combination, the acquiring company must allocate the cost of the acquisition to assets acquired and liabilities assumed based on fair values as of the acquisition date. Deferred taxes must be recorded for any differences between the assigned values and tax bases of assets and liabilities. Any excess of purchase price over amounts assigned to assets and liabilities is recorded as goodwill. The amount of goodwill recorded in any particular business combination can vary significantly depending upon the value attributed to assets acquired and liabilities assumed.

In July 2006, we acquired the assets and assumed the liabilities of Remington in a transaction accounted for as a business combination. In estimating the fair values of Remington's assets and liabilities, we made various assumptions. The most significant assumptions related to the estimated fair values assigned to proved and unproved crude oil and natural gas properties. To estimate the fair values of these properties, we prepared estimates of crude oil and natural gas reserves. We estimated future prices to apply to the estimated reserve quantities acquired, and estimated future operating and development costs, to arrive at estimates of future net revenues. For estimated proved reserves, the future net revenues were discounted using a market-based weighted average cost of capital rate determined appropriate at the time of the merger. The market-based weighted average cost of capital rate was

subjected to additional project-specific risking factors. To compensate for the inherent risk of estimating and valuing unproved reserves, the estimated probable and possible reserves were reduced by additional risk-weighting factors.

Estimated deferred taxes were based on available information concerning the tax basis of Remington's assets and liabilities and loss carryforwards at the merger date, although such estimates may change in the future as additional information becomes known.

While the estimates of fair value for the assets acquired and liabilities assumed have no effect on our cash flows, they can have an effect on the future results of operations. Generally, higher fair values assigned to crude oil and natural gas properties result in higher future depreciation, depletion and amortization expense, which results in a decrease in future net earnings. Also, a higher fair value assigned to crude oil and natural gas properties, based on higher future estimates of crude oil and natural gas prices, could increase the likelihood of an impairment in the event of lower commodity prices or higher operating costs than those originally used to determine fair value. An impairment would have no effect on cash flows but would result in a decrease in net income for the period in which the impairment is recorded.

Certain data necessary to complete our final purchase price allocation is not yet available, and includes, but is not limited to, final tax returns that provide the underlying tax bases of Remington's assets and liabilities at July 1, 2006, valuation of certain proved and unproved oil and gas properties and identification and valuation of potential intangible assets. We expect to complete our valuation of assets and liabilities (including deferred taxes) for the purpose of allocation of the total purchase price amount to assets acquired and liabilities assumed during the twelve-month period following the acquisition date. Any future change in the value of net assets up until the one year period has expired will be offset by a corresponding increase or decrease in goodwill.

In 2006, we also completed the acquisition of Acergy, FDI and Seatrac. These acquisitions were accounted for as business combinations as well. We finalized the purchase price allocation for Acergy in the second quarter of 2006. The allocation of purchase price for FDI was based on preliminary valuations. Estimates and assumptions are subject to change upon the receipt and management's review of the final valuations. The primary areas of the purchase price allocation that are not yet finalized relate to post closing purchase price adjustments. The allocation of purchase price for Seatrac was based on preliminary valuations. Estimates and assumptions are subject to change upon the receipt and management's review of the final valuations. The primary areas of the purchase price allocation that are not yet finalized relate to the identification and valuation of potential intangible assets and valuation of certain equipment.

Goodwill and Other Intangible Assets

We test for the impairment of goodwill and other indefinite-lived intangible assets on at least an annual basis. We test for the impairment of other intangible assets when 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 are present. Our goodwill impairment test involves a comparison of the fair value of each of our reporting units with its carrying amount. The fair value is determined using discounted cash flows and other market-related valuation models, such as earnings multiples and comparable asset market values. We completed our annual goodwill impairment test as of November 1, 2006. Goodwill of $707.6 million was related to our Oil and Gas segment as of December 31, 2006. The goodwill was attributable to the Remington acquisition. Goodwill of $88.3 million and $73.9 million was related to our Contracting Services segment as of December 31, 2006 and 2005, respectively. Goodwill of $26.7 million and $27.8 million was related to our Shelf Contracting segment as of December 31, 2006 and 2005, respectively. None of our goodwill was impaired based on the impairment test performed as of November 1, 2006. See Item 8. *Financial Statements and Supplementary Data* "— Note 2 — Summary of Significant Accounting Policies" for goodwill and intangible assets related to the acquisitions. We will continue to test our goodwill and other indefinite-lived intangible assets 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.

Income Taxes

Deferred income taxes are based on the difference between financial reporting and tax bases of assets and liabilities. We utilize 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. We consider the undistributed earnings of our principal non-U.S. subsidiaries to be permanently reinvested. At December 31, 2006, our principal non-U.S. subsidiaries had accumulated earnings and profits of approximately $20.3 million. We have not provided deferred U.S. income tax on the accumulated earnings and profits. See "— Note 11 — Income Taxes" in Item 8. *Financial Statements and Supplementary Data* included herein for discussion of net operating loss carry forwards and deferred income taxes.

Accounting for Oil and Gas Properties

Acquisitions of producing offshore properties are recorded at the fair value exchanged at closing together with an estimate of their proportionate share of the decommissioning liability assumed in the purchase (based upon their working interest ownership percentage). In estimating the decommissioning liability assumed in offshore property acquisitions, we perform detailed estimating procedures, including engineering studies and then reflect the liability at fair value on a discounted basis as discussed below.

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. Capitalized costs of producing oil and gas properties are depleted to operations by the unit-of-production method based on proved developed oil and gas reserves on a field-by-field basis as determined by our engineers. Costs incurred relating to unsuccessful exploratory wells are expensed in the period the drilling is determined to be unsuccessful (see "— Exploratory Drilling Costs" below).

We evaluate the impairment of our proved oil and gas properties on a field-by-field basis at least annually or whenever events or changes in circumstances indicate an asset's carrying amount may not be recoverable. Unamortized capital costs are reduced to fair value (based upon discounted cash flows) if the expected undiscounted future cash flows are less than the asset's net book value. Cash flows are determined based upon proved reserves using prices and costs consistent with those used for internal decision making. Although prices used are likely to approximate market, they do not necessarily represent current market prices.

We also periodically assess unproved properties for impairment based on exploration and drilling efforts to date on the individual prospects and lease expiration dates. Management's assessment of the results of exploration activities, availability of funds for future activities and the current and projected political climate in areas in which we operate also impact the amounts and timing of impairment provisions. During 2006, no impairments on unproved oil and gas properties occurred.

Exploratory Drilling Costs

In accordance with the successful efforts method of accounting, the costs of drilling an exploratory well are capitalized as uncompleted, or "suspended," wells temporarily pending the determination of whether the well has found proved reserves. If proved reserves are not found, these capitalized costs are charged to expense. A determination that proved reserves have been found results in the continued capitalization of the drilling costs of the well and its reclassification as a well containing proved reserves.

At times, it may be determined that an exploratory well may have found hydrocarbons at the time drilling is completed, but it may not be possible to classify the reserves at that time. In this case, we may continue to capitalize the drilling costs as an uncompleted well beyond one year when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project, or the reserves are deemed to be proved. If reserves are not

ultimately deemed proved or economically viable, the well is considered impaired and its costs, net of any salvage value, are charged to expense.

Occasionally, we may choose to salvage a portion of an unsuccessful exploratory well in order to continue exploratory drilling in an effort to reach the target geological structure/formation. In such cases, we charge only the unusable portion of the well bore to dry hole expense, and we continue to capitalize the costs associated with the salvageable portion of the well bore and add the costs to the new exploratory well. In certain situations, the well bore may be carried for more than one year beyond the date drilling in the original well bore was suspended. This may be due to the need to obtain, and/or analyze the availability of equipment or crews or other activities necessary to pursue the targeted reserves or evaluate new or reprocessed seismic and geographic data. If, after we analyze the new information and conclude that we will not reuse the well bore or if the new exploratory well is determined to be unsuccessful after we complete drilling, we will charge the capitalized costs to dry hole expense.

Estimated Proved Oil and Gas Reserves

The evaluation of our oil and gas reserves is critical to the management of our oil and gas operations. Decisions such as whether development of a property should proceed and what technical methods are available for development are based on an evaluation of reserves. These oil and gas reserve quantities are also used as the basis for calculating the unit-of-production rates for depreciation, depletion and amortization, evaluating impairment and estimating the life of our producing oil and gas properties in our decommissioning liabilities. Our proved reserves are classified as either proved developed or proved undeveloped. Proved developed reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves include reserves expected to be recovered from new wells from undrilled proven reservoirs or from existing wells where a significant major expenditure is required for completion and production. We prepare, and independent petroleum engineers (Huddleston & Co.) audit, the estimates of our oil and gas reserves presented in this report (U.S. reserves only) based on guidelines promulgated under generally accepted accounting principles in the United States. The audit of our reserves by the independent petroleum engineers involves their rigorous examination of our technical evaluation and extrapolations of well information such as flow rates and reservoir pressure declines as well as other technical information and measurements. Our internal reservoir engineers interpret this data to determine the nature of the reservoir and ultimately the quantity of proved oil and gas reserves attributable to a specific property. Our proved reserves in this Annual Report include only quantities that we expect to recover commercially using current prices, costs, existing regulatory practices and technology. While we are reasonably certain that the proved reserves will be produced, the timing and ultimate recovery can be affected by a number of factors including completion of development projects, reservoir performance, regulatory approvals and changes in projections of long-term oil and gas prices. Revisions can include upward or downward changes in the previously estimated volumes of proved reserves for existing fields due to evaluation of (1) already available geologic, reservoir or production data or (2) new geologic or reservoir data obtained from wells. Revisions can also include changes associated with significant changes in development strategy, oil and gas prices, or production equipment/facility capacity.

Accounting for Decommissioning Liabilities

Our decommissioning liabilities consist of estimated costs of dismantlement, removal, site reclamation and similar activities associated with our oil and gas properties. Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143") requires oil and gas companies to reflect decommissioning liabilities on the face of the balance sheet at fair value on a discounted basis. Prior to the Remington acquisition, we have historically purchased producing offshore oil and gas properties that are in the later stages of production. In conjunction with acquiring these properties, we assume an obligation associated with decommissioning the property in accordance with regulations set by government agencies. The abandonment liability related to the acquisitions of these properties is determined through a series of management estimates.

Prior to an acquisition and as part of evaluating the economics of an acquisition, we will estimate the plug and abandonment liability. Our Oil and Gas operations personnel prepare detailed cost estimates to plug and abandon wells and remove necessary equipment in accordance with regulatory guidelines. We currently calculate the discounted value of the abandonment liability (based on an estimate of the year the abandonment will occur) in

accordance with SFAS No. 143 and capitalize that portion as part of the basis acquired and record the related abandonment liability at fair value. The recognition of a decommissioning liability requires that management make numerous estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for liability; estimated probabilities, amounts and timing of settlements; the credit-adjusted risk-free rate to be used; and inflation rates. Decommissioning liabilities were $167.7 million and $121.4 million at December 31, 2006 and 2005, respectively.

On an ongoing basis, our oil and gas operations personnel monitor the status of wells, and as fields deplete and no longer produce, our personnel will monitor the timing requirements set forth by the MMS for plugging and abandoning the wells and commence abandonment operations, when applicable. On an annual basis, management personnel reviews and updates the abandonment estimates and assumptions for changes, among other things, in market conditions, interest rates and historical experience.

Derivative Instruments and Hedging Activities

Our 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, variable interest rate exposure and foreign currency exposure. To reduce the impact of these risks on earnings and increase the predictability of our cash flows, from time to time, we have entered into certain derivative contracts, primarily collars for a portion of our oil and gas production, interest rate swaps and foreign currency forward contracts. Our oil and gas costless collars, interest rate swaps and foreign currency forward exchange contracts qualify for hedge accounting and are reflected in our balance sheet at fair value. Hedge accounting does not apply to our oil and gas forward sales contracts.

We engage primarily in cash flow hedges. 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.

We formally document all relationships between hedging instruments (oil and gas costless collars, interest rate swaps and foreign currency forward exchange contracts) 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. Changes in the assumptions used could impact whether the fair value change in the hedged instrument is charged to earnings or accumulated other comprehensive income.

The fair value of our oil and gas costless collars 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 estimates of future prices, price correlation and market volatility and liquidity. Our actual results may differ from our estimates, and these differences can be positive or negative.

Property and Equipment

Property and equipment (excluding oil and gas properties 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 described in “Note 2 — Summary of Significant Accounting Policies” in Item 8. *Financial Statements and Supplementary Data.*

For long-lived assets to be held and used, excluding goodwill, we base our evaluation of recoverability 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 may 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, we determine 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. Our marine vessels are assessed on a vessel by vessel basis, while our ROVs are grouped and assessed by asset class. If an impairment has occurred, we recognize 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 we have a plan for disposal of certain assets and those assets meet the held for sale criteria. Assets held for sale are reviewed for potential loss on sale when the company commits to a plan to sell and thereafter while the asset is held for sale. Losses are measured as the difference between the fair value less costs to sell and the asset's carrying value. Estimates of anticipated sales prices are judgmental and subject to revisions in future periods, although initial estimates are typically based on sales prices for similar assets and other valuation data.

Recertification Costs and Deferred Drydock Charges

Our Contracting Services and Shelf Contracting vessels are required by regulation to be recertified after certain periods of time. These recertification costs are incurred while the vessel is in drydock. In addition, routine repairs and maintenance are performed and, at times, major replacements and improvements are performed. We expense routine repairs and maintenance as they are incurred. We defer and amortize drydock and related recertification costs over the length of time for which we expect to receive benefits from the drydock and related recertification, which is generally 30 months. Vessels are typically available to earn revenue for the 30-month period between drydock and related recertification processes. A drydock and related recertification process typically lasts one to two months, a period during which the vessel is not available to earn revenue. Major replacements and improvements, which extend the vessel's economic useful life or functional operating capability, are capitalized and depreciated over the vessel's remaining economic useful life. Inherent in this process are estimates we make regarding the specific cost incurred and the period that the incurred cost will benefit.

As of December 31, 2006 and 2005, capitalized deferred drydock charges (described in "Note 7 — Detail of Certain Accounts" in Item 8. *Financial Statements and Supplementary Data*) totaled $26.4 million and $18.3 million, respectively. During the years ended December 31, 2006, 2005 and 2004, drydock amortization expense was $12 million, $8.9 million and $4.9 million, respectively. We expect drydock amortization expense to increase in future periods since there was only limited amortization expense associated with the vessels we acquired in the Torch and Acergy acquisitions during the year ended December 31, 2006.

Equity Investments

We periodically review our investments in Deepwater Gateway, Independence Hub and OTSL for impairment. Under the equity method of accounting, an impairment loss would be recorded whenever a decline in value of an equity investment below its carrying amount is determined to be other than temporary. In judging "other than temporary," we would consider the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity investment, the near-term and longer-term operating and financial prospects of the equity company and our longer-term intent of retaining the investment in the entity. OTSL generated a net operating loss during 2006 which is an impairment indicator. As a result, we evaluated this investment to determine whether a permanent loss in value had occurred. We believe the current trend is temporary and have determined that the fair value of this investment, based on an estimate of its discounted cash flows, exceeds its carrying amount, and as a result there is no impairment at December 31, 2006.

Worker's Compensation Claims

Our onshore employees are covered by Worker's Compensation. Offshore employees, including divers, tenders and marine crews, are covered by our Maritime Employers Liability insurance policy which covers Jones Act exposures. We incur worker's compensation claims in the normal course of business, which management believes are substantially covered by insurance. Our insurers and legal counsel and we analyze each claim for potential exposure and estimate the ultimate liability of each claim.

Recently Issued Accounting Principles

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). FIN 48 clarifies the application of SFAS No. 109 by defining criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in the financial statements. Additionally, FIN 48 provides guidance on the measurement, derecognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We adopted the provisions of FIN 48. The impact of the adoption of FIN 48 was immaterial on our financial position, results of operations and cash flows.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, of this statement.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

We are currently exposed to market risk in three major areas: interest rates, commodity prices and foreign currency exchange rates.

Interest Rate Risk. As of December 31, 2006, not considering the effects of interest rate swaps, approximately 71% of our outstanding debt was based on floating rates. As a result, we are subject to interest rate risk. In September 2006, we entered into various cash flow hedging interest rate swaps to stabilize cash flows relating to interest payments on $200 million of our Term Loan. Excluding the portion of our debt for which we have interest rate swaps in place, the interest rate applicable to our remaining variable rate debt may rise, increasing our interest expense. The impact of market risk is estimated using a hypothetical increase in interest rates by 100 basis points for our variable rate long-term debt that is not hedged. Based on this hypothetical assumption, we would have incurred an additional $4.4 million in interest expense for the year ended December 31, 2006. Interest rate risk was immaterial in 2005 as none of our outstanding debt at December 31, 2005 was based on floating rates.

Commodity Price Risk. We have utilized derivative financial instruments with respect to a portion of 2006 and 2005 oil and gas production to achieve a more predictable cash flow by reducing our exposure to price fluctuations. We do not enter into derivative or other financial instruments for trading purposes.

As of December 31, 2006, we have the following volumes under derivative contracts related to our oil and gas producing activities totaling 1,170 MBbl of oil and 9,500 MMbtu of natural gas:

Production Period	Instrument Type	Average Monthly Volumes	Weighted Average Price
Crude Oil:			
January 2007 — December 2007	Collar	98 MBbl	$49.74 — $66.96
Natural Gas:			
January 2007 — June 2007	Collar	650,000 MMBtu	$ 7.85 — $12.90
July 2007 — December 2007	Collar	933,333 MMBtu	$ 7.50 — $10.13

Changes in NYMEX oil and gas strip prices would, assuming all other things being equal, cause the fair value of these instruments to increase or decrease inversely to the change in NYMEX prices.

As of December 31, 2006, we had oil forward sales contracts for the period from January 2007 through June 2007. The contracts cover an average of 40 MBbl per month at a weighted average price of $70.83. In addition, we had natural gas forward sales contracts for the period from January 2007 through June 2007. The contracts cover an average of 750,833 MMbtu per month at a weighted average price of $9.49. Hedge accounting does not apply to these contracts.

Subsequent to December 31, 2006, we entered into two additional natural gas costless collars. The first collar contract covers 300,000 MMBtu per month at a price of $7.50 to $9.92 for the period from October to December 2007. The second collar is for the period of January through March 2008. The collar covers 600,000 MMBtu per month at a price of $7.50 to $12.55. We also entered into an oil costless collar for 60 MBbl per month for the period from January 2008 to June 2008 at a weighted average price of $55.00 to $73.58.

Foreign Currency Exchange Risk. Because we operate in various 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 and Helix RDS and Seatrac). The functional currency for Well Ops (U.K.) Limited and Helix RDS is the applicable local currency (British Pound). The functional currency for Seatrac is the applicable currency (Australian Dollar). 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 each of the years ended December 31, 2006, 2005 and 2004, respectively, were not material to our results of operations or cash flows.

Assets and liabilities of Wells Ops (U.K.) Limited and Helix RDS are translated using the exchange rates in effect at the balance sheet date, resulting in translation adjustments that are reflected in accumulated other comprehensive income in the shareholders' equity section of our balance sheet. Approximately 7% of our assets are impacted by changes in foreign currencies in relation to the U.S. dollar at December 31, 2006. We recorded unrealized gains (losses) of $17.6 million, $(11.4) million and $10.8 million to our equity account for the year ended December 31, 2006, 2005 and 2004, respectively. Deferred taxes have not been provided on foreign currency translation adjustments since we consider our undistributed earnings (when applicable) of our non-U.S. subsidiaries to be permanently reinvested.

Canyon Offshore, our ROV subsidiary, has operations in the United Kingdom and Asia Pacific. Further, FDI has operations in Southeast Asia. Canyon and FDI conduct the majority of their operations in these regions in U.S. dollars which they consider the functional currency. When currencies other than the U.S. dollar are to be paid or received, the resulting transaction gain or loss is recognized in the statements of operations. These amounts for the year ended December 31, 2006, 2005 and 2004, respectively, were not material to our results of operations or cash flows.

In December 2006, we entered into various foreign exchange forwards to stabilize expected cash outflows relating to a shipyard contract where the contractual payments are denominated in euros. These forward contracts qualify for hedge accounting. We have hedged payments totaling €18.0 million to be settled in June and December 2007 at exchange rates of 1.3255 and 1.3326, respectively. The aggregate fair value of the hedge instruments was a net liability of $184,000 as of December 31, 2006. For the year ended December 31, 2006, we recorded unrealized losses of approximately $184,000, net of tax benefit of $99,000 in accumulated other comprehensive income, a component of shareholders' equity, as these hedges were highly effective.

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Item 8. ***Financial Statements and Supplementary Data.***

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Management's Report on Internal Control Over Financial Reporting

Management of Helix Energy Solutions Group, Inc., together with its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of the Company's 2006 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting using the criteria set forth in the framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2006 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report appearing on page 67, which expresses an unqualified opinion on management's assessment and on the effectiveness of Company's internal control over financial reporting as of December 31, 2006.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Helix Energy Solutions Group, Inc.

We have audited the accompanying consolidated balance sheets of Helix Energy Solutions Group, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (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 audits provide 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 Helix Energy Solutions Group, Inc. and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Helix Energy Solutions Group, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2007 expressed an unqualified opinion thereon.

As discussed in Note 13 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment."

/s/ ERNST & YOUNG LLP

Houston, Texas
February 28, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Helix Energy Solutions Group, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Helix Energy Solutions Group, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Helix Energy Solutions Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Helix Energy Solutions Group, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Helix Energy Solutions Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Helix Energy Solutions Group, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006 and our report dated February 28, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 28, 2007

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 206,264	$ 91,080
Short-term investments	285,395	—
Accounts receivable —		
Trade, net of allowance for uncollectible accounts of $982 and $585	287,875	197,046
Unbilled revenue	82,834	31,012
Other current assets	61,532	52,915
Total current assets	923,900	372,053
Property and equipment	2,721,362	1,259,014
Less — Accumulated depreciation	(508,904)	(342,652)
	2,212,458	916,362
Other assets:		
Equity investments	213,362	179,844
Goodwill, net	822,556	101,731
Other assets, net	117,911	90,874
	$4,290,187	$1,660,864
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 240,067	$ 99,445
Accrued liabilities	199,650	138,464
Income taxes payable	147,772	7,288
Current maturities of long-term debt	25,887	6,468
Total current liabilities	613,376	251,665
Long-term debt	1,454,469	440,703
Deferred income taxes	436,544	167,295
Decommissioning liabilities	138,905	106,317
Other long-term liabilities	6,143	10,584
Total liabilities	2,649,437	976,564
Minority interests	59,802	—
Convertible preferred stock	55,000	55,000
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par, 240,000 shares authorized, 90,628 and 77,694 shares issued	745,928	229,796
Retained earnings	752,784	408,748
Unearned compensation	—	(7,515)
Accumulated other comprehensive income (loss)	27,236	(1,729)
Total shareholders' equity	1,525,948	629,300
	$4,290,187	$1,660,864

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

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2006	2005	2004
	(In thousands, except per share amounts)		
Net revenues:			
Contracting services	$ 937,317	$523,659	$300,082
Oil and gas	429,607	275,813	243,310
	1,366,924	799,472	543,392
Cost of sales:			
Contracting services	584,295	383,063	263,597
Oil and gas	267,221	133,337	107,883
	851,516	516,400	371,480
Gross profit	515,408	283,072	171,912
Gain on sale of assets	2,817	1,405	—
Selling and administrative expenses	119,580	62,790	48,881
Income from operations	398,645	221,687	123,031
Equity in earnings of investments	18,130	13,459	7,927
Gain on subsidiary equity transaction	223,134	—	—
Net interest expense and other	34,634	7,559	5,265
Income before income taxes	605,275	227,587	125,693
Provision for income taxes	257,156	75,019	43,034
Minority interest	725	—	—
Net income	347,394	152,568	82,659
Preferred stock dividends	3,358	2,454	2,743
Net income applicable to common shareholders	$ 344,036	$150,114	$ 79,916
Earnings per common share:			
Basic	$ 4.07	$ 1.94	$ 1.05
Diluted	$ 3.87	$ 1.86	$ 1.03
Weighted average common shares outstanding:			
Basic	84,613	77,444	76,409
Diluted	89,874	82,205	79,062

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

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Retained	Unearned	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Earnings	Compensation	Income (Loss)	Equity
				(In thousands)		
Balance, December 31, 2003	75,716	$196,258	$178,718	$ —	$ 6,165	$ 381,141
Comprehensive income:						
Net income	—	—	82,659	—	—	82,659
Foreign currency translations adjustments	—	—	—	—	10,780	10,780
Unrealized gain on hedges, net	—	—	—	—	846	846
Comprehensive income						94,285
Convertible preferred stock dividends	—	—	(1,620)	—	—	(1,620)
Accretion of preferred stock costs	—	—	(1,123)	—	—	(1,123)
Activity in company stock plans, net	1,120	10,481	—	—	—	10,481
Tax benefit from exercise of stock options	—	2,128	—	—	—	2,128
Balance, December 31, 2004	76,836	208,867	258,634	—	17,791	485,292
Comprehensive income:						
Net income	—	—	152,568	—	—	152,568
Foreign currency translations adjustments	—	—	—	—	(11,393)	(11,393)
Unrealized loss on hedges, net	—	—	—	—	(8,127)	(8,127)
Comprehensive income						133,048
Convertible preferred stock dividends	—	—	(2,454)	—	—	(2,454)
Activity in company stock plans, net	858	16,527	—	(7,515)	—	9,012
Tax benefit from exercise of stock options	—	4,402	—	—	—	4,402
Balance, December 31, 2005	77,694	229,796	408,748	(7,515)	(1,729)	629,300
Comprehensive income:						
Net income	—	—	347,394	—	—	347,394
Foreign currency translations adjustments	—	—	—	—	17,601	17,601
Unrealized gain on hedges, net	—	—	—	—	11,364	11,364
Comprehensive income						376,359
Convertible preferred stock dividends	—	—	(3,358)	—	—	(3,358)
Stock compensation expense	—	9,364	—	—	—	9,364
Adoption of SFAS 123R	—	(7,515)	—	7,515	—	—
Stock issuance	13,033	553,570	—	—	—	553,570
Stock repurchase	(1,682)	(50,266)	—	—	—	(50,266)
Activity in company stock plans, net	1,583	8,319	—	—	—	8,319
Tax benefit from exercise of stock options	—	2,660	—	—	—	2,660
Balance, December 31, 2006	90,628	$745,928	$752,784	$ —	$ 27,236	$ 1,525,948

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

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2006	2005	2004
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 347,394	$ 152,568	$ 82,659
Adjustments to reconcile net income to net cash provided by operating activities	—	—	—
Depreciation and amortization	193,647	110,683	104,405
Asset impairment charge	—	790	3,900
Dry hole expense	38,335	—	—
Equity in earnings of investments, net of distributions	(1,879)	(2,851)	(469)
Amortization of deferred financing costs	2,277	1,126	1,344
Stock compensation expense	9,364	1,406	—
Deferred income taxes	57,235	42,728	42,046
Excess tax benefit from stock-based compensation	(2,660)	4,402	2,128
Gain on subsidiary equity transaction	(223,134)	—	—
(Gain) loss on sale of assets	(2,817)	(1,405)	100
Minority interest	725	—	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(67,211)	(107,163)	(17,397)
Other current assets	9,969	(6,997)	(23,294)
Income tax payable	142,949	5,384	771
Accounts payable and accrued liabilities	39,551	59,241	42,521
Other noncurrent, net	(29,709)	(17,480)	(11,907)
Net cash provided by operating activities	514,036	242,432	226,807
Cash flows from investing activities:			
Capital expenditures	(469,091)	(361,487)	(50,123)
Acquisition of businesses, net of cash acquired	(887,943)	(66,586)	—
(Purchases) sale of short-term investments	(285,395)	30,000	(30,000)
Investments in equity investments	(27,578)	(111,060)	(32,206)
Distributions from equity investments, net	—	10,492	—
Increase in restricted cash	(6,666)	(4,431)	(20,133)
Proceeds from sale of subsidiary stock	264,401	—	—
Proceeds from (payments on) sales of property	32,342	5,617	(100)
Other, net	—	(2,470)	—
Net cash used in investing activities	(1,379,930)	(499,925)	(132,562)
Cash flows from financing activities:			
Borrowings under credit facilities	1,036,000	—	—
Repayment of credit facilities	(2,100)	—	—
Borrowings on Convertible Senior Notes	—	300,000	—
Sale of convertible preferred stock, net of transaction costs	—	—	29,339
Borrowings under MARAD loan facility	—	2,836	—
Repayment of MARAD borrowings	(3,641)	(4,321)	(2,946)
Borrowing under loan notes	5,000	—	—
Repayment on line of credit	—	—	(30,189)
Deferred financing costs	(11,839)	(11,678)	(4,550)
Repayments of term loan borrowings	—	—	(35,000)
Capital lease payments	(2,827)	(2,859)	(3,647)
Preferred stock dividends paid	(3,613)	(2,200)	(1,620)
Redemption of stock in subsidiary	—	(2,438)	(2,462)
Repurchase of common stock	(50,266)	—	—
Excess tax benefit from stock-based compensation	2,660	—	—
Exercise of stock options, net	8,886	8,726	11,038
Net cash provided by (used in) financing activities	978,260	288,066	(40,037)
Effect of exchange rate changes on cash and cash equivalents	2,818	(635)	556
Net increase in cash and cash equivalents	115,184	29,938	54,764
Cash and cash equivalents:			
Balance, beginning of year	91,080	61,142	6,378
Balance, end of year	$ 206,264	$ 91,080	$ 61,142

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

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

Note 1 — Organization

Effective March 6, 2006, Cal Dive International, Inc. changed its name to Helix Energy Solutions Group, Inc. ("Helix" or the "Company"). Unless the context indicates otherwise, the terms "we," "us" and "our" in this report refer collectively to Helix and its subsidiaries. We are an international offshore energy company that provides development solutions and other key services (contracting services operations) to the open market as well as to our own reservoirs (oil and gas operations). Our oil and gas business is a prospect generating, exploration, development and production company.

Contracting Services Operations

We seek to provide services and methodologies which we believe are critical to finding and developing offshore reservoirs and maximizing the economics from marginal fields. Those "life of field" services are organized in five disciplines: reservoir and well tech services, drilling, production facilities, construction and well operations. We have disaggregated our contracting services operations into three reportable segments in accordance with SFAS 131: Contracting Services (which currently includes deepwater construction, well ops and reservoir and well tech services); Shelf Contracting and Production Facilities. Within our contracting services operations, we operate primarily in the Gulf of Mexico, the North Sea and Asia/Pacific regions, with services that cover the lifecycle of an offshore oil or gas field. The assets of our Shelf Contracting segment, including the 40% interest in Offshore Technology Solutions Limited ("OTSL"), are the assets of Cal Dive International, Inc. ("Cal Dive" or "CDI"). In December 2006, Cal Dive completed an initial public offering of 22,173,000 shares of its stock. As a result of Cal Dive's initial public offering, together with shares issued to CDI employees immediately after the offering, our ownership in CDI was 73.0% as of December 31, 2006.

Oil and Gas Operations

In 1992 we began our oil and gas operations to provide a more efficient solution to offshore abandonment, to expand our off-season asset utilization and to achieve better returns than are likely through pure service contracting. Over the last 15 years we have evolved this business model to include not only mature oil and gas properties but also proved reserves yet to be developed, and most recently with the acquisition of Remington, an exploration, development and production company. This has led to the assembly of services that allows us to create value at key points in the life of a reservoir from exploration through development, life of field management and operating through abandonment.

Note 2 — Summary of Significant Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of majority-owned subsidiaries and variable interest entities in which we are the primary beneficiary. The equity method is used to account for investments in affiliates in which we do not have majority ownership, but have the ability to exert significant influence. We account for our investments in Deepwater Gateway, Independence Hub and OTSL under the equity method of accounting. Minority interests represent minority shareholders' proportionate share of the equity in CDI, Seatrac and Kommandor. All material intercompany accounts and transactions have been eliminated.

Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes thereto to make them consistent with the current presentation format. Reclassifications of prior year information to current year presentation related primarily to the following:

- reporting dry hole cost as a component of our exploration costs instead of as a component of depreciation, depletion and amortization costs on the statement of cash flows due to the significance of our oil and gas exploration activities as a result of our recent acquisition of Remington (see "— Note 5 — Oil and Gas Properties");

- reporting the purchase and sale of municipal auction rate securities from net cash provided by operating activities to net cash provided by (used in) investing activities for 2006, 2005 and 2004; and
- reporting treasury stock outstanding as a component of common stock as of December 31, 2006, 2005 and 2004 as treasury stock is not legally recognized in Minnesota, our state of incorporation.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid financial instruments with original maturities of three months or less. They are carried at cost plus accrued interest, which approximates fair value.

Statement of Cash Flow Information

As of December 31, 2006 and 2005, we had $33.7 million and $27.0 million, respectively, of restricted cash (see "— Note 7 — Detail of Certain Accounts") all of which was related to the escrow funds for decommissioning liabilities associated with the SMI 130 acquisition in 2002 by our Oil and Gas segment. Under the purchase agreement for those acquisitions, we were obligated to escrow 50% of production up to the first $20 million of escrow and 37.5% of production on the remaining balance up to $33 million in total escrow. We had fully escrowed the requirement as of December 31, 2006. We may use the restricted cash for decommissioning the related field.

The following table provides supplemental cash flow information for the periods stated (in thousands):

	Years Ended December 31,		
	2006	2005	2004
Interest paid (net of capitalized interest)	$26,105	$ 9,990	$3,224
Income taxes paid	$56,972	$22,495	$ 252

Non-cash investing activities for the years ended December 31, 2006, 2005 and 2004 included $39.0 million, $28.5 million and $8.9 million, respectively, related to accruals of capital expenditures. The accruals have been reflected in the consolidated balance sheet as an increase in property and equipment and accounts payable.

Short-term Investments

Short-term investments are available-for-sale instruments that we expect to realize in cash within one year. These investments are stated at cost, which approximates market value. Any unrealized holding gains or losses are reported in comprehensive income until realized. All of our short-term investments at December 31, 2006 were municipal auction rate securities. We did not hold these types of securities at December 31, 2005. These instruments are long-term variable rate bonds tied to short-term interest rates that are reset through a "Dutch Auction" process which occurs every 7 to 35 days and have been classified as available-for-sale securities. The stated maturities of these securities range from November 2015 to November 2045. Although these instruments do not meet the definition of cash and cash equivalents, we expect to use these instruments to fund our working capital as needed due to the liquid nature of these securities. As a result, they are classified as short-term investments.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are stated at the historical carrying amount net of write-offs and allowance for uncollectible accounts. We establish an allowance for uncollectible accounts receivable based on historical experience and any specific customer collection issues that we have identified. Uncollectible accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when we have determined that the balance will not be collected.

Property and Equipment

Overview. Property and equipment, both owned and under capital leases, are recorded at cost. The following is a summary of the components of property and equipment (dollars in thousands):

	Estimated Useful Life	2006	2005
Vessels	10 to 30 years	$ 883,635	$ 609,558
Offshore oil and gas leases and related equipment	Units-of-Production	1,746,896	601,866
Machinery, equipment buildings and leasehold improvements	5 to 30 years	90,831	47,590
Total property and equipment		$ 2,721,362	$ 1,259,014

The cost of repairs and maintenance is charged to operations as incurred, while the cost of improvements is capitalized. Total repair and maintenance charges were $51.0 million, $24.0 million and $17.0 million for the years ended December 31, 2006, 2005 and 2004, respectively.

For long-lived assets to be held and used, excluding goodwill, we base our evaluation of recoverability 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 may be present. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine 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. Our marine vessels are assessed on a vessel by vessel basis, while our ROVs are grouped and assessed by asset class. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset. Impairment expenses are included as a component of cost of sales. 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. During 2005 and 2004, we recorded impairment charges of $790,000 and $3.9 million, respectively, on certain vessels that met the impairment criteria. Such charges are included in cost of sales in the accompanying Consolidated Statements of Operations. These assets were subsequently sold in 2005 and 2006, for an aggregate gain on the disposals of approximately $322,000. There were no such impairments during 2006.

Assets are classified as held for sale when we have a plan for disposal of certain assets and those assets meet the held for sale criteria. At December 31, 2006 and 2005, we had classified certain assets intended to be disposed of within a 12-month period as assets held for sale totaling approximately $700,000 and $7.9 million, respectively. Assets classified as held for sale are included in other current assets (see "— Note 7 — Detail of Certain Accounts"). Remaining assets held for sale were disposed of in January 2007.

In March 2005, we completed the sale of certain Contracting Services property and equipment for $4.5 million that was previously included in assets held for sale. Proceeds from the sale consisted of $100,000 cash and a $4.4 million promissory note bearing interest at 6% per annum due in semi-annual installments beginning September 30, 2005 through March 31, 2010. In addition to the asset sale, we entered into a five-year services agreement with the purchaser whereby we have committed to provide the purchaser with a specified amount of services for its Gulf of Mexico fleet on an annual basis ($8 million per year). The measurement period related to the

services agreement began with the twelve months ending June 30, 2006 and continues every six months until the contract ends on March 31, 2010. Further, the promissory note stipulates that should we not meet our annual services commitment, the purchaser can defer its semi-annual principal and interest payment for six months. We determined that the estimated gain on the sale of approximately $2.5 million should be deferred and recognized as the principal and interest payments are received from the purchaser over the term of the promissory note. As of December 31, 2006 and 2005, the balance of the outstanding receivable was $3.6 million and $4.0 million, respectively, and for the years ended December 31, 2006 and 2005, we recognized $216,000 and $210,000, respectively, of partial gain on this sale.

Depreciation and Depletion. Depletion for our oil and gas properties is calculated on a unit-of-production basis. The calculation is based on the estimated remaining oil and gas reserves. Depreciation for all other property and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

Oil and Gas Properties. The majority of our interests in oil and gas properties are located offshore in United States waters. We follow the successful efforts method of accounting for our interests in oil and gas properties. Under this 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. Costs incurred relating to unsuccessful exploratory wells are expensed in the period when the drilling is determined to be unsuccessful. See "— Exploratory Costs" below. Properties are periodically assessed for impairment in value, with any impairment charged to expense.

Unproved Properties. We also periodically assess unproved properties for impairment based on exploration and drilling efforts to date on the individual prospects and lease expiration dates. Management's assessment of the results of exploration activities, availability of funds for future activities and the current and projected political climate in areas in which we operate also impact the amounts and timing of impairment provisions. During 2006, no impairment of unproved oil and gas properties was recorded.

Exploratory Costs. The costs of drilling an exploratory well are capitalized as uncompleted, or "suspended," wells temporarily pending the determination of whether the well has found proved reserves. If proved reserves are not found, these capitalized costs are charged to expense. A determination that proved reserves have been found results in the continued capitalization of the drilling costs of the well and its reclassification as a well containing proved reserves. At times, it may be determined that an exploratory well may have found hydrocarbons at the time drilling is completed, but it may not be possible to classify the reserves at that time. In this case, we may continue to capitalize the drilling costs as an uncompleted, or "suspended", well beyond one year if we can justify its completion as a producing well and we are making sufficient progress assessing the reserves and the economic and operating viability of the project. If reserves are not ultimately deemed proved or economically viable, the well is considered impaired and its costs, net of any salvage value, are charged to expense.

Occasionally, we may choose to salvage a portion of an unsuccessful exploratory well in order to continue exploratory drilling in an effort to reach the target geological structure/formation. In such cases, we charge only the unusable portion of the well bore to dry hole expense, and we continue to capitalize the costs associated with the salvageable portion of the well bore and add the costs to the new exploratory well. In certain situations, the well bore may be carried for more than one year beyond the date drilling in the original well bore was suspended. This may be due to the need to obtain, and/or analyze the availability of, equipment or crews or other activities necessary to pursue the targeted reserves or evaluate new or reprocessed seismic and geographic data. If, after we analyze the new information and conclude that we will not reuse the well bore or if the new exploratory well is determined to be unsuccessful after we complete drilling, we will charge the capitalized costs to dry hole expense. See "— Note 5 — Oil and Gas Properties" for detailed discussion of our exploratory activities.

Property Acquisition Costs. Acquisitions of producing properties are recorded at the value exchanged at closing together with an estimate of our proportionate share of the discounted decommissioning liability assumed in the purchase based upon the working interest ownership percentage.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Properties Acquired from Business Combinations. Properties acquired through business combinations are recorded at their fair value. In determining the fair value of the proved and unproved properties, we prepare estimates of oil and gas reserves. We estimate future prices to apply to the estimated reserve quantities acquired and the estimated future operating and development costs to arrive at our estimates of future net revenues. For the fair value assigned to proved reserves, the future net revenues are discounted using a market-based weighted average cost of capital rate determined appropriate at the time of the acquisition. To compensate for inherent risks of estimating and valuing unproved reserves, probable and possible reserves are reduced by additional risk weighting factors. See "— Note 4" for a detailed discussion of our acquisition of Remington.

Capitalized Interest. Interest from external borrowings is capitalized on major projects. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets.

Equity Investments

We periodically review our investments in Deepwater Gateway, Independence Hub and OTSL for impairment. Under the equity method of accounting, an impairment loss would be recorded whenever a decline in value of an equity investment below its carrying amount is determined to be other than temporary. In judging "other than temporary," we would consider the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity investment, the near-term and longer-term operating and financial prospects of the equity company and our longer-term intent of retaining the investment in the entity. OTSL has generated a net operating loss during 2006 which is an impairment indicator. As a result, we evaluated this investment to determine whether a permanent loss in value had occurred. Based on this evaluation, OTSL currently has the ability to sustain an earnings capacity which would justify the carrying amount of the investment, and as a result there is no impairment at December 31, 2006.

Goodwill and Other Intangible Assets

We test for the impairment of goodwill on at least an annual basis. Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives. Intangible assets that have indefinite useful lives are not amortized, but are tested for impairment annually and when 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 are present. Our goodwill impairment test involves a comparison of the fair value of each of our reporting units with its carrying amount. The fair value is determined using discounted cash flows and other market-related valuation models, such as earnings multiples and comparable asset market values. We completed our annual goodwill impairment test as of November 1, 2006. The changes in the carrying amount of goodwill by the applicable segments are as follows (in thousands):

	Contracting Services	Shelf Contracting	Oil and Gas	Total
Balance at December 31, 2004	$ 69,220	$ 14,973	$ —	$ 84,193
Acergy acquisition	—	12,841		12,841
Helix RDS acquisition	6,915	—	—	6,915
Tax and other adjustments	(2,218)	—	—	(2,218)
Balance at December 31, 2005	73,917	27,814	—	101,731
Remington acquisition	—	—	707,596	707,596
Seatrac acquisition	7,415	—	—	7,415
Acergy acquisition adjustment	—	(1,148)	—	(1,148)
Helix RDS acquisition adjustment	2,634	—	—	2,634
Tax and other adjustments	4,328		—	4,328
Balance at December 31, 2006	$ 88,294	$ 26,666	$ 707,596	$822,556

Of our total goodwill at December 31, 2006 and 2005, approximately $41.0 million and $39.1 million, respectively, was expected to be deducted for tax purposes. None of our goodwill was impaired based on the impairment test performed as of November 1, 2006. We will continue to test our goodwill and other indefinite-lived intangible assets 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.

Recertification Costs and Deferred Drydock Charges

Our Contracting Services and Shelf Contracting vessels are required by regulation to be recertified after certain periods of time. These recertification costs are incurred while the vessel is in drydock. In addition, routine repairs and maintenance are performed and, at times, major replacements and improvements are performed. We expense routine repairs and maintenance as they are incurred. We defer and amortize drydock and related recertification costs over the length of time for which we expect to receive benefits from the drydock and related recertification, which is generally 30 months. Vessels are typically available to earn revenue for the 30-month period between drydock and related recertification processes. A drydock and related recertification process typically lasts one to two months, a period during which the vessel is not available to earn revenue. Major replacements and improvements, which extend the vessel's economic useful life or functional operating capability, are capitalized and depreciated over the vessel's remaining economic useful life. Inherent in this process are estimates we make regarding the specific cost incurred and the period that the incurred cost will benefit.

As of December 31, 2006 and 2005, capitalized deferred drydock charges (included in Other Assets, Net, see "— Note 7 — Detail of Certain Accounts") totaled $26.4 million and $18.3 million, respectively. During the years ended December 31, 2006, 2005 and 2004, drydock amortization expense was $12.0 million, $8.9 million and $4.9 million, respectively.

Accounting for Decommissioning Liabilities

We account for our decommissioning liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations.* This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying cost of the asset. Our asset retirement obligations consist of estimated costs for dismantlement, removal, site reclamation and similar activities associated with our oil and gas properties. An asset retirement obligation and the related asset retirement cost are recorded when an asset is first constructed or purchased. The asset retirement cost is determined and discounted to present value using a credit-adjusted risk-free rate. After the initial recording the liability is increased for the passage of time, with the increase being reflected as accretion expense in the statement of operations. Subsequent adjustments in the cost estimate are reflected in the liability and the amounts continue to be amortized over the useful life of the related long-lived asset.

SFAS No. 143 calls for measurements of asset retirement obligations to include, as a component of expected costs, an estimate of the price that a third party would demand, and could expect to receive, for bearing the uncertainties and unforeseeable circumstances inherent in the obligations, sometimes referred to as a market-risk premium. To date, the oil and gas industry has no examples of credit-worthy third parties who are willing to assume this type of risk, for a determinable price, on major oil and gas production facilities and pipelines. Therefore, because determining such a market-risk premium would be an arbitrary process, we excluded it from our SFAS No. 143 estimates.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table describes the changes in our asset retirement obligations for the year ended 2006 and 2005 (in thousands):

	2006	2005
Asset retirement obligation at January 1,	$ 121,352	$ 82,030
Liability incurred during the period	40,442	36,119
Liability settled during the period	(6,669)	(1,913)
Revision in estimated cash flows	3,929	(583)
Accretion expense (included in depreciation and amortization)	8,617	5,699
Asset retirement obligations at December 31,	$ 167,671	$ 121,352

Revenue Recognition

Revenues from Contracting Services and Shelf Contracting are derived from contracts that are typically of short duration. These contracts contain either lump-sum turnkey provisions or provisions for 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.

Revenues generated from specific time, materials and equipment contracts are generally earned on a dayrate basis and recognized as amounts are earned in accordance with contract terms. In connection with these contracts, we may receive revenues for mobilization of equipment and personnel. In connection with new contracts, revenues related to mobilization are deferred and recognized over the period in which contracted services are performed using the straight-line method. Incremental costs incurred directly for mobilization of equipment and personnel to the contracted site, which typically consist of materials, supplies and transit costs, are also deferred and recognized over the period in which contracted services are performed using the straight-line method. Our policy to amortize the revenues and costs related to mobilization on a straight-line basis over the estimated contract service period is consistent with the general pace of activity, level of services being provided and dayrates being earned over the service period of the contract. Mobilization costs to move vessels when a contract does not exist are expensed as incurred.

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. In determining whether a contract should be accounted for using the percentage-of-completion method, we consider whether:

- the customer provides specifications for the construction of facilities or for the provision of related services;
- we can reasonably estimate our progress towards completion and our costs;
- the contract includes provisions as to the enforceable rights regarding the goods or services to be provided, consideration to be received and the manner and terms of payment;
- the customer can be expected to satisfy its obligations under the contract; and
- we can be expected to perform our contractual obligations.

Under the percentage-of-completion method, we recognize estimated contract revenue based on costs incurred to date as a percentage of total estimated costs. Changes in the expected cost of materials and labor, productivity, scheduling and other factors affect the total estimated costs. Additionally, external factors, including weather and other factors outside of our control, may also affect the progress and estimated cost of a project's completion and, therefore, the timing of income and revenue recognition. We routinely review estimates related to our contracts and reflect revisions to profitability in earnings on a current basis. If a current estimate of total contract cost indicates an ultimate loss on a contract, we recognize the projected loss in full when it is first determined. We recognize additional contract revenue related to claims when the claim is probable and legally enforceable.

Unbilled revenue represents revenue attributable to work completed prior to period end that has not yet been invoiced. All amounts included in unbilled revenue at December 31, 2006 and 2005 are expected to be billed and collected within one year.

We record 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. We may have an interest with other producers in certain properties. In this case, we use the entitlements method to account for sales of production. Under the entitlements method, we may receive more or less than our entitled share of production. If we receive more than our entitled share of production, the imbalance is treated as a liability. If we receive less than our entitled share, the imbalance is recorded as an asset. As of December 31, 2006, the net imbalance was a $200,000 asset and was included in Other Current Assets ($4.7 million) and Accrued Liabilities ($4.5 million) in the accompanying consolidated balance sheet.

Income Taxes

Deferred income taxes are based on the differences between financial reporting and tax bases of assets and liabilities. We utilize 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. We consider the undistributed earnings of our principal non-U.S. subsidiaries to be permanently reinvested.

Foreign Currency

The functional currency for our foreign subsidiaries, Well Ops (U.K.) Limited and Helix RDS, is the applicable local currency (British Pound), and the functional currency of Seatrac is its applicable local currency (Australian Dollar). Results of operations for these subsidiaries are translated into U.S. dollars using average exchange rates during the period. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rate in effect at December 31, 2006 and 2005 and the resulting translation adjustment, which was an unrealized gain (loss) of $17.6 million and $(11.4) million, respectively, is included in accumulated other comprehensive income (loss), a component of shareholders' equity. Beginning in 2004, deferred taxes were not provided on foreign currency translation adjustments for operations where we consider our undistributed earnings of our principal non-U.S. subsidiaries to be permanently reinvested. As a result, cumulative deferred taxes on translation adjustments totaling approximately $6.5 million were reclassified from noncurrent deferred income taxes and accumulated other comprehensive income. All foreign currency transaction gains and losses are recognized currently in the statements of operations. These amounts for the years ended December 31, 2006 and 2005 were not material to our results of operations or cash flows.

Canyon Offshore, our ROV subsidiary, has operations in the United Kingdom and Asia Pacific. Further, FDI has operations in Southeast Asia. Canyon and FDI conduct the majority of their operations in these regions in U.S. dollars which is considered to be their functional currency. When currencies other than the U.S. dollar are to be paid or received, the resulting transaction gain or loss is recognized in the statements of operations. These amounts for the year ended December 31, 2006, 2005 and 2004, respectively, were not material to our results of operations or cash flows.

Derivative Instruments and Hedging Activities

We are currently exposed to market risk in three major areas: commodity prices, interest rates and foreign currency exchange risks. Our 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, variable interest rate

exposure and foreign exchange currency risks. All derivatives are reflected in our balance sheet at fair value, unless otherwise noted.

We engage 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.

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 the 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 the hedging transactions are highly effective in offsetting changes in cash flows of its hedged items. We discontinue hedge accounting if we determine that a derivative is no longer highly effective as a hedge, or it is probable that a hedged transaction will not occur. If hedge accounting is discontinued, deferred gains or losses on the hedging instruments are recognized in earnings immediately.

Commodity Hedges

The fair value of hedging instruments reflects our best estimate and is based upon exchange or over-the-counter quotations whenever they are available. Quoted valuations may not be available due to location differences or terms that extend beyond the period for which quotations are available. Where quotes are not available, we utilize other valuation techniques or models to estimate 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 its estimates, and these differences can be positive or negative.

During 2006 and 2005, we entered into various cash flow hedging costless collar contracts to stabilize cash flows relating to a portion of our expected oil and gas production. All of these qualified for hedge accounting. The aggregate fair value of the hedge instruments was a net asset (liability) of $5.2 million and $(13.4) million as of December 31, 2006 and 2005, respectively. For the years ended December 31, 2006, 2005 and 2004, we recorded unrealized gains (losses) of approximately $12.1 million, $(8.1) million and $846,000, net of taxes of $6.5 million, $4.4 million and $456,000, respectively, in accumulated other comprehensive income (loss), a component of shareholders' equity, as these hedges were highly effective. The balance in the cash flow hedge adjustments account is recognized in earnings when the related hedged item is sold. During 2006, 2005 and 2004, we reclassified approximately $9.0 million, $(14.1) million and $(11.1) million, respectively, of gains (losses) from other comprehensive income to Oil and Gas revenues upon the sale of the related oil and gas production.

Hedge ineffectiveness related to cash flow hedges was a loss of $1.8 million, net of taxes of $951,000 in 2005 as reported in that period's earnings as a reduction of oil and gas productive revenues. Hedge ineffectiveness resulted from our inability to deliver contractual oil and gas production in 2005 due primarily to the effects of Hurricanes *Katrina* and *Rita.* No hedge ineffectiveness related to our commodity hedges was recognized in 2006 and 2004.

As of December 31, 2006, we had the following volumes under derivative contracts related to our oil and gas producing activities totaling 1,170 MBbl of oil and 9,500 MMbtu of natural gas:

Production Period	Instrument Type	Average Monthly Volumes	Weighted Average Price
Crude Oil:			
January 2007 — December 2007	Collar	98 MBbl	$49.74 — $66.96
Natural Gas:			
January 2007 — June 2007	Collar	650,000 MMBtu	$ 7.85 — $12.90
July 2007 — December 2007	Collar	933,333 MMBtu	$ 7.50 — $10.13

Changes in NYMEX oil and gas strip prices would, assuming all other things being equal, cause the fair value of these instruments to increase or decrease inversely to the change in NYMEX prices.

As of December 31, 2006, we had oil forward sales contracts for the period from January 2007 through June 2007. The contracts cover an average of 40 MBbl per month at a weighted average price of $70.83. In addition, we had natural gas forward sales contracts for the period from January 2007 through June 2007. The contracts cover an average of 750,833 MMbtu per month at a weighted average price of $9.49. Hedge accounting does not apply to these contracts.

Subsequent to December 31, 2006, we entered into two additional natural gas costless collars. The first collar covers 300,000 MMBtu per month at a price of $7.50 to $9.92 for the period from October through December 2007. The second collar is for the period of January through March 2008. The collar covers 600,000 MMBtu per month at a price of $7.50 to $12.55. We also entered into an oil costless collar for 60 MBbl per month for the period from January 2008 to June 2008 at a weighted average price of $55.00 to $73.58.

Interest Rate Hedge

As the rates for our Term Loan are subject to market influences and will vary over the term of the credit agreement, we entered into various cash flow hedging interest rate swaps to stabilize cash flows relating to a portion of our interest payments for our Term Loan. The interest rate swaps were effective October 3, 2006. These interest rate swaps qualify for hedge accounting. See "— Note 10 — Long-Term Debt" below for a detailed discussion of our Term Loan. The aggregate fair value of the hedge instruments was a net liability of $531,000 as of December 31, 2006. For the year ended December 31, 2006, these hedges were highly effective.

Foreign Currency Hedge

In December 2006, we entered into various foreign exchange forwards to stabilize expected cash outflows relating to a shipyard contract where the contractual payments are denominated in euros. These forward contracts qualify for hedge accounting. Under the forward contracts, we have hedged payments totaling €18.0 million to be settled in June and December 2007 at exchange rates of 1.3255 and 1.3326, respectively. The aggregate fair value of the hedge instruments was a net liability of $184,000 as of December 31, 2006. For the year ended December 31, 2006, these hedges were highly effective.

Earnings per Share

Basic earnings per share ("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 the denominator includes dilutive common stock equivalents and the income included in the numerator excludes the effects of the impact of dilutive common stock equivalents, if any. The computation of basic and diluted per share amounts for the years ended December 31, 2006, 2005 and 2004 were as follows (in thousands):

	Year Ended December 31,					
	2006		2005		2004	
	Income	Shares	Income	Shares	Income	Shares
Earnings applicable per common share — Basic	$344,036	84,613	$150,114	77,444	$79,916	76,409
Effect of dilutive securities:						
Stock options	—	449	—	772	—	609
Restricted shares	—	160	—	240	—	—
Employee stock purchase plan	—	12	—	—	—	—
Convertible Senior Notes	—	1,009	—	118	—	—
Convertible preferred stock	3,358	3,631	2,454	3,631	2,743	2,044
Earnings applicable per common share — Diluted	$347,394	89,874	$152,568	82,205	$82,659	79,062

There were no antidilutive stock options in the years ended December 31, 2006, 2005 and 2004, respectively. In addition, approximately 1,020,000 shares attributable to the convertible preferred stock were excluded in the year ended December 31, 2004, calculation of diluted EPS, as the effect was antidilutive. Net income for the diluted earnings per share calculation for the years ended December 31, 2006, 2005 and 2004 were adjusted to add back the preferred stock dividends and accretion on the 3.6 million shares, 3.6 million shares and 2.0 million shares, respectively.

Stock Based Compensation Plans

Prior to January 1, 2006, we used the intrinsic value method of accounting for our stock-based compensation. Accordingly, no compensation expense was recognized when the exercise price of an employee stock option was equal to the common share market price on the grant date and all other terms were fixed. In addition, under the intrinsic value method, on the date of grant for restricted shares, we recorded unearned compensation (a component of shareholders' equity) that equaled the product of the number of shares granted and the closing price of our common stock on the business day prior to the grant date, and expense was recognized over the vesting period of each grant on a straight-line basis.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table reflects our pro forma results if the fair value method had been used for the accounting for these plans for the years ended December 31, 2005 and 2004 (in thousands, except per share amounts):

	Year Ended December 31,	
	2005	2004
Net income applicable to common shareholders:		
As Reported	$150,114	$79,916
Add back: Stock-based compensation cost included in reported net income, net of taxes	914	—
Deduct: Total stock-based compensation cost determined under the fair value method, net of tax	(2,566)	(2,368)
Pro Forma	$148,462	$77,548
Earnings per common share:		
Basic:		
As reported	$ 1.94	$ 1.05
Pro forma	$ 1.92	$ 1.02
Diluted:		
As reported	$ 1.86	$ 1.03
Pro forma	$ 1.84	$ 1.00

For the purposes of pro forma disclosures, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used in 2004: expected dividend yields of 0%; expected lives of ten years, risk-free interest rate assumed to be 4.0%, and expected volatility to be 56%. There were no stock option grants in 2006 and 2005. 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 2004 was $8.80. No stock options were granted in 2005. The estimated fair value of the options is amortized to pro forma expense over the vesting period. See "— Note 13 — Employee Benefit Plans" for discussion of our stock compensation.

Accounting for Sales of Stock by Subsidiary

We recognize a gain or loss upon the direct sale of equity by our subsidiaries if the sales price differs from our carrying amount, provided that the sale of such equity is not part of a broader corporate reorganization. See "— Note 3" for discussion of CDI's initial public offering.

Consolidation of Variable Interest Entities

Effective December 31, 2003, we adopted and applied the provisions of FIN 46 for all variable interest entities. FIN 46 requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial, interests in the entity. See "— Note 9" related to our consolidated variable interest entities.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and our long-term debts. The carrying amount of cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximate fair value due to the highly liquid nature of these short-term instruments. The carrying amount and estimated fair value of our debt instruments, including current maturities as of December 31, 2006 and 2005 were as follows (amount in thousands):

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Loan (1)	$ 832,900	$834,462	$ —	$ —
Cal Dive Revolving Credit Facility (2)	201,000	201,000	—	—
Convertible Senior Notes (1)	300,000	378,780	300,000	433,695
MARAD Debt (3)	131,286	126,691	134,926	132,565
Loan Notes (4)	11,146	11,146	5,393	5,393

(1) The fair values of these instruments were based on quoted market prices as of December 31, 2006 and 2005, if applicable.

(2) The carrying value of the Cal Dive revolving credit facility approximates fair value as of December 31, 2006.

(3) The fair value of the MARAD debt was determined by a third-party evaluation of the remaining average life and outstanding principal balance of the MARAD indebtedness as compared to other government guaranteed obligations in the market place with similar terms.

(4) The carrying value of the loan notes approximates fair value as the maturity dates of these securities are less than one year.

Major Customers and Concentration of Credit Risk

The market for our 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. Our customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers and suppliers. We perform ongoing credit evaluations of our customers and provide allowances for probable credit losses when necessary. The percent of consolidated revenue of major customers was as follows: 2006 — Louis Dreyfus Energy Services (10%) and Shell Offshore, Inc. (10%); 2005 — Louis Dreyfus Energy Services (10%) and Shell Trading (US) Company (10%); and 2004 — Louis Dreyfus Energy Services (11%) and Shell Trading (US) Company (10%). All of these customers were purchasers of our oil and gas production.

Recently Issued Accounting Principles

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). FIN 48 clarifies the application of SFAS No. 109 by defining criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in the financial statements. Additionally, FIN 48 provides guidance on the measurement, derecognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. On January 1, 2007, we adopted the provisions of FIN 48 and the impact of the adoption was immaterial on our financial position, results of operations and cash flows.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, of this statement.

Note 3 — Initial Public Offering of Cal Dive International, Inc.

In December 2006, we contributed the assets of our Shelf Contracting segment into Cal Dive International, Inc., our then wholly owned subsidiary. Cal Dive subsequently sold 22,173,000 shares of its common stock in an initial public offering and distributed the net proceeds of $264.4 million to us as a dividend. In connection with the offering, CDI also entered into a $250 million revolving credit facility. In December 2006, Cal Dive borrowed $201 million under the facility and distributed $200 million of the proceeds to us as a dividend. For additional information related to the Cal Dive credit facilities, see "— Note 10 — Long-term Debt" below. We recognized an after-tax gain of $96.5 million, net of taxes of $126.6 million as a result of these transactions. We plan to use the proceeds for general corporate purposes.

In connection with the offering, together with shares issued to CDI employees immediately after the offering, our ownership of CDI decreased to approximately 73.0%. Subject to market conditions, we may sell additional shares of Cal Dive common stock in the future.

Further, in conjunction with the offering, the tax basis of certain CDI's tangible and intangible assets was increased to fair value. The increased tax basis should result in additional tax deductions available to CDI over a period of two to five years. Under the Tax Matters Agreement with CDI, to the extent CDI generates taxable income sufficient to realize the additional tax deductions, it will be required to pay us 90% of the amount of tax savings actually realized from the step-up of the assets. As of December 31, 2006, we have a long-term receivable from CDI of approximately $11.3 million related to the Tax Matters Agreement. For additional information related to the Tax Matters Agreement, see "— Note 11 — Income Taxes".

Note 4 — Acquisition of Remington Oil and Gas Corporation

On July 1, 2006, we acquired 100% of Remington, an independent oil and gas exploration and production company headquartered in Dallas, Texas, with operations concentrated in the onshore and offshore regions of the Gulf Coast, for approximately $1.4 billion in cash and stock and the assumption of $349.6 million of liabilities. The merger consideration was 0.436 of a share of our common stock and $27.00 in cash for each share of Remington common stock. On July 1, 2006, we issued 13,032,528 shares of our common stock to Remington stockholders and funded the cash portion of the Remington acquisition (approximately $806.8 million) and transaction costs (approximately $18.5 million) through a credit agreement (see "— Note 10 — Long-Term Debt" below).

The Remington acquisition was accounted for as a business combination with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with excess being recorded in goodwill. The following table summarizes the estimated preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	$ 154,336
Property and equipment	859,722
Goodwill	707,596
Other intangible assets (1)	6,800
Total assets acquired	$ 1,728,454
Current liabilities	$ 125,662
Deferred income taxes	201,317
Decommissioning liabilities (including current portion)	20,832
Other non-current liabilities	1,800
Total liabilities assumed	$ 349,611
Net assets acquired	$ 1,378,843

(1) The intangible asset is related to a favorable drilling rig contract and several non-compete agreements between the Company and certain members of senior management. The preliminary fair value of the drilling rig contract was $5.0 million and that amount will be reclassified into property and equipment if drilling of certain exploratory wells is successful. If drilling is unsuccessful, the intangible asset will be expensed in the period drilling is determined to be unsuccessful. The preliminary fair value of the non-compete agreements was $1.8 million, which will be amortized over the term of the agreements (three years) on a straight-line basis.

Certain data necessary to complete our final purchase price allocation is not yet available, and includes, but is not limited to, final tax returns that provide the underlying tax basis of Remington's assets and liabilities at July 1, 2006, valuation of certain proved and unproved oil and gas properties and identification and valuation of potential intangible assets. We expect to complete our valuation of assets and liabilities (including deferred taxes) for the purpose of allocation of the total purchase price amount to assets acquired and liabilities assumed during the twelve-month period following the acquisition date. Any future change in the value of net assets up until the one year period has expired will be offset by a corresponding increase or decrease in goodwill.

The results of the Remington acquisition are included in the accompanying statements of operations since the date of purchase in our Oil and Gas segment. See pro forma combined operating results of the Company and the Remington acquisition for the years ended December 31, 2006 and 2005 in "— Note 6 — Other Acquisitions" below.

Note 5 — Oil and Gas Properties

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. Costs incurred relating to unsuccessful exploratory wells are expensed in the period the drilling is determined to be unsuccessful.

At December 31, 2006, we had capitalized approximately $50 million of exploratory drilling costs associated with ongoing exploration and/or appraisal activities. Such capitalized costs may be charged against earnings in future periods if management determines that commercial quantities of hydrocarbons have not been discovered or

that future appraisal drilling or development activities are not likely to occur. The following table provides a detail of our capitalized exploratory project costs at December 31, 2006 and 2005 (in thousands):

	2006	2005
Huey	$11,378	$ —
Noonan	27,824	—
Castleton (part of *Gunnison*)	7,070	5,844
Tulane	—	6,170
Other	3,711	—
Total	$49,983	$12,014

The following table reflects net changes in suspended exploratory well costs during the year ended December 31, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
Beginning balance at January 1,	$ 12,014	$ 1,052	$ —
Additions pending the determination of proved reserves	138,679	10,962	1,052
Reclassifications to proved properties	(62,375)	—	—
Charged to dry hole expense	(38,335)	—	—
Ending balance at December 31,	$ 49,983	$12,014	$1,052

As of December 31, 2006, all of these exploratory well costs had been capitalized for a period of one year or less, except for *Castleton.* We are not the operator of *Castleton.*

Further, the following table details the components of exploration expense for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	Years Ended December 31,		
	2006	2005	2004
Delay rental and geological and geophysical costs	$ 4,780	$6,465	$ —
Dry hole expense	38,335	—	—
Total exploration expense	$43,115	$6,465	$ —

In addition, in 2006, we expensed inspection and repair costs related to damages sustained by Hurricanes *Katrina* and *Rita* for our oil and gas properties totaling approximately $16.8 million, partially offset by $9.7 million of insurance recoveries received. In 2005, we expensed approximately $7.1 million of inspection and repair costs as a result damages caused by these hurricanes. No insurance recoveries were received in 2005.

We agreed to participate in the drilling of an exploratory well (Tulane prospect) that was drilled in the first quarter of 2006. This prospect targeted reserves in deeper sands, within the same trapping fault system, of a currently producing well. In March 2006, mechanical difficulties were experienced in the drilling of this well, and after further review, the well was plugged and abandoned. The total estimated cost to us of approximately $21.7 million was charged to earnings during the year ended December 31, 2006. We continue to evaluate various options with the operator for recovering the potential resources. Further, in the third quarter of 2006, we expensed approximately $15.9 million of exploratory drilling costs related to two deep shelf properties (acquired in the Remington acquisition which were in process prior to July 1, 2006) in which we determined commercial quantities of hydrocarbons were not discovered.

In August 2006, we acquired a 100% working interest in the *Typhoon* oil field (Green Canyon Blocks 236/237), the Boris oil field (Green Canyon Block 282) and the Little Burn oil field (Green Canyon Block 238) for assumption

of certain decommissioning liabilities. We have received SOP approval from the MMS. We will also have farm-in rights on five near-by blocks where three prospects have been identified in the Typhoon mini-basin. Following the acquisition of the *Typhoon* field and MMS approval, we renamed the field *Phoenix*. We expect to deploy a minimal floating production system in mid-2008 in the *Phoenix* field.

In December 2006, we acquired a 100% working interest in the *Camelot* oil field in the U. K. North Sea for assumption of certain decommissioning liabilities totaling approximately $7.6 million. We have commenced existing field rejuvenation and expect first production in 2007.

In March 2005, we acquired a 30% working interest in a proved undeveloped field in Atwater Block 63 (Telemark) of the Deepwater Gulf of Mexico for cash and assumption of certain decommissioning liabilities. In December 2005, we were advised by Norsk Hydro USA Oil and Gas, Inc. ("Norsk Hydro") that Norsk Hydro would not pursue its development plan for the deepwater discovery. As a result, we acquired a 100% working interest and operatorship in April 2006 following a non-consent to our plan of development by Norsk Hydro. Our interest in this property and surrounding fields was sold in July 2006 for $15 million in cash and we also retained a reservation of an overriding royalty interest in the Telemark development. We recorded a gain of $2.2 million in the third quarter of 2006 related to this sale.

In June 2005, we acquired a mature property package on the Gulf of Mexico shelf from Murphy — Oil Corporation ("Murphy"). The acquisition cost included both cash ($163.5 million) and the assumption of the estimated abandonment liability from Murphy of approximately $32.0 million (a non-cash investing activity). The acquisition represented essentially all of Murphy's Gulf of Mexico Shelf properties consisting of eight operated and eleven non-operated fields. We estimated proved reserves of the acquisition to be approximately 75 Bcfe. The results of the acquisition are included in the accompanying statements of operations since the date of purchase. See pro forma combined operating results of the Company and the Murphy acquisition for the years ended December 31, 2006 and 2005 in "— Note 6 — Other Acquisitions" below.

Our oil and gas activities in the United States are regulated by the federal government and require significant third-party involvement, such as refinery processing and pipeline transportation. We record revenue from our offshore properties net of royalties paid to the MMS. Royalty fees paid totaled approximately $41.0 million, $34.0 million and $26.7 million for the years ended December 31, 2006, 2005 and 2004, 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 us to fulfill such bonding requirements through an insurance policy.

Note 6 — Other Acquisitions

2006

Fraser Diving International Ltd.

In July 2006, we acquired the business of Singapore-based Fraser Diving International Ltd for an aggregate purchase price of approximately $29.3 million, subject to post-closing adjustments, and the assumption of $2.2 million of liabilities. FDI owns six portable saturation diving systems and 15 surface diving systems that operate primarily in Southeast Asia, the Middle East, Australia and the Mediterranean. Included in the purchase price is a payment of $2.5 million made in December 2005 to FDI for the purchase of one of the portable saturation diving systems. The acquisition was accounted for as a business combination with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The following table summarizes

the estimated preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Cash and cash equivalents	$ 2,332
Accounts receivable	1,817
Prepaid expenses and deposits	691
Portable saturation diving systems and surface diving systems	23,685
Diving support equipment, support facilities and other equipment	3,004
Total assets acquired	$31,529
Accounts payable and accrued liabilities	$ 2,243
Net assets acquired	$29,286

The allocation of the purchase price was based upon preliminary valuations. Estimates and assumptions are subject to change upon the receipt and management's review of the final valuations. The primary areas of the purchase price allocation that are not yet finalized relate to post closing purchase price adjustments. The final valuation of net assets is expected to be completed no later than one year from the acquisition date. The results of FDI are included in the accompanying consolidated statements of operations in our Shelf Contracting segment since the date of purchase. Pro forma combined operating results for the years ended December 31, 2006 and 2005 (adjusted to reflect the results of operations of FDI prior to its acquisition) are not provided because the pre-acquisition results related to FDI were not material to the historical results of the Company.

Seatrac Pty, Ltd.

In October 2006, we acquired a 58% interest in Seatrac for total consideration of approximately $12.7 million (including $180,000 of transaction costs), with approximately $9.1 million paid to existing shareholders and $3.4 million for subscription of new Seatrac shares. We have changed the name of this entity to Well Ops SEA Pty Ltd. The proceeds from the newly issued shares were used by the entity to pay down existing indebtedness of approximately $1.9 million and to provide funding for capital expenditures of $1.5 million. Seatrac is a subsea well intervention and engineering services company located in Perth, Australia. Under the terms of the purchase agreement, we will be obligated to purchase the remaining 42% of the shares outstanding from the existing shareholders for $9.1 million upon Seatrac's successfully obtaining a significant commercial contract. In the event that the conditions required for the additional purchase are not met, we will be under no obligation to purchase the remaining 42% of Seatrac. The option period to acquire the remaining 42% expires on June 30, 2007. In addition, the agreement with the existing shareholders provides for an earnout period of five years from the closing date for the purchase of the remaining 42% of Seatrac. If during this five-year period Seatrac achieves certain financial performance objectives, the shareholders will be entitled to additional consideration of approximately $4.6 million.

The acquisition was accounted for as a business combination with the acquisition price allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The following table summarizes our portion of the estimated preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Cash and cash equivalents	$ 1,215
Other current assets	1,906
Property and equipment	4,218
Goodwill	7,136
Total assets acquired	$14,475
Accounts payable and accrued liabilities	$ 1,810
Net assets acquired	$12,665

The allocation of the purchase price was based upon preliminary valuations. Estimates and assumptions are subject to change upon the receipt and management's review of the final valuations. The primary areas of the purchase price allocation that are not yet finalized relate to the identification and valuation of potential intangible assets and valuation of certain equipment. The final valuation of net assets is expected to be completed no later than one year from the acquisition date. The results of Seatrac are included in the accompanying consolidated statements of operations in our Contracting Services segment since the date of purchase. Pro forma combined operating results for the year ended December 31, 2006 and 2005 (adjusted to reflect the results of operations of Seatrac prior to its acquisition) are not provided because the pre-acquisition results related to Seatrac were not material to the historical results of the Company.

Caesar

In January 2006, our wholly owned subsidiary, Vulcan Marine Technology LLC ("Vulcan"), acquired the *Caesar* (formerly known as the *Baron*), a four year old mono-hull vessel originally built for the cable lay market, for approximately $27.5 million in cash. The vessel was under charter to a third-party until mid January 2007. After the completion of the charter, the vessel was in transit to a shipyard in China where we plan to convert the vessel into a deepwater pipelay asset. The vessel is 485 feet long and already has a state-of-the-art, class 2, dynamic positioning system. The conversion program will primarily involve the installation of a conventional 'S' lay pipelay system together with a main crane and a significant upgrade to the accommodation capability. A conversion team has already been assembled with a base at Rotterdam, the Netherlands, and the vessel is likely to enter service during the second half of 2007. The estimated cost to acquire and convert the vessel will be approximately $137.5 million. We have entered into an agreement with the third party that leased the vessel, whereby the third party has an option to purchase up to 49% of Vulcan for consideration totaling the proportionate share of the cost of the vessel plus the actual cost of conversion (conversion cost is estimated to be $110 million). The third party must make all contributions to Vulcan on or before March 31, 2007.

2005

Torch Offshore, Inc.

In a bankruptcy auction held in June 2005, we were the high bidder for seven vessels, including the *Express*, and a portable saturation system for approximately $85.9 million, subject to the terms of an amended and restated asset purchase agreement, executed in May 2005, with Torch. This transaction received regulatory approval, including completion of a review pursuant to a Second Request from the U.S. Department of Justice, in August 2005 and subsequently closed. The total purchase price for the Torch vessels was approximately $85.9 million, including certain costs incurred related to the transaction. The acquisition was an asset purchase with the acquisition price allocated to the assets acquired based upon their estimated fair values. All of the assets acquired, except for the

Express (Contracting Services segment) are included in the Shelf Contracting segment. The results of the acquired vessels are included in the accompanying consolidated statements of operations since the date of the purchase, August 31, 2005.

Acergy US Inc.

In April 2005, we agreed to acquire the diving and shallow water pipelay assets of Acergy that operate in the waters of the Gulf of Mexico and Trinidad. The transaction included: seven diving support vessels; two diving and pipelay vessels (the *Kestrel* and the *DLB 801);* a portable saturation diving system; various general diving equipment and Louisiana operating bases at the Port of Iberia and Fourchon. All of the assets are included in the Shelf Contracting segment. The transaction required regulatory approval, including the completion of a review pursuant to a Second Request from the U.S. Department of Justice. On October 18, 2005, we received clearance from the U.S. Department of Justice to close the purchase from Acergy. Under the terms of the clearance, we were required to divest two diving support vessels and a portable saturation diving system from the combined asset package acquired through this transaction and the Torch transaction which closed in August 2005. We have since disposed of one diving support vessel and a portable saturation diving system prior to December 31, 2006, and disposed of the remaining diving support vessel in January 2007. These assets were included in assets held for sale totaling approximately $700,000 and $7.8 million as of December 31, 2006 and 2005, respectively. On November 1, 2005, we closed the transaction to purchase the Acergy diving assets operating in the Gulf of Mexico. We acquired the *DLB 801* in January 2006 for approximately $38.0 million and the *Kestrel* for approximately $39.9 million in March 2006.

The Acergy acquisition was accounted for as a business combination with the acquisition price allocated to the assets acquired and liabilities assumed based upon their fair values, with the excess being recorded as goodwill. The final valuation of net assets was completed in the second quarter of 2006. The total transaction value for all of the assets was approximately $124.3 million. The allocation of the Acergy purchase prices was as follows (in thousands):

Vessels	$ 94,484
Goodwill	11,693
Portable saturation system and diving equipment	9,494
Facilities, land and leasehold improvements	4,314
Customer relationships intangible asset (1)	3,698
Materials and supplies	631
Total	$124,314

(1) The customer relationship intangible asset is amortized over eight years on a straight-line basis, or approximately $463,000 per year.

The results of the acquired assets are included in the accompanying consolidated statements of operations in our Shelf Contracting segment since the date of the purchase. Pro forma combined operating results adjusted to reflect the results of operations of the *DLB 801* and the *Kestrel* prior to their acquisition from Acergy in January and March 2006, respectively, are not provided because the 2006 pre-acquisition results related to these vessels were immaterial to our historical results. See pro forma combined operating results of the Company and the Acergy acquisition for the years ended December 31, 2006 and 2005 below.

Subsequent to our purchase of the *DLB 801*, we sold a 50% interest in the vessel in January 2006 for approximately $19.0 million. We received $6.5 million in cash in 2005 and a $12.5 million interest-bearing promissory note in 2006. The balance of the promissory note as of December 31, 2006 was $1.5 million. We expect to collect the remaining balance. Subsequent to the sale of the 50% interest, we entered into a 10-year charter lease agreement with the purchaser, in which the lessee has an option to purchase the remaining 50% interest in the vessel

beginning in January 2009. This lease was accounted for as an operating lease. Included in our lease accounting analysis was an assessment of the likelihood of the lessee performing under the full term of the lease. The carrying amount of the *DLB 801* at December 31, 2006, was approximately $17.3 million. In addition, if the lessee exercises the purchase option under the lease agreement, the lessee is able to credit $2.35 million of its lease payments per year against purchase price for the remaining 50% interest in the *DLB 801* not already owned. If the lessee elects not to exercise its option to purchase the remaining 50% interest in the vessel, minimum future rentals to be received on this lease are $66.2 million.

Helix Energy Limited

On November 3, 2005, we acquired Helix Energy Limited for approximately $32.7 million (approximately $27.1 million in cash, including transaction costs, and $5.6 million, at time of acquisition, in two year, variable rate notes payable to certain former owners), offset by $3.4 million of cash acquired. Helix Energy Limited is an Aberdeen, UK based provider of reservoir and well technology services to the upstream oil and gas industry with offices in London, Kuala Lumpur (Malaysia) and Perth (Australia). The acquisition was accounted for as a business purchase with the acquisition price allocated to the assets acquired and liabilities assumed as follows (in thousands):

Cash and cash equivalents	$ 3,417
Other current assets	9,786
Property and equipment, net	632
Intangibles with definite useful lives (1)	10,459
Trade name intangible (2)	6,309
Goodwill	9,549
Total assets acquired	$40,152
Accounts payable and accrued liabilities	$ 4,920
Deferred tax liability	2,532
Net assets acquired	$32,700

(1) Intangibles with definite useful lives include the following:

- $1.1 million of patented technology, which is amortized over 20 years on a straight-line basis, or approximately $56,800 per year;
- $6.9 million of customer relationship, which is amortized over 12 years on a straight-line basis, or approximately $578,000 per year; and
- $2.4 million of non-compete intangible asset, which is amortized over 3.5 years on a straight-line basis, or approximately $683,000 per year.

(2) The trade name intangible has an indefinite useful life. It is not amortized, but is tested for impairment at least annually or when impairment indicators are present.

Resulting amounts are included in the Contracting Services segment. The final valuation of net assets was completed in 2006. The results of Helix Energy Limited are included in the accompanying statements of operations since the date of the purchase.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pro forma combined operating results of the Company and the Remington, Murphy and Acergy acquisitions for the years ended December 31, 2006 and 2005 were presented as if the acquisitions had been completed as of January 1, 2005. The unaudited pro forma combined results were as follows (in thousands, except per share data):

	Year Ended December 31,	
	2006 (1)	2005
Net revenues	$ 1,509,539	$ 1,337,648
Income before income taxes (2)	591,455	252,543
Net income (2)	337,885	168,316
Net income applicable to common shareholders (2)	334,527	165,862
Earnings per common share (2):		
Basic	$ 3.67	$ 1.83
Diluted	$ 3.51	$ 1.77

(1) Includes approximately $11.5 million of severance and incentive compensation expense, and approximately $20.6 million of non-cash stock compensation expense for vesting of stock options and restricted shares incurred by Remington in June 30, 2006.

(2) Includes pre-tax gain of approximately $223.1 million related to CDI's initial public offering. The taxes associated with this gain was approximately $126.6 million.

Note 7 — Details of Certain Accounts (in thousands)

Other current assets consisted of the following as of December 31, 2006 and 2005:

	2006	2005
Other receivables	$ 3,882	$ 1,386
Prepaid insurance	17,320	8,791
Other prepaids	9,174	4,391
Spare parts inventory	3,660	3,628
Current deferred tax assets	3,706	8,861
Hedging assets	5,202	—
Gas imbalance	4,739	3,888
Current notes receivable	1,500	1,500
Assets held for sale	698	7,936
Other	11,651	12,534
	$61,532	$52,915

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other assets, net, consisted of the following as of December 31, 2006 and 2005:

	2006	2005
Restricted cash	$ 33,676	$27,010
Deposits	524	4,594
Deferred drydock expenses, net	26,405	18,285
Deferred financing costs	28,257	18,714
Intangible assets with definite lives	20,783	14,707
Intangible asset with indefinite life	6,922	6,074
Other	1,344	1,490
	$117,911	$90,874

Accrued liabilities consisted of the following as of December 31, 2006 and 2005:

	2006	2005
Accrued payroll and related benefits	$ 42,381	$ 27,982
Royalties payable	67,822	46,555
Current decommissioning liability	28,766	15,035
Hedging liability	184	8,814
Deposits	—	10,000
Accrued interest	15,579	2,610
Other	44,918	27,468
	$199,650	$138,464

Note 8 — Equity Investments

In June 2002, we formed Deepwater Gateway, L.L.C. with Enterprise, in which we each own a 50% interest, 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 was approximately $120 million. Our investment in Deepwater Gateway totaled $119.3 million and $117.2 million as of December 31, 2006 and 2005, respectively. Included in the investment account was capitalized interest and insurance paid by us totaling approximately $1.7 and $1.7 million, respectively. In August 2002, Enterprise and we completed a limited recourse project financing for this venture. In accordance with terms of the term loan, Deepwater Gateway had the right to repay the principal amount plus any accrued interest due under its term loan at any time without penalty. Deepwater Gateway repaid the term loan in full in March 2005.

In December 2004, we acquired a 20% interest in Independence Hub, an affiliate of Enterprise. Independence Hub will own the "Independence Hub" platform to be located in Mississippi Canyon block 920 in a water depth of 8,000 feet. We account for our investment in Independence Hub under the equity method of accounting. Our investment was $82.7 million and $50.8 million as of December 31, 2006 and 2005, respectively. Our total investment is expected to be approximately $87 million. Further, we are party to a guaranty agreement with Enterprise to the extent of our ownership in Independence Hub. The agreement states, among other things, that we and Enterprise guarantee performance under the Independence Hub Agreement between Independence Hub and the producers group of exploration and production companies up to $426 million, plus applicable attorneys' fees and related expenses. We have estimated the fair value of our share of the guaranty obligation to be immaterial at December 31, 2006 and 2005 based upon the remote possibility of payments being made under the performance guarantee.

In July 2005, we acquired a 40% minority ownership interest in OTSL in exchange for our DP DSV, *Witch Queen.* Our investment in OTSL totaled $10.9 million and $11.5 million at December 31, 2006 and 2005, respectively, and is part of our Shelf Contracting segment. OTSL provides marine construction services to the oil and gas industry in and around Trinidad and Tobago, as well as the U.S. Gulf of Mexico. OTSL qualified as a variable interest entity ("VIE") under FIN 46. We have determined that we were not the primary beneficiary of OTSL and, thus, have not consolidated the financial results of OTSL. We account for our investment in OTSL under the equity method of accounting.

Further, in conjunction with our investment in OTSL, we entered into a one year, unsecured $1.5 million working capital loan, initially bearing interest at 6% per annum, with OTSL. Interest is due quarterly beginning September 30, 2005 with a lump sum principal payment originally due to us on June 30, 2006. We agreed to extend the lump sum principal payment due date and increased the interest rate to three-month LIBOR plus 4.0%. The note was repaid in January 2007.

In the third and fourth quarters of 2005 and first quarter of 2006, OTSL contracted the *Witch Queen* to us for certain services performed in the U.S. Gulf of Mexico. We incurred costs associated with the contract with OTSL totaling approximately $7.7 million and $11.1 million in 2006 and 2005, respectively. The charter ended in March 2006.

Under the equity method of accounting, an impairment loss would be recorded whenever a decline in value of an equity investment below its carrying amount was determined to be other than temporary. In judging "other than temporary," we would consider the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity investment, the near-term and longer-term operating and financial prospects of the equity company and our longer-term intent of retaining the investment in the entity. We have reported a net loss of $487,000 for the year ended December 31, 2006 related to our investment in OTSL. This net loss was an impairment indicator. However, we believe the current trend is temporary and have determined that the fair value of this investment, based on an estimate of its discounted cash flows, exceeds its carrying amount. As a result, there was no impairment at December 31, 2006.

We made the following contributions to our equity investments during the years ended December 31, 2006, 2005 and 2004 (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Deepwater Gateway, L.L.C. (1)	$ —	$ 72,000	$20,615
Independence Hub, LLC	25,578	39,060	10,585
OTSL (2)	—	8,400	—
Total	$25,578	$119,460	$31,200

(1) Contribution made in the year ended December 31, 2005 related to Deepwater Gateway was for the repayment of our portion of the term loan for Deepwater Gateway. Upon repayment of the loan, our $7.5 million restricted cash in 2005 was released from escrow and the escrow agreement was terminated.

(2) Includes non-cash contribution of the *Witch Queen* in 2005 of $6.7 million (net of $296,000 of transaction costs).

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We received the following distributions from our equity investments during the years ended December 31, 2006, 2005 and 2004 (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Deepwater Gateway, L.L.C.	$16,250	$21,100	$7,500
Independence Hub, LLC	—	—	—
OTSL	—	—	—
Total	$16,250	$21,100	$7,500

Note 9 — Consolidated Variable Interest Entities

In October 2006, we, along with Kommandor RØMØ, a Danish corporation, formed Kommandor, a Delaware limited liability company, to initially convert a ferry vessel into a dynamically-positioned construction services vessel. Upon completion of the initial conversion, this vessel will be leased under a bareboat charter to us for further conversion and subsequent use as a floating production system in the Deepwater Gulf of Mexico, initially for the *Phoenix* field. Our initial investment for our 50% interest in Kommandor was $15 million. Further, we have agreed to provide a loan facility of up to $40 million and Kommandor RØMØ has agreed to loan $5 million to the newly formed entity for purposes of completing the initial conversion. Kommandor has received a commitment letter from a financial institution for term financing for $60 million of the initial conversion upon delivery of the vessel under the bareboat charter. Proceeds from this financing will be used to repay amounts loaned to Kommandor by us and Kommandor RØMØ. Conversion of the vessel is expected to be completed in two phases. The first phase is expected to be completed by the end of 2007. The second phase of the conversion is expected to be completed by mid 2008. Estimated cost of conversion for the second phase is approximately $100 million, in which we expect to participate 100%.

In addition, per the operating agreement, for a period of two months immediately following the fifth anniversary of the completion of the initial conversion, we may purchase Kommandor RØMØ's membership interest at a value specified in the agreement ("Helix Option Period"). In addition, for a period of two months starting from 30 days after the Helix Option Period, Kommandor RØMØ can require us to purchase its share of the company at a value specified in the operating agreement. We estimate the cash outlay to Kommandor RØMØ for its interest in Kommandor at the time the put or call is exercised to be approximately $23.8 million.

Kommandor qualified as a VIE under FIN 46. We determined that we were the primary beneficiary of Kommandor and, thus, have consolidated the financial results of Kommandor as of December 31, 2006. The results of Kommandor are included in our Production Facilities segment. Kommandor is a development stage enterprise since its formation in October 2006.

Note 10 — Long-Term Debt

Senior Credit Facilities

On July 3, 2006, we entered into a Credit Agreement (the "Credit Agreement") with Bank of America, N.A., as administrative agent and as lender, together with the other lenders (collectively, the "Lenders"). Under the Credit Agreement, we borrowed $835 million in a term loan (the "Term Loan") and may borrow revolving loans (the "Revolving Loans") under a revolving credit facility up to an outstanding amount of $300 million (the "Revolving Credit Facility"). In addition, the Revolving Credit Facility may be used for issuances of letters of credit up to an outstanding amount of $50 million. The proceeds from the Term Loan were used to fund the cash portion of the Remington acquisition.

The Term Loan and the Revolving Loans (together, the "Loans") will, at our election, bear interest either in relation to Bank of America's base rate or to LIBOR. The Term Loan or portions thereof bear interest at one, three or

six month LIBOR at our election plus a margin of 2.00%. Our current election is to bear interest based on LIBOR. Our interest rate for year ended December 31, 2006 was approximately 7.4% (including the effects of our interest rate swaps). The Revolving Loans or portions thereof bearing interest at LIBOR will bear interest based on one, three or six month LIBOR at our election plus a margin ranging from 1.00% to 2.25%. Margins on the Revolving Loans will fluctuate in relation to the consolidated leverage ratio as provided in the Credit Agreement.

The Term Loan matures on July 1, 2013 and is subject to scheduled principal payments of $2.1 million quarterly. The Revolving Loans mature on July 1, 2011. We may elect to prepay amounts outstanding under the Term Loan without prepayment penalty, but may not reborrow any amounts prepaid. We may prepay amounts outstanding under the Revolving Loans without prepayment penalty, and may reborrow amounts prepaid prior to maturity. We did not have any amount outstanding under the Revolving Loans at December 31, 2006. In addition, upon the occurrence of certain dispositions or the issuance or incurrence of certain types of indebtedness, we may be required to prepay a portion of the Term Loan equal to the amount of proceeds received from such occurrences. Such prepayments will be applied first to the Term Loan, and any excess will be applied to the Revolving Loans, if any.

The Credit Agreement and the other documents entered into in connection with the Credit Agreement (together, the “Loan Documents”) include terms, conditions and covenants that we consider customary for this type of transaction. The covenants include restrictions on the Company’s and our subsidiaries’ ability to grant liens, incur indebtedness, make investments, merge or consolidate, sell or transfer assets and pay dividends. The credit facility also places certain annual and aggregate limits on expenditures for acquisitions, investments in joint ventures and capital expenditures. The Credit Agreement requires us to meet minimum financial ratios for interest coverage, consolidated leverage and, until we achieve investment grade ratings from S&P and Moody’s, collateral coverage.

If we or any of our subsidiaries do not pay any amounts owed to the Lenders under the Loan Documents when due, breach any other covenant to the Lenders or fail to pay other debt above a stated threshold, in each case, subject to applicable cure periods, then the Lenders have the right to stop making advances to us and to declare the Loans immediately due. The Credit Agreement includes other events of default that are customary for this type of transaction. As of December 31, 2006, we were in compliance with these covenants.

The Loans and our other obligations to the Lenders under the Loan Documents are guaranteed by all of our U.S. subsidiaries other than Cal Dive, and are secured by a lien on substantially all of our assets and properties and all of the assets and properties of our U.S. subsidiaries, other than those of Cal Dive. In addition, we have pledged a portion of the shares of our significant foreign subsidiaries to the lenders as additional security. The Senior Credit Facilities also contain provisions that limit our ability to incur certain types of additional indebtedness. These provisions effectively prohibit us from incurring any additional secured indebtedness or indebtedness guaranteed by the Company. The Senior Credit Facilities do however permit us to incur unsecured indebtedness, and also provide for our subsidiaries to incur project financing indebtedness (such as our MARAD loans) secured by the underlying asset, provided that the indebtedness is not guaranteed by us.

As the rates for the Term Loan are subject to market influences and will vary over the term of the agreement, we entered into various interest rate swaps for $200 million of notional value effective as of October 3, 2006. These hedges are designated as cash flow hedges and qualify for hedge accounting. Under the swaps we receive interest based on three-month LIBOR and pay interest quarterly at an average annual fixed rate of 5.131% which began in October 2006. The objective of the hedge is to eliminate the variability of cash flows in the interest payments for up to $200 million of our Term Loan. Changes in the cash flows of the interest rate swap are expected to exactly offset the changes in cash flows (i.e., changes in interest rate payments) attributable to fluctuations in LIBOR on up to $200 million of our Term Loan.

Cal Dive International, Inc. Revolving Credit Facility

In November 2006, CDI entered into a five-year $250 million revolving credit facility with certain financial institutions. The loans mature in November 2011. Loans under this facility are non-recourse to Helix. Loans under

the revolving credit facility may consist of loans bearing interest in relation to the Federal Funds Rate or to the lender's base rate, known as Base Rate Loans, and loans bearing interest in relation to a LIBOR rate, known as LIBOR Rate Loans. Assuming there is no event of default, Base Rate Loans will bear interest at a per annum rate equal to the base rate plus a margin ranging from 0% to 0.5%, while LIBOR Rate Loans will bear interest at the LIBOR rate plus a margin ranging from 0.625% to 1.75%.

The credit agreement and the other documents entered into in connection with the credit agreement include terms and conditions, including covenants. The covenants include restrictions on CDI's ability to grant liens, incur indebtedness, make investments, merge or consolidate, sell or transfer assets and pay dividends. In addition, the credit agreement obligates CDI to meet minimum financial requirements specified in the agreement. At December 31, 2006, CDI was in compliance with all debt covenants. The credit facility is secured by vessel mortgages on five of CDI's vessels, a pledge of all of the stock of all of CDI's domestic subsidiaries and 65% of the stock of one of CDI's foreign subsidiaries, and a security interest in, among other things, all of CDI's equipment, inventory, accounts and general tangible assets.

During December 2006, CDI borrowed $201 million under the revolving credit facility and distributed $200 million of those proceeds to us as a dividend. At December 31, 2006, CDI had outstanding debt of $201 million under this credit facility. CDI expects to use the remaining availability under the revolving credit facility for working capital and other general corporate purposes. We do not have access to any unused portion of CDI's revolving credit facility.

Convertible Senior Notes

On March 30, 2005, we issued $300 million of 3.25% Convertible Senior Notes due 2025 ("Convertible Senior Notes") at 100% of the principal amount to certain qualified institutional buyers. The Convertible Senior Notes are convertible into cash and, if applicable, shares of our common stock based on the specified conversion rate, subject to adjustment. As a result of our two for one stock split paid on December 8, 2005, effective as of December 2, 2005, the initial conversion rate of the Convertible Senior Notes of 15.56, which was equivalent to a conversion price of approximately $64.27 per share of common stock, was changed to 31.12 shares of common stock per $1,000 principal amount of the Convertible Senior Notes, which is equivalent to a conversion price of approximately $32.14 per share of common stock. We may redeem the Convertible Senior Notes on or after December 20, 2012. Beginning with the period commencing on December 20, 2012 to June 14, 2013 and for each six-month period thereafter, in addition to the stated interest rate of 3.25% per annum, we will pay contingent interest of 0.25% of the market value of the Convertible Senior Notes if, during specified testing periods, the average trading price of the Convertible Senior Notes exceeds 120% or more of the principal value. In addition, holders of the Convertible Senior Notes may require us to repurchase the notes at 100% of the principal amount on each of December 15, 2012, 2015, and 2020, and upon certain events.

The Convertible Senior Notes can be converted prior to the stated maturity under the following circumstances:

- during any fiscal quarter (beginning with the quarter ended March 31, 2005) if the closing sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day (i.e., $38.56 per share);
- upon the occurrence of specified corporate transactions; or
- if we have called the Convertible Senior Notes for redemption and the redemption has not yet occurred.

To the extent we do not have alternative long-term financing secured to cover such conversion notice, the Convertible Senior Notes would be classified as a current liability in the accompanying balance sheet.

In connection with any conversion, we will satisfy our obligation to convert the Convertible Senior Notes by delivering to holders in respect of each $1,000 aggregate principal amount of notes being converted a "settlement amount" consisting of:

- cash equal to the lesser of $1,000 and the conversion value, and
- to the extent the conversion value exceeds $1,000, a number of shares equal to the quotient of (A) the conversion value less $1,000, divided by (B) the last reported sale price of our common stock for such day.

The conversion value means the product of (1) the conversion rate in effect (plus any applicable additional shares resulting from an adjustment to the conversion rate) or, if the Convertible Senior Notes are converted during a registration default, 103% of such conversion rate (and any such additional shares), and (2) the average of the last reported sale prices of our common stock for the trading days during the cash settlement period. During 2006 and 2005, no conversion triggers were met.

Approximately 1.0 million and 118,000 shares underlying the Convertible Senior Notes were included in the calculation of diluted earnings per share for the year ended December 31, 2006 and 2005, respectively, because our weighted average share price for each period was above the conversion price of approximately $32.14 per share. As a result, there would be a premium over the principal amount, which is paid in cash, and the shares would be issued on conversion. The maximum number of shares of common stock which may be issued upon conversion of the Convertible Senior Notes is 13,303,770. In addition to the 13,303,770 shares of common stock registered, we registered an indeterminate number of shares of common stock issuable upon conversion of the Convertible Senior Notes by means of an antidilution adjustment of the conversion price pursuant to the terms of the Convertible Senior Notes. Proceeds from the offering were used for general corporate purposes including a capital contribution of $72 million, made in March 2005, to Deepwater Gateway to enable it to repay its term loan, and strategic acquisitions in 2005 (Torch and Acergy vessels and Murphy oil and gas properties).

MARAD Debt

At December 31, 2006 and 2005, $131.3 million and $134.9 million, respectively, was outstanding on our long-term financing for construction of the *Q4000.* This U.S. Government guaranteed financing is pursuant to Title XI of the Merchant Marine Act of 1936 which is administered by the Maritime Administration ("MARAD Debt"). The MARAD Debt is payable in equal semi-annual installments which began in August 2002 and matures 25 years from such date. The MARAD Debt is collateralized by the *Q4000*, with us guaranteeing 50% of the debt, and initially bore interest at a floating rate which approximated AAA Commercial Paper yields plus 20 basis points. As provided for in the existing MARAD Debt agreements, in September 2005, we fixed the interest rate on the debt through the issuance of a 4.93% fixed-rate note with the same maturity date (February 2027). 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, 2006 and 2005, we were in compliance with these covenants.

In September 2005, we entered into an interest rate swap agreement with a bank. The swap was designated as a cash flow hedge of a forecasted transaction in anticipation of the refinancing of the MARAD Debt from floating rate debt to fixed-rate debt that closed on September 30, 2005. The interest rate swap agreement totaled an aggregate notional amount of $134.9 million with a fixed interest rate of 4.695%. On September 30, 2005, we terminated the interest rate swap and received cash proceeds of approximately $1.5 million representing a gain on the interest rate differential. This gain was deferred and is being amortized over the remaining life of the MARAD Debt as an adjustment to interest expense.

Other

In connection with the acquisition of Helix Energy Limited, we entered into a two-year note payable to the former owners totaling approximately 3.1 million British Pounds, or approximately $5.6 million, on November 3,

2005 (approximately $6.2 million and $5.4 million at December 31, 2006 and 2005, respectively). The notes bear interest at a LIBOR based floating rate with interest payments due quarterly beginning January 1, 2006. Principal amounts are due in November 2007.

In August 2003, Canyon Offshore, Ltd. (a U.K. subsidiary — "COL") (with a parent guaranty from Helix) completed a capital lease with a bank refinancing the construction costs of certain assets. COL received proceeds of $12 million for the assets and agreed to pay the bank sixty monthly installment payments of $217,174 (resulting in an implicit interest rate of 3.29%) and has an option to purchase the assets at the end of the lease term for $1. No gain or loss resulted from this transaction. The proceeds were used to reduce our revolving credit facility, which had initially funded the construction costs of the assets. This transaction was accounted for as a capital lease.

In connection with borrowings under our long-term debt financings described above, we paid deferred financing cost of $11.8 million and $8.8 million during the years ended December 31, 2006 and 2005, respectively. Deferred financing costs of $28.3 million and $18.7 million are included in Other Assets, Net (see "— Note 7 — Detail of Certain Accounts") as of December 31, 2006 and 2005, respectively, and are being amortized over the life of the respective agreement.

Scheduled maturities of long-term debt and capital lease obligations outstanding as of December 31, 2006 were as follows (in thousands):

	Term Loan	CDI Revolving Credit Facility	Convertible Senior Notes	MARAD Debt	Loan Notes (1)	Capital Leases	Total
Less than one year	$ 8,400	$ —	$ —	$ 3,823	$ 11,146	$ 2,519	$ 25,888
One to two years	8,400	—	—	4,014	—	1,505	13,919
Two to three years	8,400	—	—	4,214	—	—	12,614
Three to four years	8,400	—	—	4,424	—	—	12,824
Four to five years	8,400	201,000	—	4,645	—	—	214,045
Over five years	790,900	—	300,000	110,166	—	—	1,201,066
Long-term debt	832,900	201,000	300,000	131,286	11,146	4,024	1,480,356
Current maturities	(8,400)	—	—	(3,823)	(11,146)	(2,519)	(25,888)
Long-term debt, less current maturities	$824,500	$ 201,000	$ 300,000	$127,463	$ —	$ 1,505	$ 1,454,468

(1) Includes the $5 million loan provided by Kommandor RØMØ to Kommandor as of December 31, 2006. The loan is expected to be repaid at the completion of the initial conversion, which is forecasted to be the end of 2007. As such, the entire loan amount is classified as current.

We had unsecured letters of credit outstanding at December 31, 2006 totaling approximately $5.3 million. These letters of credit primarily guarantee various contract bidding and insurance activities. The following table details our interest expense and capitalized interest for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	Year Ended December 31, 2006	2005	2004
Interest expense	$ 51,913	$14,970	$6,282
Interest income	(6,259)	(5,917)	(439)
Capitalized interest	(10,609)	(2,025)	(243)
Interest expense, net	$ 35,045	$ 7,028	$5,600

Note 11 — Income Taxes

We and our subsidiaries, including acquired companies from their respective dates of acquisition, file a consolidated U.S. federal income tax return. At December 13, 2006, CDI was separated from our tax consolidated group as a result of its initial public offering. As a result, we are required to accrue income tax expense on our share of CDI's net income after the initial public offering in all periods where we consolidate their operations. The deconsolidation of CDI's net income after its initial public offering did not have a material impact on our consolidated results of operations. We conduct our 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. Income taxes have been provided based on the US statutory rate of 35% 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 our effective rate were as follows:

	Year Ended December 31,		
	2006	2005	2004
Statutory rate	35.0%	35.0%	35.0%
Gain on subsidiary equity transaction	8.0	—	—
Foreign provision	(0.2)	—	0.9
Percentage depletion in excess of basis	(0.1)	(0.7)	—
Research and development tax credits	—	—	(1.3)
IRC Section 199 deduction	(0.2)	(0.5)	—
Other	—	(0.8)	(0.4)
Effective rate	42.5%	33.0%	34.2%

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

	Year Ended December 31,		
	2006	2005	2004
Current	$ 199,921	$32,291	$ 988
Deferred	57,235	42,728	42,046
	$ 257,156	$75,019	$43,034

	Year Ended December 31,		
	2006	2005	2004
Domestic	$ 247,588	$68,957	$41,260
Foreign	9,568	6,062	1,774
	$ 257,156	$75,019	$43,034

In 2006 and 2005, our oil and gas activities and certain construction activities qualified for a tax deduction under Internal Revenue Code ("IRC") Section 199. In addition, due to our taxable income position at December 31, 2006 and 2005, the IRC allowed a deduction for percentage depletion in excess of basis on our oil and gas activities.

As a result of the Remington acquisition on July 1, 2006, a deferred tax asset was recorded as a part of the purchase price allocation to reflect the availability of approximately $65.2 million of net operating loss carryforward as of the acquisition date. As a result of our taxable income position during 2006, we were able to utilize $61.0 million of the net operating loss carryforward at December 31, 2006. A valuation reserve was determined not to be necessary.

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Deferred income taxes result from the effect of transactions that are recognized in different periods for financial and tax reporting purposes. The nature of these differences and the income tax effect of each as of December 31, 2006 and 2005 was as follows (in thousands):

	2006	2005
Deferred tax liabilities:		
Depreciation	$416,762	$159,360
Equity investments in production facilities	30,723	28,264
Prepaid and other	31,383	10,693
Total deferred tax liabilities	$478,868	$198,317
Deferred tax assets:		
Net operating loss carryforward	$ (3,888)	$ (2,079)
Decommissioning liabilities	(33,367)	(26,915)
Reserves, accrued liabilities and other	(8,775)	(10,537)
Total deferred tax assets	$ (46,030)	$ (39,531)
Net deferred tax liability	$432,838	$158,786

At December 31, 2006 and 2005, we had $4.9 million and $6.9 million of net operating losses, respectively that were incurred in the United Kingdom. The utilization of these net operating losses is restricted to the entity generating the loss. The U.K. losses have an indefinite carryforward period.

We consider the undistributed earnings of our principal non-U.S. subsidiaries to be permanently reinvested. At December 31, 2006 and 2005, our principal non-U.S. subsidiaries had accumulated earnings and profits of approximately $20.3 million and a $4.3 million deficit, respectively. We have not provided deferred U.S. income tax on the accumulated earnings and profits.

In December 2006, we entered into the Tax Matters Agreement with CDI in connection with the CDI initial public offering. The following is a summary of the material terms of the Tax Matters Agreement:

- *Liability for Taxes.* Each party has agreed to indemnify the other in respect of all taxes for which it is responsible under the Tax Matters Agreement. We are generally responsible for all federal, state, local and foreign income taxes that are imposed on or are attributable to CDI or any of its subsidiaries for all tax periods (or portions thereof) ending on or before CDI's initial public offering. CDI is generally responsible for all federal, state, local and foreign income taxes that are imposed on or are attributable to CDI or any of its subsidiaries for all tax periods (or portions thereof) beginning after its initial public offering. CDI is also responsible for all taxes other than income taxes imposed on or attributable to CDI or any of its subsidiaries for all tax periods.
- *Tax Benefit Payments.* As a result of certain taxable income recognition by us in conjunction with the CDI initial public offering, CDI will become entitled to certain tax benefits that are expected to be realized by CDI in the ordinary course of its business and otherwise would not have been available to CDI. These benefits are generally attributable to increased tax deductions for amortization of tangible and intangible assets and to increased tax basis in nonamortizable assets. Under the Tax Matters Agreement, for the next ten years, CDI will be required to make annual payments to us equal to 90% of the amount of taxes which CDI saves for each tax period as a result of these increased tax benefits. The timing of CDI's payments to us under the Tax Matters Agreement will be determined with reference to when CDI actually realizes the projected tax savings. This timing will depend upon, among other things, the amount of their taxable income and the timing at which certain assets are sold or disposed.

- *Preparation and Filing of Tax Returns.* We will prepare and file all income tax returns that include CDI or any of its subsidiaries if we are responsible for any portion of the taxes reported on such tax returns. The Tax Matters Agreement also provides that we will have the sole authority to respond to and conduct all tax proceedings (including tax audits) relating to such income tax returns.

For the year ended December 31, 2006, this agreement did not have a material impact on our consolidated results of operations.

Note 12 — Convertible Preferred Stock

On January 8, 2003, we 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 1,666,668 shares of our common stock at $15 per share. The preferred stock was issued to a private investment firm. Subsequently in June 2004, the preferred stockholder exercised its existing right and purchased $30 million in additional cumulative convertible preferred stock (Series A-2 Cumulative Convertible Preferred Stock, par value $0.01 per share). In accordance with the January 8, 2003 agreement, the $30 million in additional preferred stock is convertible into 1,964,058 shares of our common stock at $15.27 per share. In the event the holder of the convertible preferred stock elects to redeem into our common stock and our common stock price is below the conversion prices, unless we have elected to settle in cash, the holder would receive additional shares above the 1,666,668 common shares (Series A-1 tranche) and 1,964,058 common shares (Series A-2 tranche). The incremental shares would be treated as a dividend and reduce net income applicable to common shareholders.

The preferred stock has a minimum annual dividend rate of 4%, subject to adjustment, payable quarterly in cash or common shares at our option. The dividend rate for the years ended December 31, 2006, 2005 and 2004 was 6.9%, 5.9% and 4.0%, respectively. We paid these dividends in 2006, 2005 and 2004 in cash. The holder may redeem the value of its original and additional investment in the preferred shares to be settled in common stock at the then prevailing market price or cash at our discretion. In the event we are unable to deliver registered common shares, we could be required to redeem in cash.

The proceeds received from the sales of this stock, net of transaction costs, have been classified outside of shareholders’ equity on the balance sheet below total liabilities. Prior to the conversion, common shares issuable will be assessed for inclusion in the weighted average shares outstanding for our diluted earnings per share using the if converted method based on the lower of our share price at the beginning of the applicable period or the applicable conversion price ($15.00 and $15.27).

Note 13 — Employee Benefit Plans

Defined Contribution Plan

We sponsor a defined contribution 401(k) retirement plan covering substantially all of our employees. Our 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. Our costs related to this plan totaled $2.3 million, $963,000 and $691,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Stock-Based Compensation Plans

We have three stock-based compensation plans: the 1995 Long-Term Incentive Plan, as amended (the “1995 Incentive Plan”), the 2005 Long-Term Incentive Plan (the “2005 Incentive Plan”) and the 1998 Employee Stock Purchase Plan (the “ESPP”). Under the 1995 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 and non-employee members of the Board of Directors. Following the approval by shareholders of the 2005 Incentive Plan on May 10, 2005, no further grants have been or will be made under the 1995 Plan. The aggregate number of shares that may be granted under the 2005 Incentive Plan is 6,000,000 shares (after adjustment for the December 8, 2005 two-for-one stock

split) of which 4,000,000 shares may be granted in the form of restricted stock or restricted stock units and 2,000,000 shares may be granted in the form of stock options. The 1995 and 2005 Incentive Plans and the ESPP are administered by the Compensation Committee of the Board of Directors, which in the case of the 1995 and 2005 Incentive Plans, determines the type of award to be made to each participant, and as set forth in the related award agreement, the terms, conditions and limitations applicable to each award. The committee may grant stock options, stock and cash awards. Awards granted to employees under the 1995 and 2005 Incentive Plan typically vest 20% per year for a five-year period (or in the case of certain stock option awards under the 1995 Incentive Plan, 33% per year for a three-year period); if in the form of stock options, have a maximum exercise life of ten years; and, subject to certain exceptions, are not transferable.

Prior to January 1, 2006, we used the intrinsic value method of accounting for our stock-based compensation. Accordingly, no compensation expense was recognized when the exercise price of an employee stock option was equal to the common share market price on the grant date and all other terms were fixed. In addition, under the intrinsic value method, on the date of grant for restricted shares, we recorded unearned compensation (a component of shareholders’ equity) that equaled the product of the number of shares granted and the closing price of our common stock on the business day prior to the grant date, and expense was recognized over the vesting period of each grant on a straight-line basis.

On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (Revised 2004) *Share-Based Payments* (“SFAS 123R”) and began accounting for our stock-based compensation plans under the fair value method. We continue to use the Black-Scholes option pricing model for valuing share-based payments relating to stock options and recognize compensation cost on a straight-line basis over the respective vesting period. No forfeitures were estimated for outstanding unvested options and restricted shares as historical forfeitures have been immaterial. We have selected the modified-prospective method of adoption. Under that transition method, compensation cost recognized in 2006 included: a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value. In addition to the compensation cost recognition requirements, tax deduction benefits for an award in excess of recognized compensation cost is reported as a financing cash flow rather than as an operating cash flow. The adoption did not have a material impact on our consolidated results of operations, earnings per share and cash flows. There were no stock option grants in 2006 or 2005.

Stock Options

The options outstanding at December 31, 2006, have exercise prices as follows: 163,000 shares at $8.57; 67,510 shares at $9.32; 110,680 shares at $10.92; 73,000 shares at $10.94; 64,800 shares at $11.00; 181,280 shares at $12.18; 70,400 shares at $13.91; and 152,400 shares ranging from $8.14 to $12.00, and a weighted average remaining contractual life of 5.75 years.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Options outstanding are as follows:

	2006		2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	1,717,904	$10.91	2,599,894	$10.65	3,446,204	$10.19
Granted	—	$ —	—	$ —	337,000	$12.63
Exercised	(792,394)	$11.21	(858,070)	$10.17	(1,119,818)	$ 9.85
Terminated	(42,440)	$10.96	(23,920)	$10.82	(63,492)	$10.43
Options outstanding at end of year	883,070	$10.86	1,717,904	$10.91	2,599,894	$10.65
Options exercisable end of year	515,318	$10.34	1,066,316	$10.94	1,428,348	$10.58

For the year ended December 31, 2006, $1.4 million was recognized as compensation expense related to stock options. No expense related to stock options was recognized in 2005 and 2004 under the intrinsic value method. The aggregate intrinsic value of the stock options exercised in 2006, 2005 and 2004 was approximately $21.3 million, $12.6 million and $5.3 million, respectively. Future compensation cost associated with unvested options at December 31, 2006 totaled approximately $1.8 million. The aggregate intrinsic value of options exercisable at December 31, 2006 was approximately $10.8 million. The weighted average vesting period related to nonvested stock options at December 31, 2006 was approximately 1.7 years.

Restricted Shares

We grant restricted shares to members of our board of directors, key executives and selected management employees. Compensation cost for each award is the product of market value of each share and the number of shares granted. The following table summarizes information about our restricted shares during the years ended December 31, 2006 and 2005 (no restricted shares were granted prior to 2005):

	2006		2005	
	Shares	Grant Date Fair Value (1)	Shares	Grant Date Fair Value (1)
Restricted shares outstanding at beginning of year	384,902	$ 25.59	—	$ —
Granted	497,450	$ 37.07	388,350	$ 25.56
Vested	(66,865)	$ 24.51	—	$ —
Forfeited	(86,275)	$ 36.04	(3,448)	$ 21.86
Restricted shares outstanding at end of year,	729,212	$ 32.29	384,902	$ 25.59

(1) Represents the average grant date market value, which is based on the quoted market price of the common stock on the business day prior to the date of grant.

For the year ended December 31, 2005, the amounts granted were recorded as unearned compensation, a component of shareholders' equity and charged to expense over the respective vesting periods on a straight-line basis. Amortization of unearned compensation totaled $1.4 million for the year ended December 31, 2005. The balance in unearned compensation at December 31, 2005 was $7.5 million and was reversed in January 2006 upon adoption of the fair value method. For the year ended December 31, 2006, $6.3 million was recognized as compensation expense related to restricted shares. Future compensation cost associated with unvested restricted stock awards at December 31, 2006 totaled approximately $17.5 million. The weighted average vesting period related to nonvested restricted stock awards at December 31, 2006 was approximately 3.8 years.

In January and February 2007, we granted certain key executives and select management employees 675,190 restricted shares under the 2005 Long-Term Incentive Plan. The shares vest 20% per year for a five-year period. The weighted average market value of the restricted shares was $31.49 per share or $21.3 million. We also granted our outside directors 2,092 restricted shares. The shares vest on January 1, 2009. The market value of the restricted shares was $31.37 per share or $66,000.

Employee Stock Purchase Plan

Effective May 12, 1998, we adopted a qualified, non-compensatory 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 97,598, 79,878 and 93,580 shares of common stock were purchased in the open market for our employees at a weighted-average share price of $33.12, $23.11 and $13.58 during 2006, 2005 and 2004, respectively. For the year ended December 31, 2006, we recognized $1.6 million of compensation expense related to stock purchased under the ESPP. No expenses related to the ESPP were recognized in 2005 and 2004 under the intrinsic value method.

In January 2007, we issued 109,754 shares of our common stock to our employees under this plan to satisfy the employee purchase period from July 1, 2006 to December 31, 2006, which increased our common stock outstanding. We subsequently repurchased the same number of shares of our common stock in the open market at $29.94 per share and reduced the number of shares of our common stock outstanding.

Stock Compensation Modifications

Under our 1995 Incentive Plan and our 2005 Long-Term Incentive Plan, upon a stock recipient's termination of employment, which is defined as employment with us and any of our majority-owned subsidiaries, any unvested restricted stock and stock options are forfeited immediately and all unexercised vested options are forfeited, as specified under the applicable plan or agreement. Ordinarily, once our beneficial ownership of CDI falls to 50% or below (the "Trigger Date"), the options and unvested shares granted to CDI employees would be forfeited at such date under our current plans. As part of the Employee Matters Agreement between us and CDI, which was executed in December 2006, with respect to any employee who is a Cal Dive employee as of the date of the IPO, we have agreed to extend the life of any vested and unexercised stock options to the earlier of (1) the expiration of the general term of the option or (2) the later of (i) December 31 of the calendar year in which the Trigger Date occurs, or (ii) the 15th day of the third month after the expiration of the 60-day period commencing on the Trigger Date (135 days). To the extent that any such employee would forfeit options because they have not vested as of such date, such options will be accelerated and will vest at the Trigger Date. In addition, under the Employee Matters Agreement, restricted stock awards granted to employees of CDI as of the IPO closing date will continue under their present terms and the terms of the plans under which they were granted. The modification date for these restricted stock and options occurred at the date the Employee Matters Agreement was adopted. However, no accounting charge will occur until the Trigger Date occurs and the impact of the modification, if any, can be measured.

Note 14 — Shareholders' Equity

Our amended and restated Articles of Incorporation provide for authorized Common Stock of 240,000,000 shares with no par value per share and 5,000,000 shares of preferred stock, $0.01 par value per share, in one or more series.

In November 2005, our Board of Directors declared a two-for-one split of our common stock in the form of a 100% stock distribution on December 8, 2005 to all holders of record at the close of business on December 1, 2005. All share and per share data in these financial statements have been restated to reflect the stock split.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of accumulated other comprehensive income (loss) as of December 31, 2006 and 2005 were as follows (in thousands):

	2006	2005
Cumulative foreign currency translation adjustment	$24,580	$ 6,979
Unrealized gain (loss) on hedges, net	2,656	(8,708)
Accumulated other comprehensive income (loss)	$27,236	$(1,729)

Note 15 — Stock Buyback Program

On June 28, 2006, our Board of Directors authorized us to discretionarily purchase up to $50 million of our common stock in the open market. In October and November 2006, we purchased approximately 1.7 million shares under this program for a weighted average price of $29.86 per share, or $50.0 million.

Note 16 — Related Party Transactions

Cal Dive International, Inc.

Before the IPO of Cal Dive, we provided to Cal Dive certain management and administrative services including: (i) accounting, treasury, payroll and other financial services; (ii) legal, insurance and claims services; (iii) information systems, network and communication services; (iv) employee benefit services (including direct third-party group insurance costs and 401(k) contribution matching costs discussed below); and (v) corporate facilities management services. Total allocated costs to Cal Dive for such services were approximately $16.5 million, $8.5 million and $7.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Included in these costs are costs related to the participation by CDI's employees in our employee benefit plans through December 31, 2006, including employee medical insurance and a defined contribution 401(k) retirement plan. These costs were recorded as a component of operating expenses and were approximately $5.8 million, $3.3 million and $2.5 million for the years ended December 31, 2006, 2005 and 2004, respectively. Our defined contribution 401(k) retirement plan is further disclosed in "— Note 13".

In addition, Cal Dive provided to us operational and field support services including: (i) training and quality control services; (ii) marine administration services; (iii) supply chain and base operation services; (iv) environmental, health and safety services; (v) operational facilities management services; and (vi) human resources. Total allocated costs to us for such services were approximately $5.6 million, $4.1 million and $3.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. These amounts are eliminated in the accompanying consolidated financial statements.

In contemplation of the IPO of CDI, we entered into intercompany agreements with CDI that address the rights and obligations of each respective company, including a Master Agreement, a Corporate Services Agreement, an Employee Matters Agreement and a Tax Matters Agreement. The Master Agreement describes and provides a framework for the separation of our business from CDI's business, allocates liabilities (including those potential liabilities related to litigation) between the parties, allocates responsibilities and provides standards for each of the parties' conduct going forward (e.g., coordination regarding financial reporting), and sets forth the indemnification obligations of each party. In addition, the Master Agreement provides us with a preferential right to use a specified number of CDI's vessels in accordance with the terms of such agreement.

Pursuant to the Corporate Services Agreement, each party agrees to provide specified services to the other party, including administrative and support services for the time period specified therein. Generally after we cease to own 50% or more of the total voting power of CDI common stock, all services may be terminated by either party upon 60 days notice, but a longer notice period is applicable for selected services. Each of the services shall be provided in exchange for a monthly charge as calculated for each service (based on relative revenues, number of users for a particular service, or other specified measure). In general, under the Corporate Services Agreement we

provide CDI with services related to the tax, treasury, audit, insurance (including claims) and information technology functions; CDI provides us with services related to the human resources, training and orientation functions, and certain supply chain and environmental, health and safety services.

Pursuant to the Employee Matters Agreement, except as otherwise provided, CDI generally accepts and assumes all employment related obligations with respect to all individuals who are employees of CDI as of the IPO closing date, including expenses related to existing options and restricted stock. Those employees are entitled to retain their Helix stock options and restricted stock grants under their original terms except as mandated by applicable law. The Employee Matters Agreement also permits CDI employees to participate in our Employee Stock Purchase Plan for the offering period that ends June 30, 2007, and CDI agrees to pay us at the end of the offering period the fair market value of the shares of our stock purchased by such employees.

Pursuant to the Tax Matters Agreement , we are generally responsible for all federal, state, local and foreign income taxes that are attributable to CDI for all tax periods ending on the IPO; CDI is generally responsible for all such taxes beginning after the IPO. In addition, the agreement provides that for a period of up to ten years, CDI is required to make annual payments to us equal to 90% of tax benefits derived by CDI from tax basis adjustments resulting from the “Boot” gain recognized by us as a result of the distributions made to us as part of the IPO transaction. See “— Note 11 — Income Taxes” for more detailed disclosure of the Tax Matters Agreement.

Other

In April 2000, we acquired a 20% working interest in *Gunnison*, a Deepwater Gulf of Mexico prospect of Kerr-McGee Oil & Gas Corp. Financing for the exploratory costs of approximately $20 million was provided by an investment partnership (OKCD Investments, Ltd. or “OKCD”), the investors of which include current and former Helix senior management, in exchange for a revenue interest that is an overriding royalty interest of 25% of Helix’s 20% working interest. Production began in December 2003. Payments to OKCD from us totaled $34.6 million, $28.1 million and $20.3 million in the years ended December 31, 2006, 2005 and 2004, respectively. Our Principal Executive Officer, as a Class A limited partner of OKCD, personally owns approximately 67% of the partnership. Other executive officers of the Company own approximately 6% combined of the partnership. In 2000, OKCD also awarded Class B limited partnership interests to key Helix employees.

In connection with the acquisition of Helix Energy Limited, we entered into two-year notes payable to former owners totaling approximately 3.1 million British Pounds, or approximately $5.6 million, on November 3, 2005 (approximately $6.2 million and $5.4 million at December 31, 2006 and 2005). The notes bear interest at a LIBOR based floating rate with payments due quarterly beginning January 31, 2006. Principal amounts are due in November 2007.

Note 17 — Commitments and Contingencies

Lease Commitments

We lease several facilities, ROVs and a vessel under noncancelable operating leases. Future minimum rentals under these leases are approximately $63.0 million at December 31, 2006 with $32.2 million due in 2007, $10.6 million in 2008, $10.1 million in 2009, $3.0 million in 2010, $2.4 million in 2011 and $4.7 million thereafter. Total rental expense under these operating leases was approximately $25.3 million, $23.4 million and $8.9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Insurance

We carry 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 $1.0 million on the *Q4000* and $500,000 on the *Intrepid*, *Seawell*, *Express* and *Kestrel.* Other vessels carry deductibles between $250,000 and $350,000. We also carry Protection and Indemnity (“P&I”) insurance which

covers liabilities arising from the operation of the vessels 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 Maritime Employers Liability insurance policy which covers Jones Act exposures and includes a deductible of $100,000 per occurrence plus a $1.0 million annual aggregate. In addition to the liability policies named above, we carry various layers of Umbrella Liability for total limits of $300,000,000 excess of primary limits. Our self-insured retention on our medical and health benefits program for employees is $130,000 per participant.

We incur workers' compensation and other insurance claims in the normal course of business, which management believes are covered by insurance. Our insurers, legal counsel and we 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 $3.6 million and $6.1 million as of December 31, 2006 and 2005, respectively. See related accrued liabilities at "— Note 7 — Detail of Certain Accounts". We have not incurred any significant losses as a result of claims denied by our insurance carriers. 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. Although there can be no assurance 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.

Litigation and Claims

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, Cal Dive Offshore Ltd ("CDO"), entered into a subcontract with Seacore Marine Contractors Limited ("Seacore") to provide a vessel to Seacore for Seacore's use in performing a contract with Coflexip Stena Offshore Newfoundland ("Coflexip") in Canada. Due to various difficulties, that contract was terminated and an arbitration to recover damages was commenced. We were not a party to that arbitration. A liability finding was made by the arbitrator against Seacore and in favor of Coflexip. Seacore and Coflexip settled this matter with Seacore paying Coflexip CAD$6.95 million. Seacore then initiated an arbitration proceeding against CDO seeking payment of that amount, and subsequently commenced a lawsuit against us seeking the same recovery. Recently we have settled this litigation and arbitration with us making a payment to Seacore in the amount of CAD$825,000 (or approximately $703,000) and the parties fully and finally releasing each other from all claims pertaining to the matter.

On December 2, 2005, we received an order from the MMS that the price threshold for both oil and gas was exceeded for 2004 production and that royalties are due on such production notwithstanding the provisions of the DWRRA, which was intended to stimulate exploration and production of oil and natural gas in the deepwater Gulf of Mexico by providing relief from the obligation to pay royalty on certain federal leases. Our only leases affected by this dispute are the *Gunnison* leases. On May 2, 2006, the MMS issued an order that superseded and replaced the December 2005 order, and claimed that royalties on gas production are due for 2003 in addition to oil and gas production in 2004. The May 2006 Order also seeks interest on all royalties allegedly due. We filed a timely notice of appeal with respect to both MMS orders. Other operators in the Deep Water Gulf of Mexico who have received notices similar to ours are seeking royalty relief under the DWRRA, including Kerr-McGee Oil and Gas Corporation ("Kerr-McGee"), the operator of *Gunnison.* In March of 2006, Kerr-McGee filed a lawsuit in federal district court challenging the enforceability of price thresholds in certain deepwater Gulf of Mexico Leases, such as ours. We do not anticipate that the MMS director will issue decisions in ours or the other companies' administrative

appeals until the Kerr-McGee litigation has been resolved. As a result of this dispute, we have recorded reserves for the disputed royalties (and any other royalties that may be claimed) plus interest at 5% for our portion of the *Gunnison* related MMS claim. The total reserved amount at December 31, 2006 was approximately $42.6 million. At this time, it is not anticipated that any penalties would be assessed even if we are unsuccessful in its appeal.

Although the above discussed matters may have the potential for additional liability and may have an impact on our consolidated financial results for a particular reporting period, we believe that the outcome of all such matters and proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Commitments

We plan to convert the *Caesar* (acquired in January 2006 for $27.5 million in cash) into a deepwater pipelay vessel. Total conversion costs are estimated to be approximately $110 million, of which approximately $15.0 million had been incurred, with an additional $52.2 million committed at December 31, 2006. In addition, we will upgrade the *Q4000* to include drilling via the addition of a modular-based drilling system for approximately $40 million, of which approximately $15.3 million had been incurred, with an additional $19.0 million committed at December 31, 2006.

In addition, in September 2006, we announced our plan to commit to the construction of a $160 million multi-service dynamically positioned dive support/well intervention vessel *("Well Enhancer")* that will be capable of working in the North Sea and West of Shetlands to support our contract extension to provide light well intervention services for Shell UK Ltd. We expect the *Well Enhancer* to join our fleet in 2008. At December 31, 2006, we had incurred approximately $19.4 million, with an additional $87.3 million committed to this project.

Further, we, along with Kommandor RØMØ, have begun the conversion of a ferry vessel into a dynamically-positioned construction services vessel. Conversion of the vessel is expected to be completed in two phases. The first phase of the conversion is estimated to be approximately $60 million and is expected to be completed by the end of 2007. As of December 31, 2006, $16.8 million had been incurred related to the conversion (our portion was $8.4 million), with an additional $14.0 million committed. The second phase of the conversion into a minimal floating production system, *Helix Producer I*, is expected to be completed by mid 2008. Estimated cost of conversion for the second phase is approximately $100 million, in which we expect to fund 100%. See "— Note 9 — Consolidated Variable Interest Entities" for a detailed discussion of Kommandor.

As of December 31, 2006, we have also committed approximately $138.9 million in additional capital expenditures for exploration, development and drilling costs related to our oil and gas properties.

Note 18 — Business Segment Information

Our operations are conducted through the following lines of businesses: contracting services operations and oil and gas operations. We have disaggregated our contracting services operations into three reportable segments in accordance with SFAS 131: Contracting Services, Shelf Contracting and Production Facilities. As a result, our reportable segments consist of the following: Contracting Services (formerly known as Deepwater Contracting), Shelf Contracting, Oil and Gas (formerly known as Oil and Gas Production) and Production Facilities. Contracting Services operations include deepwater pipelay, well operations, robotics and reservoir and well tech services. Shelf Contracting operations consist of assets deployed primarily for diving-related activities and shallow water construction. See "— Note 3" for discussion of initial public offering of CDI common stock (represented by the Shelf Contracting segment). All material Intercompany transactions between the segments have been eliminated.

We evaluate our performance based on income before income taxes of each segment. Segment assets are comprised of all assets attributable to the reportable segment. The majority of our Production Facilities segment (Deepwater Gateway and Independence Hub) are accounted for under the equity method of accounting. Our

investment in Kommandor was consolidated in accordance with FIN 46 and is included in our Production Facilities segment.

The following summarizes certain financial data by business segment:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Revenues —			
Contracting Services	$ 485,246	$ 328,315	$ 197,688
Shelf Contracting	509,917	223,211	126,546
Oil and Gas	429,607	275,813	243,310
Intercompany elimination	(57,846)	(27,867)	(24,152)
Total	$ 1,366,924	$ 799,472	$ 543,392
Income from operations —			
Contracting Services	$ 90,454	$ 42,333	$ (8,825)
Shelf Contracting (1) (2)	184,879	60,078	14,692
Oil and Gas	132,104	123,104	117,682
Production Facilities (3)	(1,051)	(977)	(345)
Intercompany elimination	(8,024)	—	(173)
Total	$ 398,362	$ 224,538	$ 123,031
Net interest expense and other —			
Contracting Services (5)	$ 36,076	$ 8,571	$ 4,663
Shelf Contracting	(163)	(45)	—
Oil and Gas	(1,339)	(1,117)	602
Production Facilities	60	150	—
Total	$ 34,634	$ 7,559	$ 5,265
Equity in earnings of production facilities investments	$ 18,413	$ 10,608	$ 7,927
Income before income taxes —			
Contracting Services (4)	$ 277,512	$ 33,762	$ (13,488)
Shelf Contracting (1) (2)	185,042	60,123	14,692
Oil and Gas	133,443	124,221	117,080
Production Facilities (3)	17,302	9,481	7,582
Intercompany elimination	(8,024)	—	(173)
Total	$ 605,275	$ 227,587	$ 125,693
Provision for income taxes —			
Contracting Services	$ 140,306	$ 9,949	$ (7,574)
Shelf Contracting	65,710	21,009	5,166
Oil and Gas	45,084	40,734	42,787
Production Facilities	6,056	3,327	2,655
Total	$ 257,156	$ 75,019	$ 43,034

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	Year Ended December 31,		
	2006	2005 (in thousands)	2004
Identifiable assets —			
Contracting Services	$ 1,313,206	$ 736,852	$ 597,257
Shelf Contracting	452,153	277,446	145,226
Oil and Gas	2,282,715	478,522	229,083
Production Facilities	242,113	168,044	67,192
Total	$ 4,290,187	$ 1,660,864	$ 1,038,758
Capital expenditures —			
Contracting Services	$ 130,938	$ 90,037	$ 21,016
Shelf Contracting	38,086	32,383	1,792
Oil and Gas	282,318	238,698	27,315
Production Facilities	45,327	111,429	32,206
Total	$ 496,669	$ 472,547	$ 82,329
Depreciation and amortization —			
Contracting Services	$ 34,165	$ 25,102	$ 20,227
Shelf Contracting (1)	24,515	15,734	19,032
Oil and Gas	134,967	70,637	69,046
Total	$ 193,647	$ 111,473	$ 108,305

(1) Included pre-tax $790,000 and $3.9 million of asset impairment charges in 2005 and 2004, respectively.

(2) Included $(487,000) and $2.8 million equity in (losses) earnings from investment in OTSL in 2006 and 2005, respectively.

(3) Represents selling and administrative expense of Production Facilities incurred by us. See Equity in Earnings of Production Facilities investments for earnings contribution.

(4) Includes pre-tax gain of $223.1 million related to the initial public offering of CDI common stock and transfer of debt through dividend distributions from CDI.

(5) Includes interest expense related to the Term Loan. The Proceeds from the Tem Loan were used to fund the cash portion of the Remington acquisition.

Intercompany segment revenues during the years ended December 31, 2006, 2005 and 2004 were as follows:

	Year Ended December 31,		
	2006	2005	2004
Contracting Services	$42,585	$26,431	$22,246
Shelf Contracting	15,261	1,436	1,906
Total	$57,846	$27,867	$24,152

Intercompany segment profit (which only relates to intercompany capital projects) during the years ended December 31, 2006, 2005 and 2004 were as follows:

	Year Ended December 31,		
	2006	2005	2004
Contracting Services	$2,460	$ —	$ 91
Shelf Contracting	5,564	—	82
Total	$8,024	$ —	$173

During the years ended December 31, 2006, 2005 and 2004, we derived approximately $190.1 million, $83.2 million and $77.1 million, respectively, of our revenues from the U.K. sector utilizing approximately $238.5 million, $168.4 million and $136.7 million, respectively, of our total assets in this region. The majority of the remaining revenues were generated in the U.S. Gulf of Mexico.

Note 19 — Allowance for Uncollectible Accounts

The following table sets forth the activity in our Allowance for Uncollectible Accounts for each of the three years in the period ended December 31, 2006 (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Beginning balance	$ 585	$ 7,768	$ 7,462
Additions	3,598	2,577	2,745
Deductions	(3,201)	(9,760)	(2,439)
Ending balance	$ 982	$ 585	$ 7,768

See "— Note 2 — Summary of Significant Accounting Policies" for a detailed discussion regarding our accounting policy on Accounts Receivable and Allowance for Uncollectible Accounts.

Note 20 — Supplemental Oil and Gas Disclosures (Unaudited)

The following information regarding our 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 our oil and gas activities and the aggregate amount of related accumulated depletion, depreciation and amortization as of the dates indicated are presented below:

	2006	2005
Unproved oil and gas properties	$ 101,845	$ —
Proved oil and gas properties	1,576,742	475,583
Total oil and gas properties	1,678,587	475,583
Accumulated depletion, depreciation and amortization	(335,112)	(160,651)
Net capitalized costs	$ 1,343,475	$ 314,932

Included in capitalized costs of proved oil and gas properties being amortized is an estimate of our proportionate share of decommissioning liabilities assumed relating to these properties which are also reflected as decommissioning liabilities in the accompanying consolidated balance sheets at fair value on a discounted basis. At December 31, 2006 and 2005, our oil and gas operations' decommissioning liabilities were $167.7 million and $121.4 million, respectively.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Costs Incurred in Oil and Gas Producing Activities

The following table reflects the costs incurred in oil and gas property acquisition and development activities, including estimated decommissioning liabilities assumed, during the years indicated:

	United States	United Kingdom	Total
Year Ended December 31, 2006 —			
Property acquisition costs:			
Proved properties	$ 770,307	$ 365	$ 770,672
Unproved properties	105,519	—	105,519
Total property acquisition costs	875,826	365	876,191
Exploration costs	143,459	—	143,459
Development costs (1)	159,688	—	159,688
Asset retirement cost	32,863	7,579	40,442
Total costs incurred	**$ 1,211,836**	**$ 7,944**	**$ 1,219,780**
Year Ended December 31, 2005 —			
Property acquisition costs:			
Proved properties	$ 183,837	$ —	$ 183,837
Unproved properties	—	—	—
Total property acquisition costs	183,837	—	183,837
Exploration costs	5,728	—	5,728
Development costs (1)	67,193	—	67,193
Asset retirement cost	36,119	—	36,119
Total costs incurred	**$ 292,877**	**$ —**	**$ 292,877**
Year Ended December 31, 2004 —			
Property acquisition costs:			
Proved properties	$ —	$ —	$ —
Unproved properties	—	—	—
Total property acquisition costs	—	—	—
Exploration costs	—	—	—
Development costs (1)	38,171	—	38,171
Asset retirement cost	202	—	202
Total costs incurred	**$ 38,373**	**$ —**	**$ 38,373**

(1) Development costs include costs incurred to obtain access to proved reserves to drill and equip development wells. Development costs also include costs of developmental dry holes.

Results of Operations for Oil and Gas Producing Activities

	United States	United Kingdom	Total
Year Ended December 31, 2006 —			
Revenues	$ 429,607	$ —	$429,607
Production (lifting) costs	89,139	—	89,139
Exploration expenses (2)	43,115	—	43,115
Depreciation, depletion, amortization and accretion	134,967	—	134,967
Gain on sale of oil and gas properties	2,248	—	2,248
Selling and administrative	27,645	4,885	32,530
Pretax income (loss) from producing activities	136,989	(4,885)	132,104
Income tax expense (benefit)	47,527	(2,443)	45,084
Results of oil and gas producing activities (1)	**$ 89,462**	**$ (2,442)**	**$ 87,020**
Year Ended December 31, 2005 —			
Revenues	$ 275,813	$ —	$275,813
Production (lifting) costs	56,235	—	56,235
Exploration expenses (2)	6,465	—	6,465
Depreciation, depletion, amortization and accretion	70,637	—	70,637
Selling and administrative	19,372	—	19,372
Pretax income from producing activities	123,104	—	123,104
Income tax expense	40,734	—	40,734
Results of oil and gas producing activities (1)	**$ 82,370**	**$ —**	**$ 82,370**
Year Ended December 31, 2004 —			
Revenues	$ 243,310	$ —	$243,310
Production (lifting) costs	39,410	—	39,410
Depreciation, depletion, amortization and accretion	69,046	—	69,046
Selling and administrative	17,789	—	17,789
Pretax income from producing activities	117,065	—	117,065
Income tax expense	42,787	—	42,787
Results of oil and gas producing activities (1)	**$ 74,278**	**$ —**	**$ 74,278**

(1) Excludes net interest expense and other.
(2) See "— Note 5" for additional information related to the components of our exploration costs.

Estimated Quantities of Proved Oil and Gas Reserves

Proved oil and gas reserve quantities are based on estimates prepared by our engineers in accordance with guidelines established by the SEC. Our significant U.S. reserve estimates at December 31, 2006, have been audited by Huddleston & Co., independent petroleum engineers (83% of our U.S. proved reserves on a discounted future net revenue basis). 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.

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The quantities of proved oil and gas reserves presented below include only the amounts which we reasonably expect to recover in the future from known oil and gas reservoirs under the current economic and operating conditions. Proved reserves include only quantities that we can commercially recover using current prices, costs, existing regulatory practices and technology. Therefore, any changes in future prices, costs, regulations, technology or other unforeseen factors could significantly increase or decrease proved reserve estimates. Our proved undeveloped reserves are generally brought on line within 12 months. Alternatively, they are associated with long life fields where economics dictate waiting for an existing wellbore available for sidetrack, or waiting to mobilize a platform rig for operations. Accordingly, proved undeveloped reserves in major fields may be carried for many years. The following table presents our net ownership interest in proved oil reserves (MBbls):

	United States	United Kingdom	Total
Total proved reserves at December 31, 2003	**12,521**	**—**	**12,521**
Revision of previous estimates	(1,412)	—	(1,412)
Production	(2,593)	—	(2,593)
Purchases of reserves in place	—	—	—
Sales of reserves in place	(1)	—	(1)
Extensions and discoveries	2,002	—	2,002
Total proved reserves at December 31, 2004	**10,517**	**—**	**10,517**
Revision of previous estimates	(403)	—	(403)
Production	(2,473)	—	(2,473)
Purchases of reserves in place	6,653	—	6,653
Sales of reserves in place	—	—	—
Extensions and discoveries	579	—	579
Total proved reserves at December 31, 2005	**14,873**	**—**	**14,873**
Revision of previous estimates	(607)	—	(607)
Production	(3,400)	—	(3,400)
Purchases of reserves in place	24,820	—	24,820
Sales of reserves in place	—	—	—
Extensions and discoveries	651	—	651
Total proved reserves at December 31, 2006 (1)	**36,337**	**—**	**36,337**
Total proved developed reserves as of:			
December 31, 2003	4,913	—	4,913
December 31, 2004	6,429	—	6,429
December 31, 2005	7,759	—	7,759
December 31, 2006	13,328	—	13,328

(1) Proved reserves at December 31, 2006 includes approximately 17,573 MBbls acquired from the Remington acquisition.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents our net ownership interest in proved gas reserves, including natural gas liquids (MMcf):

	United States	United Kingdom	Total
Total proved reserves at December 31, 2003	**74,660**	**—**	**74,660**
Revision of previous estimates	(2,184)	—	(2,184)
Production	(25,957)	—	(25,957)
Purchases of reserves in place	—	—	—
Sales of reserves in place	(697)	—	(697)
Extensions and discoveries	7,382	—	7,382
Total proved reserves at December 31, 2004	**53,204**	**—**	**53,204**
Revision of previous estimates	(1,124)	—	(1,124)
Production	(18,137)	—	(18,137)
Purchases of reserves in place	91,089	—	91,089
Sales of reserves in place	—	—	—
Extensions and discoveries	11,041	—	11,041
Total proved reserves at December 31, 2005	**136,073**	**—**	**136,073**
Revision of previous estimates	4,678	—	4,678
Production	(27,949)	—	(27,949)
Purchases of reserves in place	169,375	23,634	193,009
Sales of reserves in place	—	—	—
Extensions and discoveries	12,212	—	12,212
Total proved reserves at December 31, 2006 (1)	**294,389**	**23,634**	**318,023**
Total proved developed reserves as of:			
December 31, 2003	45,773	—	45,773
December 31, 2004	36,362	—	36,362
December 31, 2005	55,321	—	55,321
December 31, 2006	156,251	—	156,251

(2) Proved reserves at December 31, 2006 includes approximately 159,338 MMcf acquired from the Remington acquisition.

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 our interest in proved oil and gas reserves:

	United States	United Kingdom	Total
As of December 31, 2006 —			
Future cash inflows	$ 3,814,201	$173,520	$ 3,987,721
Future costs:			
Production	(588,000)	(8,521)	(596,521)
Development and abandonment	(707,398)	(66,300)	(773,698)
Future net cash flows before income taxes	2,518,803	98,699	2,617,502
Future income tax expense	(776,120)	(53,791)	(829,911)
Future net cash flows	1,742,683	44,908	1,787,591
Discount at 10% annual rate	(416,738)	(9,910)	(426,648)
Standardized measure of discounted future net cash flows	**$ 1,325,945**	**$ 34,998**	**$ 1,360,943**
As of December 31, 2005 —			
Future cash inflows	$ 2,131,985	$ —	$ 2,131,985
Future costs:			
Production	(311,163)	—	(311,163)
Development and abandonment	(450,558)	—	(450,558)
Future net cash flows before income taxes	1,370,264	—	1,370,264
Future income tax expense	(433,335)	—	(433,335)
Future net cash flows	936,929	—	936,929
Discount at 10% annual rate	(209,867)	—	(209,867)
Standardized measure of discounted future net cash flows	**$ 727,062**	**$ —**	**$ 727,062**
As of December 31, 2004 —			
Future cash inflows	$ 756,668	$ —	$ 756,668
Future costs:			
Production	(125,350)	—	(125,350)
Development and abandonment	(146,131)	—	(146,131)
Future net cash flows before income taxes	485,187	—	485,187
Future income tax expense	(144,263)	—	(144,263)
Future net cash flows	340,924	—	340,924
Discount at 10% annual rate	(54,185)	—	(54,185)
Standardized measure of discounted future net cash flows	**$ 286,739**	**$ —**	**$ 286,739**

Future cash inflows are computed by applying year-end prices, adjusted for location and quality differentials on a property-by-property basis, to year-end quantities of proved reserves, except in those instances where fixed and determinable price changes are provided by contractual arrangements at year-end. The discounted future cash flow

estimates do not include the effects of our derivative instruments. See the following table for base prices used in determining the standardized measure:

	United States	United Kingdom	Total
Year Ended December 31, 2006 —			
Average oil price per Bbl	$59.75	$ —	$59.75
Average gas prices per Mcf	$ 5.58	$ 7.23	$ 5.70
Year Ended December 31, 2005 —			
Average oil price per Bbl	$59.82	$ —	$59.82
Average gas prices per Mcf	$ 9.13	$ —	$ 9.13
Year Ended December 31, 2004 —			
Average oil price per Bbl	$38.91	$ —	$38.91
Average gas prices per Mcf	$ 6.53	$ —	$ 6.53

The future income tax expense was computed by applying the appropriate year-end statutory rates, with consideration of future tax rates already legislated, to the future pretax net cash flows less the tax basis of the associated properties. Future net cash flows are discounted at the prescribed rate of 10%. We caution that actual future net cash flows may vary considerably from these estimates. Although our estimates of total proved reserves, development costs and production rates were based on the best information available, the development and production of oil and gas reserves may not occur in the periods assumed. Actual prices realized, costs incurred and production quantities may vary significantly from those used. Therefore, such estimated future net cash flow computations should not be considered to represent our estimate of the expected revenues or the current value of existing proved reserves.

Changes in Standardized Measure of Discounted Future Net Cash Flows

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

	Year Ended December 31,		
	2006	2005	2004
Standardized measure, beginning of year	$ 727,062	$ 286,739	$ 309,438
Changes during the year:			
Sales, net of production costs	(340,468)	(213,113)	(203,856)
Net change in prices and production costs	(328,149)	194,965	92,395
Changes in future development costs	(49,357)	(63,621)	(17,474)
Development costs incurred	159,616	67,193	38,373
Accretion of discount	106,333	40,808	43,048
Net change in income taxes	(254,770)	(214,936)	3,770
Purchases of reserves in place	1,245,847	575,320	—
Extensions and discoveries	82,730	80,720	55,743
Sales of reserves in place	—	—	(3,077)
Net change due to revision in quantity estimates	(6,067)	(12,442)	(32,025)
Changes in production rates (timing) and other	18,166	(14,571)	404
Total	633,881	440,323	(22,699)
Standardized measure, end of year	$ 1,360,943	$ 727,062	$ 286,739

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 21 — 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 our services has been performed during the summer and fall months. As a result, historically a disproportionate portion of our revenues and net income is earned during such period. The following is a summary of consolidated quarterly financial information for 2006 and 2005 (in thousands, except per share data):

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
2006				
Net revenues	$ 291,648	$305,013	$ 374,424	$ 395,839
Gross profit	102,266	131,692	130,470	150,980
Net income	56,193	69,944	57,833	163,424
Net income applicable to common shareholders	55,389	69,139	57,029	162,479
Basic earnings per common share	0.71	0.88	0.62	1.80
Diluted earnings per common share	0.67	0.83	0.60	1.73
2005				
Net revenues	$ 159,575	$166,531	$ 209,338	$ 264,028
Gross profit	51,873	52,419	82,928	95,852
Net income	25,961	26,577	43,221	56,810
Net income applicable to common shareholders	25,411	26,027	42,671	56,006
Basic earnings per common share	0.33	0.34	0.55	0.72
Diluted earnings per common share	0.32	0.32	0.53	0.69

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

(a) *Evaluation of disclosure controls and procedures.* Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the fiscal year ended December 31, 2006. Based on this evaluation, the principal executive officer and the principal financial officer have concluded that our disclosure controls and procedures were effective as of the end of the fiscal year ended December 31, 2006 to ensure that information that is required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There have been no changes, with exception of the items detailed below in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act, in the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. On July 1, 2006, we completed the acquisition of Remington Oil and Gas Corporation. We continue to integrate Remington’s historical internal controls over financial reporting into our own internal controls over financial reporting including the incorporation of new processes related to exploration activities (rather than just development activities) into our control structure. This

ongoing integration may lead to our making additional changes in our internal controls over financial reporting in future fiscal periods.

Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting thereon are set forth in Part II, Item 8 of this report on Form 10-K on page 65 and page 67, respectively.

Item 9B. ***Other Information.***

Effective as of February 28, 2007, Robert Murphy was appointed by the board of directors as Executive Vice President — Oil & Gas. In conjunction with Mr. Murphy's appointment, he will assume chief operating responsibilities and authority over our oil and gas operations and will become a reporting officer under Section 16 of the Securities Act.

Mr. Murphy joined Helix on July 1, 2006 when Helix acquired Remington Oil & Gas Corporation, where Mr. Murphy served as President, Chief Operating Officer and was on the Board of Directors. On November 29, 2006, Mr. Murphy was elected President and Chief Operating Officer of Helix Oil & Gas, our wholly-owned subsidiary. Prior to joining Remington, Mr. Murphy was Vice President — Exploration of Cairn Energy USA, Inc, of which company Mr. Murphy also served on the Board of Directors. Mr. Murphy received a Bachelor of Science degree in Geology from The University of Texas at Austin, and has a Master of Science in Geosciences from the University of Texas at Dallas.

On December 21, 2006, we sent a letter to Mr. Murphy in connection with his appointment to the position of President and Chief Operating Officer of Helix Oil and Gas and confirming terms of his employment. The letter provides for an annual base salary of $425,000 for Mr. Murphy. In addition, Mr. Murphy is entitled to an annual bonus with a target amount equal to 100 percent of his base salary and a maximum amount of 200 percent of his base salary, based on criteria established by our Compensation Committee. Mr. Murphy received restricted stock in connection with joining Helix, but no additional shares were issued in connection with, or are contemplated by, the letter. Mr. Murphy will also receive a performance/retention bonus in March of 2007 related to his services in 2006. In addition, Mr. Murphy is eligible to participate in the Company's benefits, plans and programs available to other executives.

If Mr. Murphy's employment is involuntarily terminated without cause, he is entitled to severance in an amount equal to two times his annual base salary plus an amount equal to his performance bonus for the previous complete year. In addition to severance payment(s), Mr. Murphy may be entitled to continue to participate in certain employee benefit plans for a period of up to two years. The above description of the employment arrangement does not purport to be a complete statement of the rights and obligations thereunder. The above statements are qualified in their entirety by reference to the Employment Agreement, a copy of which is attached to this Annual Report as Exhibit 10.9 and is incorporated herein by reference. It is anticipated that the Helix and Mr. Murphy will enter into a definitive employment agreement in the near future setting forth all the terms and conditions of Mr. Murphy's employment.

PART III

Item 10. *Directors, and Executive Officers and Corporate Governance.*

Except as set forth below, the information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2007 Annual Meeting of Shareholders. See also "Executive Officers of the Registrant" appearing in Part I of this Report.

Code of Ethics

We have adopted a *Code of Business Conduct and Ethics* for all directors, officers and employees as well as a *Code of Ethics for Chief Executive Officer and Senior Financial Officers* specific to those officers. Copies of these documents are available at our Website www.helixesg.com under *Corporate Governance.* Interested parties may also request a free copy of these documents from:

Helix Energy Solutions Group, Inc.
ATTN: Corporate Secretary
400 N. Sam Houston Parkway E., Suite 400
Houston, Texas 77060

Item 11. *Executive Compensation.*

The information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2007 Annual Meeting of Shareholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2007 Annual Meeting of Shareholders.

Item 13. *Certain Relationships and Related Transactions.*

The information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with our 2007 Annual Meeting of Shareholders.

Item 14. *Principal Accounting Fees and Services.*

The information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection our 2007 Annual Meeting of Shareholders.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

(1) ***Financial Statements.***

The following financial statements included on pages 64 through 120 in this Annual Report are for the fiscal year ended December 31, 2006.

- Management's Report on Internal Control Over Financial Reporting
- Report of Independent Registered Public Accounting Firm
- Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
- Consolidated Balance Sheets as of December 31, 2006 and 2005
- Consolidated Statements of Operations for the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004
- Notes to Consolidated Financial Statements.

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) ***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:

2.1	Agreement and Plan of Merger dated January 22, 2006, among Cal Dive International, Inc. and Remington Oil and Gas Corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K/A, filed by the registrant with the Securities and Exchange Commission on January 25, 2006 (the "Form 8-K/A").
2.2	Amendment No. 1 to Agreement and Plan of Merger dated January 24, 2006, by and among, Cal Dive International, Inc., Cal Dive Merger — Delaware, Inc. and Remington Oil and Gas Corporation, incorporated by reference to Exhibit 2.2 to the Form 8-K/A.
3.1	2005 Amended and Restated Articles of Incorporation, as amended, of registrant, 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 March 1, 2006.
3.2	Second Amended and Restated By-Laws of Helix, as amended, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on September 28, 2006.
3.3	Certificate of Rights and Preferences for Series A-1 Cumulative Convertible Preferred Stock, 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 "2003 Form 8-K").
3.4	Certificate of Rights and Preferences for Series A-2 Cumulative Convertible Preferred Stock, 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 June 28, 2004 (the "2004 Form 8-K").
4.1	Credit Agreement dated July 3, 2006 by and among Helix Energy Solutions Group, Inc., and Bank of America, N.A., as administrative agent and as lender, together with the other lender parties thereto, incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on July 5, 2006.
4.2	Participation Agreement among ERT, Helix Energy Solutions Group, 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 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").
4.3	Form of Common Stock certificate, incorporated by reference to Exhibit 4.7 to the Form 8-A filed by the Registrant with the Securities and Exchange Commission on June 30, 2006.

4.4	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.
4.5	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, incorporated by reference to Exhibit 4.9 to the Form 10-K/A filed with the Securities and Exchange Commission on April 8, 2003.
4.6	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 Form S-3 files with the Securities and Exchange Commission on February 26, 2003.
4.7	First Amended and Restated Agreement dated January 17, 2003, but effective as of December 31, 2002, by and between Helix Energy Solutions Group, Inc. and Fletcher International, Ltd., incorporated by reference to Exhibit 10.1 to the 2003 Form 8-K.
4.8	Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Helix Energy Solutions Group, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated July 26, 2002, incorporated by reference to Exhibit 4.12 to the Form 10-K/A filed with the Securities and Exchange Commission on April 8, 2003.
4.9	First Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Helix Energy Solutions Group, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated January 7, 2003, incorporated by reference to Exhibit 4.13 to the Form 10-K/A filed with the Securities and Exchange Commission on April 8, 2003.
4.10	Second Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Helix Energy Solutions Group, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated February 14, 2003, incorporated by reference to Exhibit 4.14 to the 2002 Form 10-K/A.
4.11	Lease with Purchase Option Agreement between Banc of America Leasing & Capital, LLC and Canyon Offshore Ltd. dated July 31, 2003 incorporated by reference to Exhibit 10.1 to the Form 10-Q for the fiscal quarter ended September 30, 2003, filed by the registrant with the Securities and Exchange Commission on November 13, 2003.
4.12	Amendment No. 3 Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of July 31, 2003, incorporated by reference to Exhibit 4.12 to Annual Report on Form 10-K for the year ended December 31, 2004, filed by the registrant with the Securities Exchange Commission on March 16, 2005 (the “2004 10-K”).
4.13	Amendment No. 4 to Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of December 15, 2004 , incorporated by reference to Exhibit 4.13 to the 2004 10-K.
4.14	Indenture relating to the 3.25% Convertible Senior Notes due 2025 dated as of March 30, 2005, between Cal Dive International, Inc. and JPMorgan Chase Bank, National Association, as Trustee., incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on April 4, 2005 (the “April 2005 8-K”).
4.15	Form of 3.25% Convertible Senior Note due 2025 (filed as Exhibit A to Exhibit 4.15).
4.16	Registration Rights Agreement dated as of March 30, 2005, between Cal Dive International, Inc. and Banc of America Securities LLC, as representative of the initial purchasers, incorporated by reference to Exhibit 4.3 to the April 2005 8-K.
4.17	Trust Indenture, dated as of August 16, 2000, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on October 6, 2005 (the “October 2005 8-K”).
4.18	Supplement No. 1 to Trust Indenture, dated as of January 25, 2002, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.2 to the October 2005 8-K.
4.19	Supplement No. 2 to Trust Indenture, dated as of November 15, 2002, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.3 to the October 2005 8-K.

4.20	Supplement No. 3 to Trust Indenture, dated as of December 14, 2004, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.4 to the October 2005 8-K.
4.21	Supplement No. 4 to Trust Indenture, dated September 30, 2005, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.5 to the October 2005 8-K.
4.22	Form of United States Government Guaranteed Ship Financing Bonds, Q4000 Series 4.93% Sinking Fund Bonds Due February 1, 2027 (filed as Exhibit A to Exhibit 4.21).
4.23	Form of Third Amended and Restated Promissory Note to United States of America, incorporated by reference to Exhibit 4.6 to the October 2005 8-K.
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 (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 A. Wade Pursell and Company dated January 1, 2002, incorporated by reference to Exhibit 10.7 of the 2001 Form 10-K.
10.5	Helix 2005 Long Term Incentive Plan, including the Form of Restricted Stock Award Agreement, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on May 12, 2005.
10.6	Employment Agreement by and between Helix and Bart H. Heijermans, effective as of September 1, 2005, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on September 1, 2005.
10.7	Termination Agreement between James Lewis Connor, III and Company dated August 31, 2006 incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006, filed by the registrant with the Securities and Exchange Commission on November 7, 2006 (the "2006 Form 10-Q").
10.8	Employment Agreement between Alisa B. Johnson and Company dated September 18, 2006, incorporated by reference to Exhibit 10.2 to the 2006 Form 10-Q.
10.9*	Employment Letter from the Company to Robert P. Murphy dated December 21, 2006.
10.10*	Master Agreement between the Company and Cal Dive International, Inc. dated December 8, 2006.
10.11*	Tax agreement between the Company and Cal Dive International, Inc. dated December 14, 2006.
21.1*	List of Subsidiaries of the Company.
23.1*	Consent of Ernst & Young LLP.
23.2*	Consent of Huddleston & Co., Inc.
31.1*	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by Owen Kratz, Principal Executive Officer
31.2*	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by A. Wade Pursell, Principal Financial Officer
32.1**	Section 1350 Certification by Owen Kratz, Principal Executive Officer
32.2**	Section 1350 Certification by A. Wade Pursell, Principal Financial Officer

* Filed herewith.

** Furnished 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.

HELIX ENERGY SOLUTIONS GROUP, INC.

By: /s/ A. WADE PURSELL
A. Wade Pursell
Executive Vice President and
Chief Financial Officer

March 1, 2007

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 Owen Kratz	Executive Chairman and Director (principal executive officer)	March 1, 2007
/s/ MARTIN R. FERRON Martin R. Ferron	President, Chief Executive Officer and Director	March 1, 2007
/s/ A. WADE PURSELL A. Wade Pursell	Executive Vice President and Chief Financial Officer (principal financial officer)	March 1, 2007
/s/ LLOYD A. HAJDIK Lloyd A. Hajdik	Vice President — Corporate Controller and Chief Accounting Officer (principal accounting officer)	March 1, 2007
/s/ GORDON F. AHALT Gordon F. Ahalt	Director	March 1, 2007
/s/ BERNARD J. DUROC-DANNER Bernard J. Duroc-Danner	Director	March 1, 2007
/s/ JOHN V. LOVOI John V. Lovoi	Director	March 1, 2007
/s/ T. WILLIAM PORTER T. William Porter	Director	March 1, 2007

Signature	Title	Date
/s/ WILLIAM L. TRANSIER William L. Transier	Director	March 1, 2007
/s/ ANTHONY TRIPODO Anthony Tripodo	Director	March 1, 2007
/s/ JAMES A. WATT James A. Watt	Director	March 1, 2007

INDEX TO EXHIBITS

Exhibits	
2.1	Agreement and Plan of Merger dated January 22, 2006, among Cal Dive International, Inc. and Remington Oil and Gas Corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K/A, filed by the registrant with the Securities and Exchange Commission on January 25, 2006 (the "Form 8-K/A").
2.2	Amendment No. 1 to Agreement and Plan of Merger dated January 24, 2006, by and among, Cal Dive International, Inc., Cal Dive Merger — Delaware, Inc. and Remington Oil and Gas Corporation, incorporated by reference to Exhibit 2.2 to the Form 8-K/A.
3.1	2005 Amended and Restated Articles of Incorporation, as amended, of registrant, 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 March 1, 2006.
3.2	Second Amended and Restated By-Laws of Helix, as amended, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on September 28, 2006.
3.3	Certificate of Rights and Preferences for Series A-1 Cumulative Convertible Preferred Stock, 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 "2003 Form 8-K").
3.4	Certificate of Rights and Preferences for Series A-2 Cumulative Convertible Preferred Stock, 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 June 28, 2004 (the "2004 Form 8-K").
4.1	Credit Agreement dated July 3, 2006 by and among Helix Energy Solutions Group, Inc., and Bank of America, N.A., as administrative agent and as lender, together with the other lender parties thereto, incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on July 5, 2006.
4.2	Participation Agreement among ERT, Helix Energy Solutions Group, 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 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").
4.3	Form of Common Stock certificate, incorporated by reference to Exhibit 4.7 to the Form 8-A filed by the Registrant with the Securities and Exchange Commission on June 30, 2006.
4.4	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.
4.5	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, incorporated by reference to Exhibit 4.9 to the Form 10-K/A filed with the Securities and Exchange Commission on April 8, 2003.
4.6	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 Form S-3 filed with the Securities and Exchange Commission on February 26, 2003.
4.7	First Amended and Restated Agreement dated January 17, 2003, but effective as of December 31, 2002, by and between Helix Energy Solutions Group, Inc. and Fletcher International, Ltd., incorporated by reference to Exhibit 10.1 to the 2003 Form 8-K.
4.8	Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Helix Energy Solutions Group, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated July 26, 2002, incorporated by reference to Exhibit 4.12 to the Form 10-K/A filed with the Securities and Exchange Commission on April 8, 2003.
4.9	First Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Helix Energy Solutions Group, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated January 7, 2003, incorporated by reference to Exhibit 4.13 to the Form 10-K/A filed with the Securities and Exchange Commission on April 8, 2003.

Exhibits

4.10	Second Amendment to Amended and Restated Credit Agreement among Cal Dive/Gunnison Business Trust No. 2001-1, Energy Resource Technology, Inc., Helix Energy Solutions Group, Inc., Wilmington Trust Company, a Delaware banking corporation, the Lenders party thereto, and Bank One, NA, as Agent, dated February 14, 2003, incorporated by reference to Exhibit 4.14 to the 2002 Form 10-K/A.
4.11	Lease with Purchase Option Agreement between Banc of America Leasing & Capital, LLC and Canyon Offshore Ltd. dated July 31, 2003 incorporated by reference to Exhibit 10.1 to the Form 10-Q for the fiscal quarter ended September 30, 2003, filed by the registrant with the Securities and Exchange Commission on November 13, 2003.
4.12	Amendment No. 3 Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of July 31, 2003, incorporated by reference to Exhibit 4.12 to Annual Report on Form 10-K for the year ended December 31, 2004, filed by the registrant with the Securities Exchange Commission on March 16, 2005 (the “2004 10-K”).
4.13	Amendment No. 4 to Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of December 15, 2004 , incorporated by reference to Exhibit 4.13 to the 2004 10-K.
4.14	Indenture relating to the 3.25% Convertible Senior Notes due 2025 dated as of March 30, 2005, between Cal Dive International, Inc. and JPMorgan Chase Bank, National Association, as Trustee., incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on April 4, 2005 (the “April 2005 8-K”).
4.15	Form of 3.25% Convertible Senior Note due 2025 (filed as Exhibit A to Exhibit 4.15).
4.16	Registration Rights Agreement dated as of March 30, 2005, between Cal Dive International, Inc. and Banc of America Securities LLC, as representative of the initial purchasers, incorporated by reference to Exhibit 4.3 to the April 2005 8-K.
4.17	Trust Indenture, dated as of August 16, 2000, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on October 6, 2005 (the “October 2005 8-K”).
4.18	Supplement No. 1 to Trust Indenture, dated as of January 25, 2002, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.2 to the October 2005 8-K.
4.19	Supplement No. 2 to Trust Indenture, dated as of November 15, 2002, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.3 to the October 2005 8-K.
4.20	Supplement No. 3 to Trust Indenture, dated as of December 14, 2004, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.4 to the October 2005 8-K.
4.21	Supplement No. 4 to Trust Indenture, dated September 30, 2005, between Cal Dive I-Title XI, Inc. and Wilmington Trust, as Indenture Trustee, incorporated by reference to Exhibit 4.5 to the October 2005 8-K.
4.22	Form of United States Government Guaranteed Ship Financing Bonds, Q4000 Series 4.93% Sinking Fund Bonds Due February 1, 2027 (filed as Exhibit A to Exhibit 4.21).
4.23	Form of Third Amended and Restated Promissory Note to United States of America, incorporated by reference to Exhibit 4.6 to the October 2005 8-K.
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 (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 A. Wade Pursell and Company dated January 1, 2002, incorporated by reference to Exhibit 10.7 of the 2001 Form 10-K.
10.5	Helix 2005 Long Term Incentive Plan, including the Form of Restricted Stock Award Agreement, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on May 12, 2005.

Exhibits	
10.6	Employment Agreement by and between Helix and Bart H. Heijermans, effective as of September 1, 2005, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the registrant with the Securities and Exchange Commission on September 1, 2005.
10.7	Termination Agreement between James Lewis Connor, III and Company dated August 31, 2006 incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006, filed by the registrant with the Securities and Exchange Commission on November 7, 2006 (the "2006 Form 10-Q").
10.8	Employment Agreement between Alisa B. Johnson and Company dated September 18, 2006, incorporated by reference to Exhibit 10.2 to the 2006 Form 10-Q.
10.9*	Employment Letter from the Company to Robert P. Murphy dated December 21, 2006.
10.10*	Master Agreement between the Company and Cal Dive International, Inc. dated December 8, 2006.
10.11*	Tax agreement between the Company and Cal Dive International, Inc. dated December 14, 2006.
21.1*	List of Subsidiaries of the Company.
23.1*	Consent of Ernst & Young LLP.
23.2*	Consent of Huddleston & Co., Inc.
31.1*	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by Owen Kratz, Principal Executive Officer
31.2*	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 by A. Wade Pursell, Principal Financial Officer
32.1**	Section 1350 Certification by Owen Kratz, Principal Executive Officer
32.2**	Section 1350 Certification by A. Wade Pursell, Principal Financial Officer

* Filed herewith.

** Furnished herewith.

Exhibit 10.9

Helix Energy Solutions

PERSONAL AND CONFIDENTIAL

December 21, 2006

Mr. Robert P. Murphy
3855 W. Bay Circle
Dallas, TX 75214

Dear Robert:

I am very pleased to offer you the position of President and Chief Operating Officer of Helix Oil and Gas. The basic terms of this offer are as follows:

Title:	President and Chief Operating Officer of Helix Oil and Gas.
Reporting Relationships:	Report to the President and Chief Executive Officer of Helix Energy Solutions Group, Inc. Interface closely with other technical, professional, and administrative staff as necessary.
Initial Compensation:	$425,000 base salary subject to annual review. Your first review will be December 2007 and additional reviews to follow on an annual basis. Salary will be paid semi-monthly on the 15th of the month and last day of the month, with the usual deductions for federal, state and local taxes.
Annual Incentive Plan:	You will be eligible to participate in the annual bonus program with a target of 100% of base salary with the potential maximum of 200%. This bonus program will become effective for the year 2007 and beyond. The bonus program is based on annual growth in reserves, production volumes, financial performance and individual goals.
	A 2006 performance/retention bonus of $850,000 will be paid in March of 2007. You must be employed with the Company on March 15, 2007 in order to receive this one time performance/retention award.
Benefits:	4 weeks vacation Medical/Dental/Vision Insurance 401K Contribution Employee Stock Purchase Plan Complete benefits package enclosed

Termination:	Until a mutually agreeable employment agreement between you and Helix Energy Services Group is executed, the provisions with respect to termination on the attached form of employment agreement to the signed offer of employment between you and the Company dated January 22, 2006 will apply.

Helix Energy Solutions Group is committed to growing its asset base by means of exploration, acquisitions and development.

Robert, I look forward to a long and productive relationship for both our shareholders and the Company. I am available to discuss any questions that you may have about this offer at your convenience.

Very truly yours,

Martin Ferron
President

400 N. Sam Houston Parkway E.
Suite 400
Houston, Texas 77060
(281) 618-0400
www.caldive.com

Corporate Fax: (281) 618-0500 **Sales / Deepwater Fax: (281) 618-0501** **Estimating Fax: (281) 618-0502**

January 22, 2006

Mr. Robert P. Murphy
8201 Preston Road, Suite 600
Dallas, Texas 75225

Re: Offer of Employment

Dear Robert:

We are pleased to extend this offer of employment to you (the "Agreement") for the position of President and Chief Operating Officer with Remington Oil & Gas LLC, or a merger subsidiary with such other name as may be determined (the "Company"), located in Dallas, Texas, effective immediately following the closing of the merger (the "Merger") of Remington Oil & Gas Corp., a Delaware corporation ("Remington"), with and into the Company. The Company will be a wholly owned subsidiary of Cal Dive International, Inc., a Minnesota corporation ("Cal Dive").

Change of Control Severance Benefits

Cal Dive and the Company agree that the Merger constitutes a "Change of Control" within the meaning of the Remington Oil and Gas Corporation Executive Severance Plan (the "Plan"); that Good Reason within the meaning of the Plan exists for you to terminate your employment upon such Merger; and that the acceptance of this Agreement is not intended to and shall not adversely affect your rights to severance under the Plan. Accordingly, Cal Dive and the Company agree to pay to you, within fourteen (14) days after the Merger, the severance payments set forth in Section 2.1(3) of the Plan.

Compensation

We intend to provide a total cash compensation package comprised of (a) base salary and cash bonus potential equal to or greater than your base salary and cash bonus potential with Remington immediately prior to the effective date of the Merger; and (b) an amount of cash equivalent to the non-cash compensation (other than restricted stock or other equity awards) that is substantially the same as that provided to you by Remington immediately prior to the effective date of the Merger.

Complete details regarding your future compensation package will be communicated as soon as possible following the effective date of the Merger, at which time we will present an

employment agreement for your execution in a form substantially similar to the employment agreements entered into by the senior executives of Cal Dive. Also, the form of employment agreement for senior executives of Cal Dive is attached for your reference.

Restricted Stock

In addition to the compensation referenced above, you shall also receive restricted stock (valued at $4,000,000 based on the closing price of Cal Dive's stock on the day before the date of grant, it being anticipated that such grant will be made on the effective date of the Merger or as soon thereafter as is reasonably practicable). Vesting of the restricted stock shall be 60% on the third anniversary of the grant and 20% on each of the two following anniversaries, unless your employment is terminated without Cause (as that term is defined in the Cal Dive employment agreements for senior executives) by the Company before the third anniversary of the grant, in which case the stock shall be deemed to have vested 20% annually, beginning on the first anniversary of the grant.

Benefits

In addition, you will be eligible to participate in Cal Dive's benefit programs under similar terms and conditions that are or may be available to other senior executives of Cal Dive.

Non-Competition and Non-Solicitation

(a) Non-Competition. You acknowledge and agree with Cal Dive that your services to the Company are unique in nature and that the Company would be irreparably damaged if you were to provide similar services to any person or entity competing with the Company or engaged in a similar business. You accordingly covenant and agree that for three (3) years from the date of execution of this Agreement, you shall not, directly or indirectly, either for yourself or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group or franchise of a larger organization) that engages or which proposes to engage in the oil and gas business in the United States or its territorial waters in the Gulf of Mexico or any other business actively engaged in by the Company on the date of termination of your employment in the geographical area or areas where the Company is conducting such business; provided that, until such time as the Company waives in writing any rights it may have to enforce the terms of this provision (the "Waiver"), during the period commencing on the date of the termination of your employment with the Company and ending on the date on which either the non-competition provisions contained in this section terminate or the Waiver is delivered to Employee, whichever is earlier, the Company will pay to you an amount equal to your annual salary as of the date your employment was terminated (which will be paid over time in accordance with the salary payment schedule in effect from time to time for senior management executives of the Company) and during such time period you shall be entitled to all insurance benefits received by other senior management executives of the Company.

(b) Non-Solicitation. You accordingly covenant and agree that for three (3) years from the date of execution of this Agreement, you shall not, directly or indirectly, for yourself or for any other individual, corporation, partnership, joint venture or other entity, (x) make any offer of employment, solicit or hire any supervisor, employee of the Company or its affiliates or induce or attempt to induce any employee of the Company or its affiliates to leave their employ or in any way interfere with the relationship between the Company or its affiliates and any of their employees; or (y) induce or attempt to induce any supplier, licensee, licensor, franchisee, or other business relation of the Company or its affiliates to cease doing business with them or in any way interfere with the relationship between the Company or its affiliates and any customer or business relation.

(c) Other Non-Competition Agreements. You represent and warrant to the Company that you have disclosed any and all agreements to which you are a party that contain a non-competition provision or other restriction with respect to (a) the nature of any services or business which you are entitled to perform or conduct for the Company or (b) the disclosure or use of any information which, directly or indirectly, relates to the nature of the business of the Company or the services to be rendered by you to the Company.

(d) Duty to Inform. For the period of three (3) years from the date of execution of this Agreement, you agree that, prior to accepting employment, you will inform each new employer engaged in the oil and gas business in the United States or its territorial waters in the Gulf of Mexico or any other business actively engaged in by the Company on the date of termination of your employment, of the existence of this agreement and provide that employer with a copy of it. In addition, you hereby authorize the Company to forward a copy of this agreement to any actual or prospective new employer during the term of this Agreement.

Nondisclosure and Nonuse of Confidential Information

(a) Nondisclosure Period. During a period of three (3) years from the date of execution of this Agreement, you covenant and agree with Cal Dive that you shall not disclose or use any Confidential Information of which you are or become aware, whether or not such information is developed by you, except to the extent that such disclosure or use is directly related to and required by your performance of duties assigned to you by the Company. You shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. If the Merger does not occur, your obligations under this provision shall be limited to Confidential Information that you acquired or developed from information you received, directly or indirectly from Cal Dive or one of its affiliates.

(b) Confidential Information. As used in this Agreement, the term “Confidential Information” means information that is not generally known to the public and that is or has been used, developed or obtained, either prior to, on or following the date of this Agreement, by the Company in connection with its businesses, including but not limited to: (i) products or services; (ii) fees, costs and pricing structures; (iii) designs; (iv) analysis; (v) drawings, photographs and reports; (vi) computer software, including operating systems, applications and program listings; (vii) flow charts, manuals and documentation; (viii) data bases; (ix) accounting and business

methods; (x) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice; (xi) customers and clients and customer or client lists; (xii) other copyrightable works; (xiii) all technology and trade secrets; and (xiv) all similar and related information in whatever form. Confidential Information shall not include any information that has become generally available to the public through no fault or participation of yourself prior to the date that you propose to disclose or use such information. Information shall not be deemed to become generally available to the public because individual portions of the information have become separately published, but only if all material features comprising such information have become publicly available in combination.

General

If you accept this offer, your employment will commence with the Company on the effective date of the Merger. If the Merger does not occur within one year of the date of this Agreement, then this Agreement shall terminate unless extended by mutual agreement of the parties.

This letter sets forth our understanding with respect to your employment if you accept our offer, but will be subject to and superseded by the terms and conditions of a definitive employment agreement with the Company that you will enter into after completion of the Merger.

If you decide to accept this offer, for purposes of our employment records, it will be necessary for you to sign and return a copy of this letter to me by acknowledging your acceptance of this offer on or prior to January 22, 2006.

We look forward to a long and mutually beneficial relationship and will be very pleased to have you become a part of our organization.

If you have any questions now or in the future, please do not hesitate to give me a call.

Very truly yours,

CAL DIVE INTERNATIONAL, INC.

By: ______________________________
Name: Martin R. Ferron
Title: President

I hereby accept the offer of employment
with the Company in accordance with the
terms of the foregoing letter.

____
Robert P. Murphy

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made, effective as of the _____ day of __________, 2006 (the "Effective Date"), between **Cal Dive International, Inc.,** a Minnesota corporation, ("Company"), and __________ ("Employee"), an individual residing at __________.

WHEREAS, Employee has extensive executive management skills and experience in the oil-field services industry, including valuable marketing, financial, technical and other experience, knowledge and ability; and

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

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the parties hereto agree as follows:

Section 1. Term of Employment and Employment Duties.

(a) Term of Employment. Employee agrees to be employed by the Company pursuant to the terms and conditions contained herein, for a period commencing on the date hereof until __________ _____, 2007, and thereafter terminating twelve (12) months after delivery to Employee of a written notice of termination by the Company (the "Employment Term"); provided, however, that the occurrence of any event described in Sections 7(a), 7(b) or 7(c) prior to the end of the Employment Term shall result in the immediate termination of Employee's employment and the Employment Term, subject to the terms of such applicable section. Employee shall devote Employee's time, energy and skill to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests. Any provision of this Agreement to the contrary notwithstanding, Employee shall immediately resign from any offices held with the Company, or its affiliates (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended; hereinafter "Affiliates") upon written request by the Company. Any resignation made pursuant to a written request by the Company under this Section shall not affect Employee's rights under this Agreement for any compensation, benefits or payments.

(b) Duties of Employee. Employee's duties shall include all the normal duties associated with the above-described position with Company and all other responsibilities assigned from time to time by the Chairman of the Board, Board of Directors and President of the Company. During the Employment Term, (i) Employee services shall be rendered on a full time basis, (ii) Employee shall have no other employment and no substantial outside business activities and (iii) the headquarters for the performance of Employee's services shall be the principal executive or operating offices of the Company, subject to travel for such reasonable lengths of time as the performance of Employee's duties in the business of the Company may require.

Section 2. Compensation.

(a) Salary. During the Employment Term, as compensation for Employee's services and covenants and agreements hereunder and subject to such changes therein as the Board may make from time to time, the Company agrees to pay Employee an initial salary for the period from the date hereof to December 31, 2005 at the annual rate of ______________________ and No/100 Dollars ($___________.00), payable in equal semi-monthly installments (as annualized being herein referred to as "Salary") in accordance with the Company's regular payroll practices for its senior management executives, prorated for any partial year employment and subject to normal increases as approved by the Board adjustments.

(b) Incentive Bonus. During the Employment Term, in addition to the Salary payable to Employee pursuant to paragraph (a) above, Employee shall be entitled to an annual incentive bonus (the "Incentive Bonus") based on the achievement of personal, departmental and Company performance objectives, prorated for any partial year employment and payable not later than three months after the close of each fiscal year of the Company, commencing with the fiscal year ending December 31, 2005, as established annually or from time to time by the Board of Directors.

(c) Reimbursement of Expenses. During the Employment Term, Employee will be reimbursed by the Company for Employee's reasonable business expenses incurred in connection with the performance of Employee's duties hereunder, including, without limitation, a home fax line, car mileage, cell phone and business calls and other expenses consistent with Company policy from time to time.

Section 3. Benefits.

(a) Employee Benefits. During the Employment Term, Employee shall be entitled to participate in any medical/dental, life insurance, accidental death, long term disability insurance plan and 401(k) or other insurance and retirement plans that have been or which may be adopted by the Company (as long as such plan is not discontinued) for the general and overall benefit of executive employees of the Company, according to the participation or eligibility requirements of each such plan.

(b) Vacation and Holidays. During the Employment Term, Employee shall enjoy such vacation, holiday and similar rights and privileges as are enjoyed generally by Company's senior management executives.

Section 4. Nondisclosure and Nonuse of Confidential Information

(a) Nondisclosure Period. During the period commencing with the date of this Agreement and ending on either: (i) the fifth anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of: (x) the voluntary termination or retirement by Employee; or (y) the termination of Employee by the Company for Cause; or (ii) the date which is eighteen (18) months following the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in subparagraph 4 (a)(i) above, Employee covenants and agrees with the Company that

Employee shall not disclose or use any Confidential Information of which Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by Employee's performance of duties assigned to Employee by the Company. Employee shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) Confidential Information. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is or has been used, developed or obtained, either prior to, on or following the date of this Agreement, by the Company in connection with its businesses, including but not limited to: (i) products or services; (ii) fees, costs and pricing structures; (iii) designs; (iv) analysis; (v) drawings, photographs and reports; (vi) computer software, including operating systems, applications and program listings; (vii) flow charts, manuals and documentation; (viii) data bases; (ix) accounting and business methods; (x) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice; (xi) customers and clients and customer or client lists; (xii) other copyrightable works; (xiii) all technology and trade secrets; and (xiv) all similar and related information in whatever form. Confidential Information shall not include any information that has become generally available to the public through no fault or participation of Employee prior to the date that Employee proposes to disclose or use such information. Information shall not be deemed to become generally available to the public because individual portions of the information have become separately published, but only if all material features comprising such information have become publicly available in combination.

Section 5. Non-Competition and Non-Solicitation.

(a) Non-Competition. Employee acknowledges and agrees with the Company that Employee's services to the Company are unique in nature and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity competing with the Company or engaged in a similar business. Employee accordingly covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of: (i) January 31, 2010; and (ii) (A) the second anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by Employee or termination by the Company for Cause, or (B) the first anniversary of the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(a)(ii)(A). Employee shall not, directly or indirectly, either for Employee or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group or franchise of a larger organization) that engages or which proposes to engage in the business of [providing diving services in the Gulf of Mexico] or any other business actively engaged in by the Company on the date of termination of Employee's employment in the geographical area or areas where the Company is conducting such business; provided that, until such time as the Company waives in writing any rights it may have to enforce the terms of this Section 5 (the "Waiver"), during the period commencing on the date of the termination of Employee's employment with the Company and ending on the date on which either the non-competition provisions contained in this Section 5 terminate or the Waiver is delivered to Employee, whichever is earlier, the Company will pay to Employee either the amounts due under Section 7(d), if

appropriate, or an amount equal to Employee's Salary as of the date Employee's employment was terminated (which will be paid over time in accordance with the Salary payment schedule in effect from time to time for senior management executives of the Company) and during such time period Employee shall be entitled to all insurance benefits received by other senior management executives of the Company. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise) but not ownership of 2% or less of the capital stock of a public company.

(b) Non-Solicitation. Employee covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of (i) January 31, 2008; and (ii) (A) the second anniversary of the date of termination of Employee's employment with the Company if such termination arises as a result of voluntary termination by the Company or for Cause, or (B) the date which is eighteen (18) months following the termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(b)(ii)(A) above, Employee shall not, directly or indirectly, for Employee or for any other individual, corporation, partnership, joint venture or other entity, (x) make any offer of employment, solicit or hire any supervisor, employee of the Company or its affiliates or induce or attempt to induce any employee of the Company or its affiliates to leave their employ or in any way interfere with the relationship between the Company or its affiliates and any of their employees; or (y) induce or attempt to induce any supplier, licensee, licensor, franchisee, or other business relation of the Company or its affiliates to cease doing business with them or in any way interfere with the relationship between the Company or its affiliates and any customer or business relation.

(c) Other Non-Competition Agreements. Employee represents and warrants to the Company that Employee is not a party to any agreement containing a non-competition provision or other restriction with respect to (a) the nature of any services or business which Employee is entitled to perform or conduct for the Company or (b) the disclosure or use of any information which, directly or indirectly, relates to the nature of the business of the Company or the services to be rendered by the Employee to the Company.

(d) Duty to Inform. For the period of one (1) year immediately following the end of Employee's employment with the Company, Employee agrees to inform each new employer, prior to accepting employment, of the existence of this agreement and provide that employer with a copy of it. In addition, Employee hereby authorizes the Company to forward a copy of this Agreement to any actual or prospective new employer.

Section 6. Company's Ownership of Intellectual Property.

(a) Company Intellectual Property. In the event that Employee as part of Employee's activities on behalf of the Company generates, authors or contributes to any invention, design, new development, device, product, method or process (whether or not patentable or reduced to practice or comprising Confidential Information), any copyrightable work (whether or not comprising Confidential Information) or any other form of Confidential Information relating directly or indirectly to the Company's business as prior hereto, now or hereinafter conducted (collectively, "Intellectual Property"), Employee acknowledges that such Intellectual Property is the exclusive property of the Company and hereby assigns all right, title and interest in and to such Intellectual Property to the Company. Any copyrightable work prepared in whole or in part by Employee shall be deemed a work made for hire under Section 201(b) of the 1976 Copyright Act, and the Company shall own all of the rights comprised in the copyright therein. Employee shall promptly and fully disclose all Intellectual Property to the Company and shall cooperate with the Company to protect the Company's interest in and rights to such Intellectual Property, including without limitation providing reasonable assistance in securing patent protection and copyright registrations and executing all documents as reasonably requested by the Company, whether such requests occur prior to or after termination of Employee's employment with the Company.

(b) Return of Confidential Information. As requested by the Company from time to time and upon the termination of Employee's employment with the Company for any reason, Employee shall promptly deliver to the Company all copies and embodiments, in whatever form, of all Confidential Information or Intellectual Property in Employee's possession or within Employee's control (including, but not limited to, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information or Intellectual Property) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company.

Section 7. Termination of Agreement.

(a) Termination for Cause. This Agreement may be terminated by the Company at any time during the Employment Term for Cause, in which event Employee shall have no further rights under this Agreement (but the Company's rights shall survive as herein otherwise herein provided including, without limitation, rights under Sections 4, 5 and 6). For purposes of the preceding sentence, Cause shall mean: (i) any breach or threatened breach by Employee of any of Employee's agreements contained in Sections 4, 5 or 6; (ii) repeated or willful neglect by Employee in performing any duty or carrying out any responsibility assigned or delegated to him pursuant to Section 1(b) hereof, which neglect shall not have permanently ceased within ten (10) business days after written notice to Employee thereof; or (iii) the commission by Employee of any criminal act involving moral turpitude or a felony that results in an arrest or indictment, or the commission by Employee, based on reasonable proof, of any act of fraud or embezzlement involving the Company or its customers or suppliers. In the event that the Company elects to terminate this Agreement for Cause, it will give Employee written notice of such termination.

(b) Termination Upon Death. This Agreement shall terminate automatically upon the death of Employee during the Employment Term. In such event, the Company shall be obligated to pay to Employee's estate, or to such person or persons as Employee may designate in writing to the Company, (i) through the last day of the fiscal year in which Employee's death shall have occurred, the salary (payable in the same manner as described in Section 2(a) hereof) to which Employee would have been entitled under Section 2(a) hereof had such death not occurred, and (ii) as soon as reasonably practicable after Employee's death, any accrued but, as of the date of such death, unpaid Incentive Bonus (or, if such death shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof).

(c) Termination Upon Disability. This Agreement may be terminated by the Company at any time during the Employment Term in the event that Employee shall have been unable, because of Disability, to perform Employee's principal duties for the Company for a cumulative period of six (6) months within any eighteen (18) month period. Prior to Employee's termination for Disability as provided herein, Employee shall remain eligible to receive the compensation and benefits set forth in Section 2 and Section 3 hereof. Upon such termination, Employee shall be entitled to receive as soon as reasonably practicable thereafter, any accrued, but as of the date of such termination, unpaid Incentive Bonus (or, if such termination shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof). For purposes of this Section 7(c), Disability shall mean any physical or mental condition of Employee which shall substantially impair Employee's ability to perform Employee's principal duties hereunder. In the event that the Company elects to terminate this Agreement by reason of Disability under this Section 7(c), it will give written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(d) Termination by the Company Without Cause After Change in Control. If the Company terminates this Agreement for any reason other than pursuant to the terms of Sections 7(a), 7(b), or 7(c), and such termination occurs within six (6) months after the occurrence of a Change in Control and a Material Change in Senior Management, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to two times Salary together with an amount equal to the Incentive Bonus paid to Employee for Employee's last complete year of employment; (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two (2) years, subject to COBRA required benefits thereafter; and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within ten (10) days of the effective date of termination.

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

A "Material Change in Senior Management" shall mean any one or both of the CEO and COO cease their employment with the Company.

(e) Termination by Employee with Good Cause after Change in Control. If Employee terminates this Agreement for Good Cause and such termination occurs within two (2) years of the occurrence of a Change in Control, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to two times Salary together with an amount equal to the Incentive Bonus paid to Employee for Employee's last complete year of employment; (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two (2) years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within ten (10) days of the effective date of termination.

"Good Cause" shall mean the occurrence of both of the following events: (1) a Material Change in Senior Management; together with (2) any of the following:

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

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

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

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

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

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

(vii) the moving by the Company of Employee's principal office space, related facilities, or support personnel, from the Company's principal operating offices, or the Company's requiring Employee to perform a majority of Employee's duties outside

the Company's principal operating offices for a period of more than 30 consecutive days;

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

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

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

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

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

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

(f) Gross-Up Payments B Certain Additional Payments by the Company.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company, or any of its Affiliates, under this Agreement to or for the benefit of Employee (any such payments or distributions being individually referred to herein as a Payment, and any two or more of such payments or distributions being referred to herein as Payments), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the "Code"; such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "Excise Tax"), then Employee shall be entitled to receive an additional payment or payments (individually, a "Gross-Up Payment" with any two or more of such additional payments being referred to "Gross-Up Payments") in an amount such that after payment by Employee of all Excise Taxes imposed upon the

Payment(s) and, if applicable, Gross-Up Payment(s), Employee retains a total amount of Gross-Up Payments, whether one or more, equal to the Excise Tax imposed upon the Payment(s) and, if applicable, Gross-Up Payment(s).

(ii) Subject to the provisions of Section 7(f)(iii) through 7(f)(ix), any determination ("Determination") required to be made under this Section 7(f)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by nationally recognized tax counsel mutually acceptable to the Company and Employee ("Tax Counsel"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and Employee within fifteen (15) business days of the termination of Employee's employment, if applicable, or such other time or times as is reasonably requested by the Company or Employee. If Tax Counsel makes the initial Determination that no Excise Tax is payable by Employee with respect to a Payment or Payments, it shall furnish Employee with an opinion reasonably acceptable to Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Employee shall have the right to dispute any Determination (a "Dispute") within fifteen (15) business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to Employee within five (5) business days of Employee's receipt of such Determination. The existence of a Dispute shall not in any way affect Employee's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and Employee, subject in all respects, however, to the provisions of Section 7(f)(iii) through 7(f)(ix) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will not have been made by the Company should have been made ("Underpayment"), and if upon any reasonable written request from Employee or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that Employee is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee.

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

(iv) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued

successfully, could result in or give rise to a claim by Employee against the Company under this Section 7(f) ("Claim"), including, but not limited to, a claim for indemnification of Employee by the Company under Section 7(f)(iii), then such party shall promptly notify the other party hereto in writing of such Claim ("Tax Claim Notice").

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

(1) within thirty (30) calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Employee Claim (or such earlier date that any payment of the Taxes claimed is due from Employee, but in no event sooner than five (5) calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified Employee in writing ("Election Notice") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Employee Claim at the Company's sole risk and sole cost and expense; and

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

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

(vi) Subject to the provisions of Section 7(f)(v) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such

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

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

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

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

(ix) In the case of any Employee Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 7(f)(ix), the Company shall pay, on a fully grossed-up after-tax basis, to Employee in immediately available funds the full amount of any Taxes arising or resulting from or incurred in connection with such Employee Claim that have not theretofore been paid by the Company to Employee, together with the costs and expenses, on a fully grossed-up after-tax basis, incurred in connection therewith that have not theretofore been paid by the Company to Employee, within ten (10) calendar days after such Final Determination. In the case of any Employee Claim not covered by the preceding sentence, the Company shall pay, on a fully grossed-up after-tax basis, to Employee in immediately available funds the full amount of any Taxes arising or resulting from or incurred in connection with such Employee Claim at least ten calendar days before the date payment of such Taxes is due from Employee, except where payment of such Taxes is sooner required under the provisions of this Section 7(f)(ix), in which case payment of such Taxes (and payment, on a fully grossed-up after-tax basis, of any costs and expenses required to be paid under this Section 7(f)(ix)) shall be made within the time and in the manner otherwise provided in this Section 7(f)(ix).

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

(xi) For purposes of this Agreement, the terms "Tax" and "Taxes" mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes,

income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts.

(g) Effect of Termination. In the event that the Employee is terminated pursuant to any paragraph of this Section 7, Employee shall thereafter have no further rights under this Agreement, except for those explicitly set forth in the particular paragraph of this Section 7 which served as the basis for such termination. Notwithstanding any such termination, the covenants and agreements of Employee contained in Sections 4, 5(a) (so long as payments under Section 5(a) are continued as therein described), 5(b) and 6 hereof shall survive and remain in full force and effect.

Section 8. Notices.

(a) Notices. All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand, sent to the recipient by reputable express courier service (charge prepaid), or mailed by first class, registered mail, return receipt requested, postage and registry fees prepaid and addressed as follows:

If to Employee:	At the address set forth on page 1 hereof.
If to the Company:	Cal Dive International, Inc. 400 North Belt East, Suite 400 Houston, Texas 77060 Attention: General Counsel

(b) Change of Address. Addresses may be changed by notice in writing signed by the addressee.

Section 9. General Provisions.

(a) Company Subsidiaries. For purposes of this Agreement, the term Company shall include all subsidiaries of the Company.

(b) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdictions as if such invalid, illegal or unenforceable provision had never been contained herein. The parties agree that a court of competent jurisdiction making a determination of the invalidity or unenforceability of any term or provision of Sections 4, 5 and 6 of this Agreement shall have the power to reduce the scope, duration or area of any such term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision in Sections 4, 5, 6 with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

(c) Complete Agreement. This Agreement, embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(d) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(e) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and Employee and their respective successors and assigns; provided that the rights and obligations of Employee under this Agreement shall not be assignable without the prior written consent of the Company.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto shall be governed by the internal law, and not the law of conflicts, of the State of Texas.

(g) Remedies. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including reasonable attorneys fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that Employee’s breach of any term or provision of this Agreement shall materially and irreparably harm the Company, that money damages shall accordingly not be an adequate remedy for any breach of the provisions of this Agreement and that any party in its sole discretion and in addition to any other remedies it may have at law or in equity may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

(h) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Employee.

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

CAL DIVE INTERNATIONAL, INC.	**EMPLOYEE**
By: ______________________	______________________
Name: Martin R. Ferron	[Name]
Title: President and Chief Operating Officer	

Employment Agreement
(Senior Officer Form)

MASTER AGREEMENT

BETWEEN

HELIX ENERGY SOLUTIONS GROUP, INC.

AND

CAL DIVE INTERNATIONAL, INC.

Dated December 8, 2006

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EXHIBITS

A	Form of Corporate Services Agreement
B	Form of Registration Rights Agreement
C	Form of Tax Matters Agreement
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E	Form of Amended and Restated Certificate of Incorporation
F	Form of Amended and Restated Bylaws

SCHEDULES

Schedule 1.1	Vessels
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MASTER AGREEMENT

This MASTER AGREEMENT, dated December 8, 2006 (this "Agreement"), is made between Helix Energy Solutions Group, Inc., a Minnesota corporation ("Helix") and Cal Dive International, Inc., a Delaware corporation and as of the date hereof, an indirect, wholly-owned subsidiary of Helix ("Cal Dive"). Certain capitalized terms used in this Agreement are defined in Section 1.1 and the definitions of the other capitalized terms used in this Agreement are cross-referenced in Section 1.2.

WITNESSETH:

WHEREAS, the board of directors of Helix has determined that it is appropriate and desirable for Helix to separate the Cal Dive Group from Helix;

WHEREAS, in connection with the separation of the Cal Dive Group from Helix, Helix desires to contribute, assign or otherwise transfer, and to cause certain of its Subsidiaries to contribute, assign or otherwise transfer, to Cal Dive and certain of Cal Dive's Subsidiaries, certain Assets and Liabilities associated with the Cal Dive Business;

WHEREAS, Helix has agreed to transfer certain vessels constituting part of the Cal Dive Assets (as defined below) to CDI Vessel Holdings LLC, a Delaware limited liability company ("Vessel Holdings") of which CDI Prometheus Holdings, Inc., a Delaware corporation ("Holdings") owns 100% of the membership interests;

WHEREAS, Helix owns 100% of the issued and outstanding stock of Holdings;

WHEREAS, Vessel Holdings has entered into a Credit Agreement dated as of November 20, 2006 with Bank of America, N.A., as Administrative Agent and the various lenders listed therein, and Cal Dive, providing for a credit facility of up to USD 250,000,000 to be available to Vessel Holdings (the "Transfer Credit Facility");

WHEREAS, prior to the date hereof, Vessel Holdings has drawn the principal amount of USD $100,000,000 under the Transfer Credit Facility;

WHEREAS, Helix has agreed to guaranty the obligations of Vessel Holdings under the Transfer Credit Facility until the closing of the Initial Public Offering pursuant to the Guaranty dated as of November 20, 2006 (the "Guaranty");

WHEREAS, the remaining vessels and balance of the Assets will be transferred by Helix to various subsidiaries of Holdings, and the stock of Holdings will be transferred by Helix to Cal Dive to effect the Separation;

WHEREAS, Cal Dive has agreed to guaranty the indebtedness of Vessel Holdings under the Transfer Credit Facility contemporaneously with the closing of the Initial Public Offering;

WHEREAS, the boards of directors of Helix and Cal Dive have further approved the initial public offering by Cal Dive of shares of its Common Stock in a registered offering under the Securities Act, substantially concurrently with the closing of the Separation;

WHEREAS, immediately following the consummation of the Initial Public Offering, Helix will own approximately 61,506,691 shares of Cal Dive Common Stock;

WHEREAS, it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation and certain other agreements that will, following the consummation of the Initial Public Offering, govern certain matters relating to the Separation, the Initial Public Offering and the relationship of Helix, Cal Dive and their respective Groups; and

WHEREAS, the terms and conditions set forth herein have not resulted from arms length negotiations between the parties because of the context of Helix's and Cal Dive's parent –subsidiary relationship, and accordingly, such terms and conditions may be in some respects less favorable to Cal Dive than those it could obtain from unaffiliated third parties.

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

ARTICLE I

DEFINITIONS

1.1 Certain Definitions.

For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

"Action" means any demand, action, claim, dispute, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"Affiliate" (and, with a correlative meaning, "affiliated") means, with respect to any Person, any direct or indirect Subsidiary of such Person, and any other Person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such first Person; provided, however, that from and after the Closing Date, no member of the Cal Dive Group shall be deemed an Affiliate of any member of the Helix Group for purposes of this Agreement and the Transaction Documents and no member of the Helix Group shall be deemed an Affiliate of any member of the Cal Dive Group for purposes of this Agreement and the Transaction Documents. As used in this definition, "control" (including with correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies, or the power to appoint and remove a majority of directors (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), of a Person.

"Assets" means, with respect to any Person, the assets, properties and rights (including goodwill) of such Person, wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each

case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including the following:

(a) the vessels, including all appurtenances thereto, all equipment, including without limitation all diving and pipelaying equipment, inventory, work-in-progress and spare parts;

(b) all computers and other electronic data processing equipment, fixtures, machinery, furniture, office equipment, automobiles, trucks, motor vehicles and other transportation equipment and other tangible personal property;

(c) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a Security Interest in real property, lessor, sublessor, lessee, sublessee or otherwise;

(d) all accounting and other books, records and files whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form;

(e) all license agreements, vessel charters, leases of personal property, open purchase orders for supplies, parts or services and other contracts, agreements or commitments;

(f) all deposits, letters of credit and performance and surety bonds;

(g) all written technical information, data, specifications, research and development information, engineering drawings, operating and maintenance manuals, and materials and analyses prepared by consultants and other third parties;

(h) all domestic and foreign intangible personal property, patents, copyrights, trade names, trademarks, service marks and registrations and applications for any of the foregoing, trade secrets, inventions, designs, ideas, improvements, works of authorship, recordings, other proprietary and confidential information and licenses from third Persons granting the right to use any of the foregoing;

(i) all vessel logs and records of repair and maintenance for any vessel or equipment;

(j) all computer applications, programs and other software, including operating software, network software firmware, middleware, design software, design tools, systems documentation and instructions;

(k) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, customer and vendor data, correspondence and lists, product literature, artwork, design, formulations and specifications, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

(l) all prepaid expenses, trade accounts and other accounts and notes receivables;

(m) all rights under contracts or agreements, all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent;

(n) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution including without limitation any policies held through a protection and indemnity club;

(o) all licenses, permits, approvals and authorizations which have been issued by any Governmental Authority;

(p) cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements; and

(q) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by Law to close. Any event the scheduled occurrence of which would fall on a day that is not a Business Day shall be deferred until the next succeeding Business Day.

"Cal Dive Balance Sheet" means Cal Dive's unaudited condensed combined balance sheet as of September 30, 2006 included in the IPO Registration Statement.

"Cal Dive Business" means the current businesses of the members of the Cal Dive Group, including, without limitation, the world-wide manned diving, pipelaying, pipe burial and related businesses described in the IPO Registration Statement.

"Cal Dive Capital Stock" means all classes or series of capital stock of Cal Dive, including the Common Stock, and all options, warrants and other rights to acquire such capital stock.

"Cal Dive Common Stock" means the common stock, $0.01 par value per share, of Cal Dive.

"Cal Dive Contracts" means the following contracts and agreements to which Helix or any of its Subsidiaries is a party or by which Helix or any of its Subsidiaries or any of their respective Assets is bound, whether or not in writing, except for any such contract or agreement that is contemplated to be retained by Helix or any member of the Helix Group pursuant to any provision of this Agreement or any Transaction Document:

(a) any contract or agreement entered into in the name of, or expressly on behalf of, any division, business unit or member of the Cal Dive Group;

(b) any contract or agreement, including any joint venture agreement, that is used exclusively or held for use exclusively in the Cal Dive Business;

(c) any guarantee, indemnity, representation, warranty or other Liability of any member of the Cal Dive Group or the Helix Group in respect of (i) any other Cal Dive Contract or Cal Dive Asset, (ii) any Cal Dive Liability or (iii) the Cal Dive Business; and

(d) any contract or agreement that is otherwise expressly contemplated pursuant to this Agreement or any of the Transaction Documents to be assigned to Cal Dive or any member of the Cal Dive Group in connection with the Separation.

"Cal Dive Group" means Cal Dive, each Subsidiary of Cal Dive immediately after the Closing and each other Person that is either controlled directly or indirectly by Cal Dive immediately after the Closing; provided that, any Delayed Transfer Asset that is transferred to Cal Dive at any time following the Closing shall, to the extent applicable, and from and after the Closing Date, be considered part of the Cal Dive Group for all purposes of this Agreement.

"Cal Dive Indebtedness" means the aggregate principal amount of total liabilities (whether long-term or short-term) for borrowed money (including capitalized leases) of the Cal Dive Group collectively, as determined for purposes of its financial statements prepared in accordance with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consents" means any consent, waiver or approval from, or notification requirement to, any third parties.

"Delayed Transfer Assets" means any Cal Dive Assets that are transferred to the Cal Dive Group from the Helix Group after the Closing Date.

"Delayed Transfer Liabilities" means any Cal Dive Liabilities that are assumed by a member of the Cal Dive Group from a member of the Helix Group after the Closing Date.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time that reference is made thereto.

"Firm Public Offering Shares" means the Common Stock sold in the Initial Public Offering, other than Common Stock sold as a result of exercise of the Over-Allotment Option by the Underwriters.

"Force Majeure" means, with respect to a party, an event beyond the control of such party (or any Person acting on its behalf), which by its nature could not have been foreseen by such party (or such Person), or, if it could have been foreseen, was unavoidable, and includes, without limitation, acts of God, storms, floods, riots, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism or failure of energy sources or distribution facilities.

"GAAP" means United States generally accepted accounting principles.

"Governmental Approvals" means any notice, report or other filing to be made with, or any consent, registration, approval, permit or authorization to be obtained from, any Governmental Authority.

“Governmental Authority” means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality, whether federal, state, local or foreign (or any political subdivision thereof), and any tribunal, court or arbitrator(s) of competent jurisdiction.

“Group” means the Helix Group or the Cal Dive Group, as the context requires.

“Helix Group” means Helix and each Person (other than a member of the Cal Dive Group) that is an Affiliate of Helix immediately following the Closing.

“Holdings” has the meaning given that term in the Preamble hereof.

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible form, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

“Initial Public Offering” means the initial public offering by Cal Dive of approximately 22.1 million shares of Common Stock.

“Insurance Policies” means the insurance policies written by insurance carriers, including those affiliated with Helix and any self-insurance arrangements, pursuant to which Cal Dive or one or more of its Subsidiaries (or their respective officers or directors) will be insured parties after the Closing Date, including without limitation any policies written by protection and indemnity clubs with respect to the Vessels.

“Insurance Proceeds” means those monies: (a) received by an insured from an insurance carrier or a protection and indemnity club; (b) paid by an insurance carrier or a protection and indemnity club on behalf of the insured; or (c) received (including by way of setoff) from any third party in the nature of insurance, contribution or indemnification in respect of any Liability; in any such case net of any applicable premium adjustments or adjustments to club calls (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof.

“IPO Registration Statement” means the registration statement on Form S-1 filed under the Securities Act pursuant to which the Common Stock to be sold by Cal Dive in the Initial Public Offering will be registered, and all amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all materials incorporated by reference in such registration statement.

"Law" means any federal, state, local or foreign law (including common law), statute, code, ordinance, rule, regulation or other requirement enacted, promulgated, issued or entered by a Governmental Authority.

"Liabilities" means any debt, loss, damage, adverse claim, liability or obligation of any Person (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), and including all costs and expenses relating thereto.

"Over-Allotment Option" means the over-allotment option that may be exercised by the underwriters of the Initial Public Offering pursuant to the Underwriting Agreement relating to the Initial Public Offering.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

"Prospectus" means the prospectus or prospectuses included in the IPO Registration Statement, as amended or supplemented by prospectus supplement and by all other amendments and supplements to any such prospectus, including post-effective amendments and all material incorporated by reference in such prospectus or prospectuses.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time that reference is made thereto.

"Security Interest" means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer (other than restrictions on transfer imposed by federal or state securities laws), or other encumbrance of any nature whatsoever.

"Separation" means collectively, (a) the transfer of the Cal Dive Assets, to the extent not already held by Cal Dive and the Cal Dive Group, and the assumption by Cal Dive and the Cal Dive Group of the Cal Dive Liabilities, and (b) the transfer of certain Excluded Assets to Helix and the Helix Group, and the assumption by Helix and the Helix Group of certain Excluded Liabilities, all as more fully described in this Agreement and the Transaction Documents.

"Subsidiary" or "subsidiary" means, with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (i) the total combined voting power of all classes of voting securities of such entity, (ii) the total combined equity interests, or (iii) the capital or profit interests, in the case of a partnership; or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.

"Tax" means all federal, state, provincial, territorial, municipal, local or foreign income, profits, franchise, gross receipts, tonnage, environmental (including taxes under Code Section 59A), customs, duties, net worth, sales, use, goods and services, withholding, value added, *ad valorem*, employment, social security, disability, occupation, pension, real property, personal property (tangible and intangible), stamp, transfer, conveyance, severance, production, excise, premium, retaliatory and other taxes, withholdings, duties, levies, imposts, guarantee fund assessments and other similar charges and assessments (including any and all fines, penalties and additions attributable to or otherwise imposed on or with respect to any such taxes, charges, fees, levies or other assessments, and interest thereon) imposed by or on behalf of any Taxing Authority, in each case whether such Tax arises by Law, contract, agreement or otherwise.

"Taxing Authority" means any Governmental Authority exercising any authority to impose, regulate, levy, assess or administer the imposition of any Tax.

"Transactions" means, collectively, (a) the Separation, (b) the Initial Public Offering and (c) all other transactions contemplated by this Agreement or any Transaction Document.

"Trigger Date" means the first date on which members of the Helix Group cease to beneficially own more than fifty percent (50%) of the total voting power of Cal Dive Common Stock.

"Underwriters" means the managing underwriters for the Initial Public Offering.

"Underwriting Agreement" means the Underwriting Agreement to be entered into by and among Helix, Cal Dive and the Underwriters in connection with the offering of Cal Dive Common Stock in the Initial Public Offering.

"Vessel Holdings" has the meaning given that term in the Preamble hereof.

"Vessels" means, as of the Closing Date, the vessels listed on Schedule 1.1 hereto, and all appurtenances thereto, and thereafter, the Vessels and any after-acquired vessels of Cal Dive.

1.2 Other Terms. For purposes of this Agreement, the following terms have the meanings set forth in the sections indicated.

Term	Section
After-Tax Basis	5.6(c)
Agreement	Recitals
Annual Financial Statements	4.1(a)(v)
Assumed Actions	6.15(a)
Bylaws	3.3
Cal Dive	Preamble
Cal Dive Assets	2.2(a)
Cal Dive Auditors	4.1(b)(i)
Cal Dive Confidential Information	6.2(a)
Cal Dive Indemnified Parties	5.3
Cal Dive Liabilities	2.3(a)

Term	Section
Cal Dive Public Documents	4.1(a)(viii)
Cal Dive Transfer Documents	2.9(a)(iii)
Charter	3.3
Closing	3.1
Closing Date	3.1
Corporate Services Agreement	3.2(b)(i)
Dispute	7.1
Drawdown	3.7
Employee Matters Agreement	3.2(b)(iv)
Excluded Assets	2.2(b)
Excluded Liabilities	2.3(b)
Existing Actions	6.15(b)
Existing Helix Indebtedness	3.5
Helix	Preamble
Helix Annual Statements	4.1(b)(ii)
Helix Auditors	4.1(b)(ii)
Helix Confidential Information	6.2(b)
Helix Indemnified Parties	5.2
Helix Policies	6.11
Helix Public Filings	4.1(a)(xii)
Helix Transfer Documents	2.8
Indemnified Party	5.6(a)
Indemnifying Party	5.6(a)
Indemnity Payment	5.6(a)
Long-Term Contract	6.12
Notification Period	6.12
Privilege	4.9
Quarterly Financial Statements	4.1(a)(iv)
Registration Rights Agreement	3.2(b)(ii)
Representatives	6.2(a)
Tax Matters Agreement	3.2(b)(iii)
Third Party Claim	5.7(a)
Transaction Documents	3.2(b)
Transfer Credit Facility	Preamble
Transfer Documents	2.9(a)(iii)
Transferred Subsidiaries	2.2(a)(iii)
Utilization Limit	6.12

ARTICLE II
THE SEPARATION

2.1 Transfer of Cal Dive Assets; Assumption of Cal Dive Liabilities.

(a) The Separation shall be effected in accordance with the terms and conditions of this Agreement and the other Transfer Documents. Subject to Section 3.6, immediately

following the execution and delivery of the Underwriting Agreement by each of the parties thereto:

(i) Helix shall, and shall cause its applicable Subsidiaries to, contribute, assign, transfer, convey and deliver to Cal Dive or certain of Cal Dive's Subsidiaries designated by Cal Dive, and Cal Dive or such applicable Subsidiaries shall accept from Helix and its applicable Subsidiaries, all of Helix's and such Subsidiaries' respective rights, titles and interests in and to all Cal Dive Assets, with such contributions, assignments, transfers and conveyances being subject to the terms and conditions of this Agreement and any applicable Transfer Documents; and

(ii) Cal Dive shall, and shall cause its domestic Subsidiaries to, accept, assume and agree, on a several and not joint basis, to perform, discharge and fulfill all the Cal Dive Liabilities, in accordance with their respective terms. Cal Dive and such Subsidiaries shall be responsible for all Cal Dive Liabilities assumed by it, regardless of when or where such Cal Dive Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Closing Date, regardless of where or against whom such Cal Dive Liabilities are asserted or determined (including any Cal Dive Liabilities arising out of claims made by Helix's or Cal Dive's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of the Helix Group or the Cal Dive Group) or whether asserted or determined prior to the date hereof, and, except as set forth in Section 2.3(b)(iii), regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Helix Group or the Cal Dive Group, or any of their past or present respective directors, officers, employees, agents, Subsidiaries or Affiliates. Such assumption of Cal Dive Liabilities shall be subject to the terms and conditions of this Agreement and any applicable Transfer Documents.

(b) Each of the parties agrees that Delayed Transfer Assets, if any, will be contributed, assigned, transferred, conveyed and delivered, and Delayed Transfer Liabilities, if any, will be accepted and assumed, in accordance with the terms of the applicable Transaction Documents. Notwithstanding the date on which any such Delayed Transfer Asset is actually contributed, assigned, conveyed and delivered, or the date on which any such Delayed Transfer Liability is actually accepted and assumed, such contribution, assignment, transfer, conveyance and delivery of any Delayed Transfer Asset, or the acceptance and assumption of any Delayed Transfer Liability, shall be deemed to have taken place on, and shall be effective as of, the Closing Date, and the applicable Delayed Transfer Asset or Delayed Transfer Liability shall be treated for all purposes of this Agreement and the Transaction Documents as a Cal Dive Asset or a Cal Dive Liability, as the case may be, from and after the Closing Date.

(c) If at any time or from time to time (whether prior to or after the Closing Date) any party hereto (or any member of such party's respective Group) shall receive or otherwise possess any Asset that is allocated to any other Person pursuant to this Agreement or any Transaction Document, such party shall promptly transfer, or cause to be transferred, such Asset to the Person so entitled thereto. This Section 2.2(c) shall not apply to any Assets acquired by Helix or Cal Dive more than one hundred eighty (180) days following the Closing Date.

(d) Cal Dive hereby waives compliance by each member of the Helix Group with the requirements and provisions of the "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Cal Dive Assets to any member of the Cal Dive Group.

2.2 Cal Dive Assets.

(a) Subject to Section 2.2(b), for purposes of this Agreement, "Cal Dive Assets" shall mean (without duplication):

(i) all Assets that are expressly provided by this Agreement or any Transaction Document as Assets to be transferred by Helix and other members of the Helix Group to Cal Dive or another designated member of the Cal Dive Group;

(ii) all Cal Dive Contracts;

(iii) the stock and limited liability company membership interests listed on Schedule 2.2 hereto of the corporations and limited liability companies described on Schedule 2.2 (the "Transferred Subsidiaries");

(iv) the Vessels;

(v) subject to Section 6.3, any rights of any member of the Cal Dive Group under any of the Insurance Policies, including any rights thereunder arising after the Closing Date in respect of any Insurance Policies;

(vi) all Assets reflected as Assets of Cal Dive and its Subsidiaries in the Cal Dive Balance Sheet, other than any dispositions of such Assets subsequent to the date of the Cal Dive Balance Sheet; and

(vii) any and all Assets owned or held immediately prior to the Closing Date by Helix or any of its Subsidiaries that are used exclusively in the Cal Dive Business. The intention of this clause (vii) is only to rectify any inadvertent omission of transfer or conveyance of any Asset that, had the parties given specific consideration to such Asset as of the date hereof, would have otherwise been classified as a Cal Dive Asset.

(b) Notwithstanding the foregoing, the Cal Dive Assets shall not in any event include the Excluded Assets. For purposes of this Agreement, "Excluded Assets" shall mean Assets not used exclusively in the Cal Dive Business, including, without limitation any and all Assets that are expressly contemplated by this Agreement or any Transaction Document as either Assets to be retained by Helix or any other member of the Helix Group, other than assets of the Transferred Subsidiaries, or Assets that are to be transferred by Cal Dive or any member of the Cal Dive Group to Helix or a designated member of the Helix Group.

2.3 Cal Dive Liabilities.

(a) Subject to Section 2.3(b), for purposes of this Agreement, "Cal Dive Liabilities" shall mean (without duplication):

(i) all Liabilities that are expressly provided by this Agreement or any Transaction Document as Liabilities to be assumed by Cal Dive or any other member of the Cal Dive Group, and all agreements, obligations and Liabilities of Cal Dive or any other member of the Cal Dive Group under this Agreement or any of the Transaction Documents;

(ii) all Liabilities, including any environmental or employee-related Liabilities relating to, arising out of or resulting from:

(A) the operation of the Cal Dive Business, as conducted at any time before, on or after the Closing Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority));

(B) the operation of any business conducted by any member of the Cal Dive Group at any time after the Closing Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority));

(C) any Cal Dive Assets (including any Cal Dive Contracts and any real property and leasehold interests), in any such case whether arising before, on or after the Closing Date; or

(D) the ownership and operation of the Vessels, whether arising before, on or after the Closing Date.

(iii) all Liabilities reflected as liabilities or obligations of Cal Dive or its Subsidiaries in the Cal Dive Balance Sheet;

(iv) all Liabilities related to Assumed Actions and Existing Actions, as further provided in Section 6.15;

(v) all Liabilities related to any and all other Actions initiated on or after the Closing Date that arise out of or relate in any material respect to the operation of the Cal Dive Business or the ownership or use of the Cal Dive Assets, in any such case whether such Liability arises before, on or after the Closing Date, including any such Action in which Helix or any member of the Helix Group is named as a defendant or party subject to any claim or investigation;

(vi) all Liabilities for any payments to be made by any member of the Helix Group or any member of the Cal Dive Group pursuant to the terms and conditions of purchase agreements relating to the acquisition of Cal Dive Assets, including, without limitation, purchase price installment payments based on the financial performance of the Cal Dive Asset subsequent to the acquisition;

(vii) all Liabilities under or arising out of the Transfer Credit Facility, including, without limitation, the obligations to repay the principal balance thereunder and accrued interest thereon, fee and expenses of the lenders and the agent thereunder, and any obligations to protect and indemnify the agent and the lenders thereunder;

(viii) all Liabilities arising out of claims made by Helix's or Cal Dive's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of the Helix Group or the Cal Dive Group with respect to the Cal Dive Business, whether arising before, on or after the Closing Date;

(viii) subject to Section 6.3, all Liabilities for insurance premiums and club calls relating to the Cal Dive Assets or the Vessels; and

(ix) Liabilities of the Transferred Subsidiaries.

(b) Notwithstanding the foregoing, the Cal Dive Liabilities shall not in any event include the Excluded Liabilities. For purposes of this Agreement, "Excluded Liabilities" shall mean (without duplication):

(i) any and all Liabilities that are expressly contemplated by this Agreement or any Transaction Document as Liabilities to be retained or assumed by Helix or any other member of the Helix Group, and all agreements and obligations of any member of the Helix Group under this Agreement or any of the Transaction Documents;

(ii) any and all Liabilities of a member of the Helix Group relating solely to, arising solely out of or resulting from any Excluded Assets; and

(iii) any and all liabilities arising from a knowing violation of Law, fraud or misrepresentation by any member of the Helix Group or any of their respective directors, officers, employees or agents (other than any individual who at the time of such act was acting in his or her capacity as a director, officer, employee or agent of any member of the Cal Dive Group).

2.4 Termination of Agreements.

(a) Except as set forth in Section 2.4(b), Cal Dive and each member of the Cal Dive Group, on the one hand, and Helix and each member of the Helix Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among Cal Dive or any member of the Cal Dive Group, on the one hand, and Helix or any member of the Helix Group, on the other hand, effective as of the Closing Date. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Closing Date. Each party shall, at the reasonable request of any other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.4(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof):

(i) this Agreement and the Transaction Documents (and each other agreement or instrument expressly contemplated by this Agreement or any Transaction Document to be entered into or continued by either of the parties or any of the members of their respective Groups);

(ii) except to the extent redundant with any provision of or service provided under this Agreement or any of the Transaction Documents (including any exhibits or schedules thereto), the agreements, arrangements, commitments and understandings listed or described on Schedule 2.4(b)(ii);

(iii) any agreements, arrangements, commitments or understandings to which any Person other than the parties and their respective Affiliates is a party (it being understood that to the extent that the rights and obligations of the parties and the members of their respective Groups under any such agreements, arrangements, commitments or understandings constitute Cal Dive Assets or Cal Dive Liabilities, they shall be assigned pursuant to Section 2.1);

(iv) any accounts or notes payable or accounts or notes receivable or allocations between a member of the Helix Group, on the one hand, and a member of the Cal Dive Group, on the other hand, accrued as of the Closing Date and reflected in the books and records of the parties or otherwise documented in accordance with past practices;

(v) any agreements, arrangements, commitments or understandings to which any non-wholly owned Subsidiary of Helix or Cal Dive, as the case may be, is a party; and

(vi) any other agreements, arrangements, commitments or understandings that this Agreement or any Transaction Document expressly contemplates will survive the Closing Date.

2.5 Governmental Approvals and Consents; Delayed Transfer Assets and Liabilities.

(a) To the extent that the Separation requires any Governmental Approvals or Consents, the parties will use their commercially reasonable efforts to obtain such Governmental Approvals and Consents; provided, however, that neither Helix nor Cal Dive shall be obligated to contribute capital in any form to any entity in order to obtain such Governmental Approvals and Consents.

(b) If and to the extent that the valid, complete and perfected contribution, transfer or assignment to the Cal Dive Group of any Cal Dive Assets or the assumption by the Cal Dive Group of any Cal Dive Liabilities would be a violation of applicable Law or require any Consent or Governmental Approval in connection with the Separation or the Initial Public Offering, then, unless the parties mutually shall otherwise determine, the transfer or assignment to the Cal Dive Group of such Cal Dive Assets or the assumption by the Cal Dive Group of such Cal Dive Liabilities shall be automatically deemed deferred and any such purported contribution, transfer, assignment or assumption shall be null and void until such time as all legal impediments are

removed or such Consents or Governmental Approvals have been obtained. If and when the Consents and Governmental Approvals are obtained, the contribution, transfer or assignment of the applicable Cal Dive Asset or Cal Dive Liability shall be effected in accordance with the terms of this Agreement and/or the applicable Transfer Document. Any such Liability shall be deemed a Delayed Transfer Liability. Any such Asset shall be deemed a Delayed Transfer Asset and notwithstanding the foregoing, a Cal Dive Asset for purposes of determining whether any Liability is a Cal Dive Liability.

(c) If any contribution, transfer or assignment of any Cal Dive Asset intended to be contributed, transferred or assigned hereunder or any assumption of any Cal Dive Liability intended to be assumed by the Cal Dive Group hereunder is not consummated on the Closing Date for any reason, then, insofar as reasonably possible, (i) the member of the Helix Group retaining such Cal Dive Asset shall thereafter hold such Cal Dive Asset for the use and benefit of the member of the Cal Dive Group entitled thereto (at the expense of the member of the Cal Dive Group entitled thereto) and (ii) Cal Dive shall, or shall cause the applicable member of the Cal Dive Group to, pay or reimburse the member of the Helix Group retaining such Cal Dive Liability for all amounts paid or incurred in connection with such Cal Dive Liability. In addition, the member of the Helix Group retaining such Cal Dive Asset shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Asset in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the Cal Dive Group member to whom such Cal Dive Asset is to be transferred in order to place such Cal Dive Group member in the same position as if such Cal Dive Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Cal Dive Asset, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Cal Dive Asset, is to inure from and after the Closing Date to the Cal Dive Group.

(d) The Person retaining an Asset or Liability due to the deferral of the transfer of such Asset or the deferral of the assumption of such Liability shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced (or otherwise made available) by the Person entitled to the Asset or the Person intended to be subject to the Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by the Person entitled to such Asset or the Person intended to be subject to the Cal Dive Liability.

2.6 Novation of Assumed Cal Dive Liabilities.

(a) Each of Helix and Cal Dive, at the request of the other, shall use commercially reasonable efforts to obtain, or to cause to be obtained, any Consent, substitution or amendment required to novate or assign all obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute Cal Dive Liabilities, and in the case of an assignment, to obtain in writing the unconditional release of all parties to such arrangements (other than any member of the Cal Dive Group), so that, in any such case, Cal Dive and the other members of the Cal Dive Group will be solely responsible for such Cal Dive Liabilities; provided, however, that neither the Helix Group nor the Cal Dive Group shall be obligated to pay any consideration or assume any additional obligation therefor to any third party from whom any such Consent, substitution or amendment is requested.

(b) If Helix or Cal Dive is unable to obtain, or to cause to be obtained, any such required Consent, release, substitution or amendment, the applicable member of the Helix Group shall continue to be bound by such agreement, lease, license or other obligation that constitutes a Cal Dive Liability and, unless not permitted by Law or the terms thereof, as agent or subcontractor for such member of the Helix Group, Cal Dive shall, or shall cause a member of the Cal Dive Group to, pay, perform and discharge fully all the obligations or other Liabilities of members of the Helix Group thereunder that constitute Cal Dive Liabilities from and after the Closing Date. Cal Dive shall indemnify each Helix Indemnified Party, and hold each of them harmless against any Liabilities arising in connection therewith; provided that, Cal Dive shall have no obligation to indemnify any Helix Indemnified Party with respect to any matter to the extent that such Helix Indemnified Party has engaged in any knowing violation of Law, fraud or misrepresentation in connection therewith. Helix shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to Cal Dive, all money, rights and other consideration received by it or any member of the Helix Group in respect of such performance by Cal Dive or the Cal Dive Group (unless any such consideration is an Excluded Asset). If and when any such Consent, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, Helix shall thereafter assign, or cause to be assigned, all rights and obligations of any member of the Helix Group thereunder and any other Cal Dive Liabilities thereunder to Cal Dive or a designated member of the Cal Dive Group, without payment of further consideration and Cal Dive, or a designated member of the Cal Dive Group, shall, without the payment of any further consideration, assume such Cal Dive Liabilities and rights.

2.7 Novation of Liabilities other than Cal Dive Liabilities.

(a) Each of Helix and Cal Dive, at the request of the other, shall use commercially reasonable efforts to obtain, or to cause to be obtained, any Consent, substitution, or amendment required to novate or assign all obligations under agreements, leases, licenses and other obligations or Liabilities for which a member of the Helix Group and a member of the Cal Dive Group are jointly or severally liable and that do not constitute Cal Dive Liabilities, and in the case of an assignment, to obtain in writing the unconditional release of all parties to such arrangements other than any member of the Helix Group, so that, in any such case, the members of the Helix Group will be solely responsible for such Liabilities; provided, however, that neither the Helix Group nor the Cal Dive Group shall be obligated to pay any consideration therefor to any third party from whom any such Consent, substitution or amendment is requested.

(b) If Helix or Cal Dive is unable to obtain, or to cause to be obtained, any such required Consent, release, substitution or amendment, the applicable member of the Cal Dive Group shall continue to be bound by such agreement, lease, license or other obligation that does not constitute a Cal Dive Liability and, unless not permitted by Law or the terms thereof, as agent or subcontractor for such member of the Cal Dive Group, Helix shall, or shall cause a member of the Helix Group to, pay, perform and discharge fully all the obligations or other Liabilities of such member of the Cal Dive Group thereunder from and after the Closing Date. Helix shall indemnify each Cal Dive Indemnified Party and hold each of them harmless against any Liabilities (other than Cal Dive Liabilities) arising in connection therewith; provided that, Helix shall have no obligation to indemnify any Cal Dive Indemnified Party with respect to any matter to the extent that such Cal Dive Indemnified Party has engaged in any knowing violation

of Law, fraud or misrepresentation in connection therewith. Cal Dive shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to Helix or to another member of the Helix Group specified by Helix, all money, rights and other consideration received by it or any member of the Cal Dive Group in respect of such performance by Helix or the Helix Group (unless any such consideration is a Cal Dive Asset). If and when any such Consent, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, Cal Dive shall promptly assign, or cause to be assigned, all rights, obligations and other Liabilities thereunder of any member of the Cal Dive Group to Helix or to another member of the Helix Group specified by Helix, without payment of any further consideration and Helix, or another member of the Helix Group, without the payment of any further consideration shall assume such rights and Liabilities.

2.8 Transfers of Assets and Assumption of Liabilities.

In furtherance of the contribution, assignment, transfer and conveyance of Cal Dive Assets and the assumption of Cal Dive Liabilities, on the Closing Date and thereafter, as applicable, (a) Helix shall execute and deliver, and shall cause the other members of the Helix Group to execute and deliver, such stock powers, merger certificates, bills of sale, certificates of title, assignments of contracts and other instruments of contribution, transfer, conveyance and assignment as and to the extent necessary to evidence the contribution, transfer, merger, conveyance and assignment of all of the Helix Group's right, title and interest in and to the Cal Dive Assets to the Cal Dive Group, and (b) Cal Dive shall execute and deliver, and shall cause the other members of the Cal Dive Group to execute and deliver, such assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Cal Dive Liabilities by the Cal Dive Group. All of the foregoing documents contemplated by this Section 2.8 shall be referred to collectively herein as the "Helix Transfer Documents."

2.9 Transfer of Excluded Assets by Cal Dive; Assumption of Excluded Liabilities by Helix.

(a) To the extent any Excluded Asset or Excluded Liability is transferred to a member of the Cal Dive Group at the Closing or remains owned or held by a member of the Cal Dive Group after the Closing, from and after the Closing:

(i) Cal Dive shall, and shall cause the members of the Cal Dive Group to, promptly contribute, assign, transfer, convey and deliver to Helix or designated Helix Group members, and Helix or such Helix Group members shall accept from Cal Dive and its applicable Group members, all of Cal Dive's and such Group members' respective rights, titles and interests in and to such Excluded Assets.

(ii) Helix and certain Helix Group members designated by Helix, shall promptly accept, assume and agree to perform, discharge and fulfill all such Excluded Liabilities in accordance with their respective terms.

(iii) In furtherance of the assignment, transfer and conveyance of Excluded Assets and the assumption of Excluded Liabilities (A) Cal Dive shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of Cal Dive's and its Subsidiaries' right, title and interest in and to the Excluded Assets to Helix and its Subsidiaries, and (B) Helix shall execute and deliver such assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Excluded Liabilities by Helix. All of the foregoing documents contemplated by this Section 2.9(a)(iii) shall be referred to collectively herein as the "Cal Dive Transfer Documents" and, together with the Helix Transfer Documents, the "Transfer Documents."

(iv) To the extent that the transfer of such Excluded Assets and the assumption of such Excluded Liabilities requires any Governmental Approvals or Consents, the parties shall use commercially reasonable efforts to obtain such Governmental Approvals and Consents; provided, however, that neither Helix nor Cal Dive shall be obligated to contribute capital in any form to any entity in order to obtain such Governmental Approvals and Consents.

(v) If and to the extent that the valid, complete and perfected transfer or assignment to the Helix Group of any Excluded Assets or the assumption by the Helix Group of any Excluded Liabilities would be a violation of applicable Law or require any Consent or Governmental Approval, then, unless the parties mutually shall otherwise determine, the transfer or assignment to the Helix Group of such Excluded Assets or the assumption by the Helix Group of such Excluded Liabilities shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Consents or Governmental Approvals have been obtained.

(b) If any transfer or assignment of any Excluded Asset intended to be transferred or assigned hereunder or any assumption of any Excluded Liability intended to be assumed by Helix hereunder is not consummated on the Closing Date, whether as a result of the failure to obtain any required Governmental Approvals or Consents or any other reason, then, insofar as reasonably possible, (i) the member of the Cal Dive Group retaining such Excluded Asset shall thereafter hold such Excluded Asset for the use and benefit of Helix (at Helix's expense) and (ii) Helix shall, or shall cause its applicable Group member to, pay or reimburse the member of the Cal Dive Group retaining such Excluded Liability for all amounts paid or incurred in connection with such Excluded Liability. In addition, the member of the Cal Dive Group retaining such Excluded Asset shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Excluded Asset in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by Helix in order to place Helix in the same position as if such Excluded Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Excluded Asset, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Excluded Asset, is to inure from and after the Closing Date to the Helix Group.

(c) If and when the Consents and Governmental Approvals, the absence of which caused the deferral of transfer of any Excluded Asset or the deferral of assumption of any Excluded Liability, are obtained, the transfer or assignment of the applicable Excluded Asset or Excluded Liability shall be effected in accordance with the terms of this Agreement and/or the applicable Transfer Document.

(d) Any member of the Cal Dive Group retaining an Excluded Asset or Excluded Liability due to the deferral of the transfer of such Excluded Asset or the deferral of the assumption of such Excluded Liability shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced (or otherwise made available) by Helix or the member of the Helix Group intended to be subject to the Excluded Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by Helix or the member of the Helix Group entitled to such Excluded Asset or intended to be subject to such Excluded Liability.

2.10 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES.

EACH OF HELIX (ON BEHALF OF ITSELF AND EACH MEMBER OF THE HELIX GROUP) AND CAL DIVE (ON BEHALF OF ITSELF AND EACH MEMBER OF THE CAL DIVE GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY TRANSACTION DOCUMENT, NO PARTY TO THIS AGREEMENT, ANY TRANSACTION DOCUMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY TRANSACTION DOCUMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION HEREWITH OR THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET, INCLUDING ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY TRANSACTION DOCUMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN "AS IS," "WHERE IS" BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY CONSENTS OR GOVERNMENTAL APPROVALS ARE NOT OBTAINED OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

ARTICLE III

INTERCOMPANY TRANSACTIONS AS OF THE CLOSING DATE

3.1 Time and Place of Closing.

Subject to the terms and conditions of this Agreement, all transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") to be held at such place as Helix and Cal Dive mutually agree and on the date on which (and after) the Underwriting Agreement is executed and delivered by each of the parties thereto or at such other time as Helix and Cal Dive may mutually agree (the day on which the Closing takes place being the "Closing Date").

3.2 Closing Transactions.

In each case subject to Section 3.6, after execution and delivery of the Underwriting Agreement by all parties thereto, at the Closing:

(a) The Separation shall be effected in accordance with this Agreement and the applicable Transfer Documents.

(b) The appropriate parties shall enter into, and (as necessary) shall cause the respective members of their Group to enter into, the agreements set forth below (collectively with the Transfer Documents, the "Transaction Documents"):

(i) the Corporate Services Agreement in the form attached as Exhibit A (the "Corporate Services Agreement");

(ii) the Registration Rights Agreement in the form attached as Exhibit B (the "Registration Rights Agreement");

(iii) the Tax Matters Agreement in the form attached as Exhibit C (the "Tax Matters Agreement"); and

(iv) the Employee Matters Agreement in the form attached as Exhibit D (the "Employee Matters Agreement").

3.3 Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.

At or prior to the Closing, Helix and Cal Dive shall each take all necessary actions that may be required to provide for the adoption by Cal Dive of the Amended and Restated Certificate of Incorporation of Cal Dive in the form attached hereto as Exhibit E (the "Charter"), and the Amended and Restated Bylaws of Cal Dive in the form attached hereto as Exhibit F (the "Bylaws"). The Charter and Bylaws shall be in full force and effect as of the Closing Date.

3.4 The Initial Public Offering.

The Initial Public Offering will be a primary offering of Common Stock. Cal Dive shall (a) consult with, and cooperate in all respects with, Helix in connection with the pricing of the Common Stock to be offered in the Initial Public Offering; (b) at the direction of Helix, execute and deliver the Underwriting Agreement in such form and substance as is reasonably satisfactory to Helix; and (c) at the direction of Helix, promptly take any and all actions necessary or desirable to consummate the Initial Public Offering as contemplated by the IPO Registration Statement and the Underwriting Agreement.

3.5 Proceeds of Initial Public Offering.

Cal Dive agrees that it shall, on the date it receives the proceeds of the Initial Public Offering, or on the next succeeding Business Day, apply such proceeds as follows:

(a) first, to pay any and all costs and expenses relating to the Initial Public Offering; and

(b) second, to transfer the remaining proceeds to Helix by way of dividend.

3.6 Rescission.

NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS AGREEMENT, IF DELIVERY OF THE FIRM PUBLIC OFFERING SHARES TO THE UNDERWRITERS AGAINST PAYMENT THEREFOR IS NOT COMPLETE WITHIN TEN (10) BUSINESS DAYS AFTER THE CLOSING DATE, ALL TRANSACTIONS THERETOFORE COMPLETED UNDER THIS AGREEMENT OR ANY OF THE TRANSACTION DOCUMENTS SHALL IMMEDIATELY BE RESCINDED IN ALL RESPECTS AND THIS AGREEMENT AND ALL OF THE TRANSACTION DOCUMENTS SHALL TERMINATE AND ALL ASSETS TRANSFERRED PURSUANT TO THE TRANSACTION DOCUMENTS SHALL BE RETURNED TO THE ENTITIES THAT TRANSFERRED SUCH ASSETS, AND ALL ASSUMPTIONS OF LIABILITIES HEREUNDER AND THEREUNDER SHALL BE RESCINDED AND NULLIFIED.

3.7 Proceeds of Credit Facility Drawdown.

Cal Dive agrees that it shall:

(a) on a date designated by Helix following the consummation of the Initial Public Offering, cause Vessel Holdings, which will then be Cal Dive's indirect wholly-owned subsidiary, to borrow approximately $122 million under the Transfer Credit Facility (the "Drawdown"), and

(b) within one Business Day after the Drawdown, (i) cause Vessel Holdings to distribute the proceeds of the Drawdown to its parent corporation, Holdings; (ii) cause Holdings to transfer such proceeds to Cal Dive by way of dividend; and (iii) transfer such proceeds to Helix by way of dividend.

ARTICLE IV

FINANCIAL AND OTHER INFORMATION

4.1 Financial and Other Information.

(a) Financial Information. Cal Dive agrees that, for so long as Helix is required to either consolidate the results of operations and financial position of Cal Dive and the other members of the Cal Dive Group with the results of operations and financial position of Helix, or to account for its investment in Cal Dive under the equity method of accounting (determined in accordance with GAAP and consistent with SEC reporting requirements):

(i) Disclosure of Financial Controls. Cal Dive will, and will cause each other member of the Cal Dive Group to, maintain, as of and after the Closing Date, disclosure controls and procedures and internal control over financial reporting as defined in Exchange Act Rule 13a-15 promulgated under the Exchange Act; Cal Dive will cause each of its principal executive and principal financial officers to sign and deliver certifications to Cal Dive's periodic reports and will include the certifications in Cal Dive's periodic reports, as and when required pursuant to Exchange Act Rule 13a-14 and Item 601 of Regulation S-K; Cal Dive will cause its management to evaluate Cal Dive's disclosure controls and procedures and internal control over financial reporting (including any change in internal control over financial reporting) as and when required pursuant to Exchange Act Rule 13a-15; Cal Dive will disclose in its periodic reports filed with the SEC information concerning Cal Dive management's responsibilities for and evaluation of Cal Dive's disclosure controls and procedures and internal control over financial reporting (including, without limitation, the annual management report and attestation report of Cal Dive's independent auditors relating to internal control over financial reporting) as and when required under Items 307 and 308 of Regulation S-K and other applicable SEC rules; and, without limiting the general application of the foregoing, Cal Dive will, and will cause each other member of the Cal Dive Group to, maintain as of and after the Closing Date internal systems and procedures that will provide reasonable assurance that (A) the Financial Statements are reliable and timely prepared in accordance with GAAP and applicable law, (B) all transactions of members of the Cal Dive Group are recorded as necessary to permit the preparation of the Financial Statements, (C) the receipts and expenditures of members of the Cal Dive Group are authorized at the appropriate level within Cal Dive, and (D) unauthorized use or disposition of the assets of any member of the Cal Dive Group that could have material effect on the financial statements of the Cal Dive Group is prevented or detected in a timely manner.

(ii) Fiscal Year. Cal Dive will, and will cause each member of the Cal Dive Group organized in the United States to, maintain a fiscal year that commences and ends on the same calendar day as Helix's fiscal year commences and ends, and to maintain monthly accounting periods that commence and end on the same calendar days as Helix's monthly accounting periods commence and end.

(iii) Monthly Financial Reports. No later than five (5) Business Days after the end of each monthly accounting period of Cal Dive following the Closing Date

(including the last monthly accounting period of Cal Dive of each fiscal year), Cal Dive will deliver to Helix a consolidated income statement, balance sheet and statement of cash flow for Cal Dive for such period and an income statement, balance sheet and statement of cash flow for each Cal Dive Affiliate that is consolidated with Cal Dive, as the case may be, in such format and detail as Helix may request.

(iv) Quarterly Financial Statements. As soon as practicable, and in any event no later than the earlier of (x) ten (10) Business Days prior to the date on which Cal Dive is required to file a Form 10-Q or other document containing Quarterly Financial Statements with the SEC for each of the first three (3) fiscal quarters in each fiscal year of Cal Dive, and (y) five (5) Business Days prior to the date on which Helix has notified Cal Dive that Helix intends to file its Form 10-Q or other document containing quarterly financial statements with the SEC, Cal Dive will deliver to Helix drafts of (A) the consolidated financial statements of the Cal Dive Group (and notes thereto) for such periods and for the period from the beginning of the current fiscal year to the end of such quarter, setting forth in each case in comparative form for each such fiscal quarter of Cal Dive the consolidated figures (and notes thereto) for the corresponding quarter and periods of the previous fiscal year and all in reasonable detail and prepared in accordance with Article 10 of Regulation S-X and GAAP, and (B) a discussion and analysis by Cal Dive's management of the Cal Dive Group's financial condition and results of operations for such fiscal period, including, without limitation, an explanation of any material period-to-period change and any off-balance sheet transactions, all in reasonable detail and prepared in accordance with Item 303(b) of Regulation S-K; provided, however, that Cal Dive will deliver such information at such earlier time upon Helix's written request with thirty (30) days' notice resulting from Helix's determination to accelerate the timing of the filing of its financial statements with the SEC. The information set forth in clauses (A) and (B) above is referred to in this Agreement as the "Quarterly Financial Statements." No later than the earlier of (1) three (3) Business Days prior to the date Cal Dive publicly files the Quarterly Financial Statements with the SEC or otherwise makes such Quarterly Financial Statements publicly available, and (2) three (3) Business Days prior to the date on which Helix has notified Cal Dive that Helix intends to file its quarterly financial statements with the SEC, Cal Dive will deliver to Helix the final form of the Quarterly Financial Statements and certifications thereof by the principal executive and financial officers of Cal Dive in the forms required under SEC rules for periodic reports; provided, however, that Cal Dive may continue to revise such Quarterly Financial Statements prior to the filing thereof in order to make corrections and non-substantive changes which corrections and changes will be delivered by Cal Dive to Helix as soon as practicable, and in any event within eight (8) hours thereafter; provided, further, that Helix's and Cal Dive's financial Representatives will actively consult with each other regarding any changes (whether or not substantive) that Cal Dive may consider making to the Quarterly Financial Statements and related disclosures during the two (2) Business Days immediately prior to any anticipated filing with the SEC, with particular focus on any changes which would have an effect upon Helix's financial statements or related disclosures. In addition to the foregoing, no Quarterly Financial Statement or any other document which refers to, or contains information not previously publicly disclosed with respect to, Helix's ownership interest in Cal Dive or the Separation will be filed with the SEC or otherwise made public by any Cal Dive Group

member without the prior written consent of Helix. Notwithstanding anything to the contrary in this Section 4.1(a)(iv), Cal Dive will file the Quarterly Financial Statements with the SEC on the same date and at substantially the same time that Helix files its quarterly financial statements with the SEC unless otherwise required by applicable law.

(v) Annual Financial Statements. As soon as practicable, and in any event no later than the earlier of (x) ten (10) Business Days prior to the date on which Cal Dive is required to file a Form 10-K or other document containing its Annual Financial Statements with the SEC, and (y) ten (10) Business Days prior to the date on which Helix has notified Cal Dive that Helix intends to file its Form 10-K or other document containing annual financial statements with the SEC, Cal Dive will deliver to Helix (A) drafts of the consolidated financial statements of the Cal Dive Group (and notes thereto) for such year, setting forth in each case in comparative form the consolidated figures (and notes thereto) for the previous fiscal year and all in reasonable detail and prepared in accordance with Regulation S-X and GAAP, and (B) a discussion and analysis by Cal Dive's management of the Cal Dive Group's financial condition and results of operations for such year, including, without limitation, an explanation of any material period-to-period change and any off-balance sheet transactions, all in reasonable detail and prepared in accordance with Item 303(a) of Regulation S-K. The information set forth in clauses (A) and (B) above is referred to in this Agreement as the "Annual Financial Statements." Cal Dive will deliver to Helix all revisions to such drafts as soon as any such revisions are prepared or made. No later than the earlier of (1) five (5) Business Days prior to the date Cal Dive publicly files the Annual Financial Statements with the SEC or otherwise makes such Annual Financial Statements publicly available, and (2) five (5) Business Days prior to the date on which Helix has notified Cal Dive that Helix intends to file its annual financial statements with the SEC, Cal Dive will deliver to Helix the final form of the Cal Dive Annual Financial Statements and certifications thereof by the principal executive and financial officers of Cal Dive in the forms required under SEC rules for periodic reports; provided, however, that Cal Dive may continue to revise such Annual Financial Statements prior to the filing thereof in order to make corrections and non-substantive changes which corrections and changes will be delivered by Cal Dive to Helix as soon as practicable, and in any event within eight (8) hours thereafter; provided, further, that Helix and Cal Dive financial Representatives will actively consult with each other regarding any changes (whether or not substantive) which Cal Dive may consider making to the Annual Financial Statements and related disclosures during the three (3) Business Days immediately prior to any anticipated filing with the SEC, with particular focus on any changes which would have an effect upon Helix's financial statements or related disclosures. In addition to the foregoing, no Annual Financial Statement or any other document which refers to, or contains information not previously publicly disclosed with respect to, Helix's ownership interest in Cal Dive or the Separation will be filed with the SEC or otherwise made public by any Cal Dive Group member without the prior written consent of Helix, except to the extent required by applicable law. In any event, Cal Dive will deliver to Helix, no later than three (3) Business Days prior to the date on which Helix has notified Cal Dive that Helix intends to file its annual financial statements with the SEC, the final form of the Annual Financial Statements accompanied by an opinion thereon by Cal Dive's independent certified public accountants. Notwithstanding anything to the contrary in this Section 4.1(a)(v),

Cal Dive will file the Annual Financial Statements with the SEC on the same date and at substantially the same time that Helix files its annual financial statements with the SEC unless otherwise required by applicable law.

(vi) Affiliate Financial Statements. Cal Dive will deliver to Helix all Quarterly Financial Statements and Annual Financial Statements of each Cal Dive Affiliate which is itself required to file financial statements with the SEC or otherwise make such financial statements publicly available, with such financial statements to be provided in the same manner and detail and on the same time schedule as those financial statements of Cal Dive required to be delivered to Helix pursuant to this Section 4.1.

(vii) Conformance with Helix Financial Presentation. All information provided by any Cal Dive Group member to Helix or filed with the SEC pursuant to Sections 4.1(a)(iii) through (vi) inclusive will be consistent in terms of format and detail and otherwise with Helix's policies with respect to the application of GAAP and practices in effect on the Closing Date with respect to the provision of such financial information by such Cal Dive Group member to Helix (and, where appropriate, as presently presented in financial reports to Helix's board of directors), with such changes therein as may be requested by Helix from time to time consistent with changes in such accounting principles and practices.

(viii) Cal Dive Reports Generally. Each Cal Dive Group member that files information with the SEC will deliver to Helix: (A) substantially final drafts, as soon as the same are prepared, of (x) all reports, notices and proxy and information statements to be sent or made available by such Cal Dive Group member to its respective security holders, (y) all regular, periodic and other reports to be filed or furnished under Sections 13, 14 and 15 of the Exchange Act (including Reports on Forms 10-K, 10-Q and 8-K and Annual Reports to Shareholders), and (z) all registration statements and prospectuses to be filed by such Cal Dive Group member with the SEC or any securities exchange pursuant to the listed company manual (or similar requirements) of such exchange (collectively, the documents identified in clauses (x), (y) and (z) above are referred to as the "Cal Dive Public Documents"); and (B) as soon as practicable, but in no event later than four (4) Business Days (other than with respect to Current Reports on Form 8-K) prior to the earliest of the dates the same are printed, sent or filed, current drafts of all such Cal Dive Public Documents and, with respect to Current Reports on Form 8-K, as soon as practicable, but in no event later than two (2) Business Days prior to the earliest of the dates the same are printed, sent or filed in the case of planned Current Reports on Form 8-K and as soon as practicable, but in no event less than two (2) hours in the case of unplanned Current Reports on Form 8-K; provided, however, that Cal Dive may continue to revise such Cal Dive Public Documents prior to the filing thereof in order to make corrections and non-substantive changes which corrections and changes will be delivered by Cal Dive to Helix as soon as practicable, and in any event within eight (8) hours thereafter; provided, further, that Helix and Cal Dive financial Representatives will actively consult with each other regarding any changes (whether or not substantive) which Cal Dive may consider making to any of its Cal Dive Public Documents and related disclosures prior to any anticipated filing with the SEC, with particular focus on any changes which would have an effect upon Helix's financial statements or related

disclosures. In addition to the foregoing, no Cal Dive Public Document or any other document which refers to, or contains information not previously publicly disclosed with respect to, Helix's ownership interest in Cal Dive or the Separation will be filed with the SEC or otherwise made public by any Cal Dive Group member without the prior written consent of Helix, except as required by applicable law.

(ix) Budgets and Financial Projections. Cal Dive will, as promptly as practicable, deliver to Helix copies of all annual and other budgets and financial projections (consistent in terms of format and detail and otherwise required by Helix) relating to the Cal Dive Group on a consolidated basis and will provide Helix an opportunity to meet with management of Cal Dive to discuss such budgets and projections.

(x) Other Information. With reasonable promptness, Cal Dive will deliver to Helix such additional financial and other information and data with respect to the Cal Dive Group and their business, properties, financial positions, results of operations and prospects as from time to time may be reasonably requested by Helix.

(xi) Press Releases and Similar Information. Cal Dive and Helix will consult with each other as to the timing of their annual and quarterly earnings releases and any financial guidance for a current or future period and will give each other the opportunity to review the information therein relating to the Cal Dive Group and to comment thereon. Cal Dive (i) acknowledges that it is Helix's current practice to issue financial guidance on only an annual basis, and (ii) agrees not to issue any financial guidance on other than an annual basis without Helix's prior written approval, except as may be required by Law. Helix and Cal Dive will make commercially reasonable efforts to issue their respective annual and quarterly earnings releases at approximately the same time on the same date. No later than eight (8) hours prior to the time and date that a party intends to publish its regular annual or quarterly earnings release or any financial guidance for a current or future period, such party will deliver to the other party copies of substantially final drafts of all press releases and other statements to be made available by any member of that party's Group to employees of any member of that party's Group or to the public concerning any matters that could be reasonably likely to have a material financial impact on the earnings, results of operations, financial condition or prospects of any Cal Dive Group member. In addition, prior to the issuance of any such press release or public statement that meets the criteria set forth in the preceding two sentences, the issuing party will consult with the other party regarding any changes (other than typographical or other similar minor changes) to such substantially final drafts. Immediately following the issuance thereof, the issuing party will deliver to the other party copies of final drafts of all press releases and other public statements.

(xii) Cooperation on Helix Filings. Cal Dive will cooperate fully, and will cause Cal Dive Auditors to cooperate fully, with Helix to the extent requested by Helix in the preparation of Helix's public earnings or other press releases, Quarterly Reports on Form 10-Q, Annual Reports to Shareholders, Annual Reports on Form 10-K, any Current Reports on Form 8-K and any other proxy, information and registration statements, reports, notices, prospectuses and any other filings made by Helix with the SEC, any

national securities exchange or otherwise made publicly available (collectively, the "Helix Public Filings"). Cal Dive agrees to provide to Helix all information that Helix reasonably requests in connection with any Helix Public Filings or that, in the judgment of Helix's legal department, is required to be disclosed or incorporated by reference therein under any law, rule or regulation. Cal Dive will provide such information in a timely manner on the dates requested by Helix (which may be earlier than the dates on which Cal Dive otherwise would be required hereunder to have such information available) to enable Helix to prepare, print and release all Helix Public Filings on such dates as Helix will determine but in no event later than as required by applicable law. Cal Dive will use commercially reasonable efforts to cause Cal Dive Auditors to consent to any reference to them as experts in any Helix Public Filings required under any law, rule or regulation. If and to the extent requested by Helix, Cal Dive will diligently and promptly review all drafts of such Helix Public Filings and prepare in a diligent and timely fashion any portion of such Helix Public Filing pertaining to Cal Dive. Prior to any printing or public release of any Helix Public Filing, an appropriate executive officer of Cal Dive will, if requested by Helix, certify that the information relating to any Cal Dive Group member or the Cal Dive Business in such Helix Public Filing is accurate, true, complete and correct in all material respects. Unless required by law, rule or regulation, Cal Dive will not publicly release any financial or other information which conflicts with the information with respect to any Cal Dive Group member or the Cal Dive Business that is included in any Helix Public Filing without Helix's prior written consent. Prior to the release or filing thereof, Helix will provide Cal Dive with a draft of any portion of a Helix Public Filing containing information relating to the Cal Dive Group and will give Cal Dive an opportunity to review such information and comment thereon; provided that, Helix will determine in its sole and absolute discretion the final form and content of all Helix Public Filings.

(b) Auditors and Audits; Annual Statements and Accounting. Cal Dive agrees that, for so long as Helix is required to either consolidate the results of operations and financial position of Cal Dive and any members of the Cal Dive Group, or to account for its investment in Cal Dive under the equity method of accounting (in accordance with GAAP and consistent with SEC reporting requirements):

(i) Selection of Cal Dive Auditors. Unless required by law, Cal Dive will not select a different accounting firm than Ernst & Young LLP (or its affiliate accounting firms) (unless so directed by Helix in accordance with a change by Helix in its accounting firm) to serve as its (and the Cal Dive Group's) independent certified public accountants ("Cal Dive Auditors"), without Helix's prior written consent (which will not be unreasonably withheld); provided, however, that, to the extent any members of the Cal Dive Group are currently using a different accounting firm to serve as their independent certified public accountants, such members of the Cal Dive Group may continue to use such accounting firm provided such accounting firm is reasonably satisfactory to Helix.

(ii) Audit Timing. Cal Dive will use commercially reasonable efforts to enable Cal Dive Auditors to complete their audit such that they will be able to date their opinion on the Annual Financial Statements on the same date that Helix's independent certified public accountants ("Helix Auditors") date their opinion on Helix's audited

annual financial statements (the "Helix Annual Statements"), and to enable Helix to meet its schedule for the printing, filing and public dissemination of the Helix Annual Statements, all in accordance with Section 4.1(a) hereof and as required by applicable law.

(iii) Information Needed by Helix. Cal Dive will provide to Helix on a timely basis all information that Helix reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of the Helix Annual Statements in accordance with Section 4.1(a) hereof and as required by applicable law. Without limiting the generality of the foregoing, Cal Dive will provide all required financial information with respect to the Cal Dive Group to Cal Dive Auditors in a sufficient and reasonable time and in sufficient detail to permit Cal Dive Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to Helix Auditors with respect to information to be included or contained in the Helix Annual Statements.

(iv) Access to Cal Dive Auditors. Cal Dive will authorize Cal Dive Auditors to make available to Helix Auditors the personnel who performed, or are performing, the annual audit of Cal Dive as well as the work papers related to the annual audit of Cal Dive, in all cases within a reasonable time prior to the date of the Cal Dive Auditors' opinion on the Annual Financial Statements, so that Helix Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Cal Dive Auditors as it relates to Helix Auditors' report on the Helix Annual Statements, all within sufficient time to enable Helix to meet its schedule for the preparation, printing, filing and public dissemination of the Helix Annual Statements.

(v) Access to Records. If Helix determines in good faith that there may be any inaccuracy in a Cal Dive Group member's financial statements or deficiency in a Cal Dive Group member's internal accounting controls or operations that could materially impact Helix's financial statements, at Helix's request, Cal Dive will provide Helix's internal auditors with access to the Cal Dive Group's books and records so that Helix may conduct reasonable audits relating to the financial statements provided by Cal Dive under this Agreement as well as to the internal accounting controls and operations of the Cal Dive Group.

(vi) Notice of Changes. Subject to Section 4.1(a)(vii), Cal Dive will give Helix as much prior notice as reasonably practicable of any proposed determination of, or any significant changes in, Cal Dive's accounting estimates or accounting principles from those in effect on the Closing Date. Cal Dive will consult with Helix and, if requested by Helix, Cal Dive will consult with Helix Auditors with respect thereto. Cal Dive will not make any such determination or changes without Helix's prior written consent if such a determination or a change would be sufficiently material to be required to be disclosed in Cal Dive's or Helix's financial statements as filed with the SEC or otherwise publicly disclosed therein.

(vii) Accounting Changes Requested by Helix. Notwithstanding Section 4(a)(vi), Cal Dive will make any changes in its accounting estimates or

accounting principles that are requested by Helix in order for Cal Dive's accounting practices and principles to be consistent with those of Helix.

(viii) Special Reports of Deficiencies or Violations. Cal Dive will report in reasonable detail to Helix the following events or circumstances promptly after any executive officer of Cal Dive or any member of the Cal Dive board of directors becomes aware of such matter: (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Cal Dive's ability to record, process, summarize and report financial information; (B) any fraud, whether or not material, that involves management or other employees who have a significant role in Cal Dive's internal control over financial reporting; (C) any illegal act within the meaning of Section 10A(b) and (f) of the Exchange Act; and (D) any report of a material violation of law that an attorney representing any Cal Dive Group member has formally made to any officers or directors of Cal Dive pursuant to the SEC's attorney conduct rules (17 C.F.R. Part 205).

4.2 Agreement for Exchange of Information; Archives.

(a) Each of Helix and Cal Dive, on behalf of its respective Group, agrees to provide, or cause to be provided, to the other Group, at any time before or after the Closing Date, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such respective Group which the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities or tax Laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any other judicial, regulatory, administrative, tax or other proceeding or in order to satisfy audit, accounting, claim, regulatory, litigation, tax or other similar requirements, in each case other than claims or allegations that one party to this Agreement has against the other, or (iii) subject to the foregoing clause (ii), to comply with its obligations under this Agreement or any Transaction Document; provided, however, that in the event that any party reasonably determines that any such provision of Information could be commercially detrimental, violate any Law or agreement, or waive any attorney-client privilege, the parties shall take all commercially reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(b) After the Closing Date, Cal Dive shall have access during regular business hours (as in effect from time to time) to the documents and objects of historic significance that relate to the Cal Dive Business that are located in archives retained or maintained by any member of the Helix Group. Cal Dive may obtain copies (but not originals unless it is a Cal Dive Asset) of documents for bona fide business purposes and may obtain objects for exhibition purposes for commercially reasonable periods of time if required for bona fide business purposes; provided that, Cal Dive shall cause any such objects to be returned promptly in the same condition in which they were delivered to Cal Dive, and Cal Dive shall comply with any rules, procedures or other requirements, and shall be subject to any restrictions (including prohibitions on removal of specified objects), that are then applicable to Helix. Nothing herein shall be deemed to restrict the access of any member of the Helix Group to any such documents or objects or to impose any liability on any member of the Helix Group if any such documents or objects are not maintained or preserved by Helix.

(c) After the Closing Date, Helix shall have access during regular business hours (as in effect from time to time) to the documents and objects of historic significance that relate to the businesses of any member of the Helix Group that are located in archives retained or maintained by any member of the Cal Dive Group. Helix may obtain copies (but not originals unless it is not a Cal Dive Asset) of documents for bona fide business purposes and may obtain objects for exhibition purposes for commercially reasonable periods of time if required for bona fide business purposes; provided that, Helix shall cause any such objects to be returned promptly in the same condition in which they were delivered to Helix, and Helix shall comply with any rules, procedures or other requirements, and shall be subject to any restrictions (including prohibitions on removal of specified objects), that are then applicable to Cal Dive. Nothing herein shall be deemed to restrict the access of any member of the Cal Dive Group to any such documents or objects or to impose any liability on any member of the Cal Dive Group if any such documents or objects are not maintained or preserved by Cal Dive.

(d) The obligations of the parties under this Section 4.2 shall terminate on the fifth (5th) anniversary of the Trigger Date.

4.3 Ownership of Information.

Any Information owned by a member of a Group that is provided to a requesting party pursuant to Section 4.2 shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

4.4 Compensation for Providing Information.

The party requesting Information agrees to reimburse the party providing Information for the reasonable out-of-pocket costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the requesting party. Except as may be otherwise specifically provided elsewhere in this Agreement, the Transaction Documents or in any other agreement between the parties, such costs shall be computed in accordance with the providing party's standard methodology and procedures.

4.5 Record Retention.

To facilitate the possible exchange of Information pursuant to this Article IV and other provisions of this Agreement and the Transaction Documents, after the Closing Date, the parties agree to use commercially reasonable efforts to retain all Information in their respective possession or control in accordance with the policies of Helix as in effect on the Closing Date or such other policies as may be reasonably adopted by the appropriate party after the Closing Date. No party will destroy, or permit any of its Subsidiaries to destroy, any Information which the other party may have the right to obtain pursuant to this Agreement prior to the fifth (5th) anniversary of the Trigger Date without first notifying the other party of the proposed destruction and giving the other party the opportunity to take possession of such Information prior to such destruction; provided, however, that in the case of any Information relating to Taxes or employee benefits, such period shall be extended to the expiration of the applicable statute of limitations (giving effect to any extensions thereof); provided, further, however, no party will destroy, or

permit any of its Subsidiaries to destroy, any Information required to be retained by applicable Law.

4.6 Liability.

No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Agreement which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed after commercially reasonable efforts by such party to comply with the provisions of Section 4.5.

4.7 Other Agreements Providing for Exchange of Information.

(a) The rights and obligations granted under this Article IV are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any Transaction Document.

(b) When any Information provided by one Group to the other Group (other than Information provided pursuant to Section 4.5) is no longer needed for the purposes contemplated by this Agreement or any other Transaction Document or is no longer required to be retained by applicable Law, the receiving party will promptly after request of the other party either return to the other party all Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon).

4.8 Production of Witnesses; Records; Cooperation.

(a) After the Closing Date, except in the case of an adversarial Action by one or more members of one Group against one or more members of the other Group, each party hereto shall use commercially reasonable efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting party may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith.

(b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third Party Claim, the parties shall make available to such Indemnifying Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in

connection with such defense, settlement or compromise, or the prosecution, evaluation or pursuit thereof, as the case may be, and shall otherwise cooperate in such defense, settlement or compromise, or such prosecution, evaluation or pursuit, as the case may be.

(c) Without limiting the foregoing, the parties shall cooperate and consult to the extent reasonably necessary with respect to any Actions, except in the case of an adversarial Action by one or more members of one Group against one or more members of the other Group.

(d) Without limiting any provision of this Section, each of the parties agrees to cooperate, and to cause each member of its respective Group to cooperate, with each other in the defense of any infringement or similar claim with respect to any intellectual property and shall not claim to acknowledge, or permit any member of its respective Group to claim to acknowledge, the validity or infringing use of any intellectual property of a third Person in a manner that would hamper or undermine the defense of such infringement or similar claim except as required by Law.

(e) The obligation of the parties to provide witnesses pursuant to this Section 4.8 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses inventors and other officers without regard to whether the witness or the employer of the witness could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 4.8(a)).

(f) In connection with any matter contemplated by this Section 4.8, the parties will enter into a mutually acceptable joint defense agreement so as to maintain to the extent practicable any applicable attorney-client privilege, work product immunity or other applicable privileges or immunities of any member of any Group.

(g) The obligations of the parties under this Section 4.8 shall terminate on the fifth (5th) anniversary of the Trigger Date.

4.9 Privilege.

The provision of any information pursuant to this Article IV shall not be deemed a waiver of any privilege, including privileges arising under or related to the attorney-client privilege or any other applicable privileges (a "Privilege"). Following the Closing Date, neither Cal Dive or its Subsidiaries nor Helix or its Subsidiaries will be required to provide any information pursuant to this Article IV if the provision of such information would serve as a waiver of any Privilege afforded such information.

ARTICLE V
RELEASE; INDEMNIFICATION

5.1 Release of Pre-Closing Claims.

(a) Except (i) as provided in Section 5.1(c), (ii) as may provided in any Transaction Document and (iii) for any matter for which a Cal Dive Indemnified Party is entitled to indemnification or contribution pursuant to Section 5.3, 5.4 or 5.5, effective as of the Closing Date, Cal Dive, for itself and each other member of the Cal Dive Group, their respective

Affiliates and all Persons who at any time prior to the Closing Date were directors, officers, agents or employees of any member of the Cal Dive Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, does hereby remise, release and forever discharge Helix and the other members of the Helix Group, their respective Affiliates and all Persons who at any time prior to the Closing Date were shareholders, directors, officers, agents or employees of any member of the Helix Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Closing Date, including in connection with the transactions and all other activities to implement the Separation, the Initial Public Offering and any of the other transactions contemplated hereunder and under the Transaction Documents.

(b) Except (i) as provided in Section 5.1(c), (ii) as may be provided in any Transaction Document and (iii) for any matter for which a Helix Indemnified Party is entitled to indemnification or contribution pursuant to Section 5.2, 5.4 or 5.5, effective as of the Closing Date, Helix, for itself and each other member of the Helix Group, their respective Affiliates and all Persons who at any time prior to the Closing Date were directors, officers, agents or employees of any member of the Helix Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, does hereby remise, release and forever discharge Cal Dive and the other members of the Cal Dive Group, their respective Affiliates and all Persons who at any time prior to the Closing Date were shareholders, directors, officers, agents or employees of any member of the Cal Dive Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Closing Date, including in connection with the transactions and all other activities to implement the Separation, the Initial Public Offering and any of the other transactions contemplated hereunder and under the Transaction Documents.

(c) Nothing contained in Section 5.1(a) or Section 5.1(b) shall impair any right of any Person to enforce this Agreement, any Transaction Document or any agreements, arrangements, commitments or understandings to continue in effect after the Closing Date in accordance with Section 2.4(b), in each case in accordance with its terms. Nothing contained in Section 5.1(a) or Section 5.1(b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the Helix Group or the Cal Dive Group that is to continue in effect after the Closing Date in accordance with Section 2.4(b), or any other Liability specified in such Section 2.4(b) not to terminate as of the Closing Date;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of such Group under, this Agreement or any Transaction Document;

(iii) any Liability for the sale, lease, construction or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from a member of the other Group prior to the Closing Date;

(iv) any Liability for unpaid amounts for products or services or refunds owing on products or services due on a value-received basis for work done by a member of one Group at the request or on behalf of a member of the other Group; or

(v) any Liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement or otherwise for claims brought against the parties by third Persons, which Liability shall be governed by the provisions of this Article V and, if applicable, the appropriate provisions of the Transaction Documents.

In addition, nothing contained in Section 5.1(a) shall release Helix from indemnifying any director, officer or employee of Cal Dive who was a director, officer or employee of Helix or any of its Affiliates on or prior to the Closing Date, to the extent such director, officer or employee is or becomes a named defendant in any Action with respect to which he or she was entitled to such indemnification pursuant to then existing obligations.

(d) Cal Dive shall not make, and shall not permit any member of the Cal Dive Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Helix or any member of the Helix Group, or any other Person released pursuant to Section 5.1(a), with respect to any Liabilities released pursuant to Section 5.1(a). Helix shall not, and shall not permit any member of the Helix Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against Cal Dive or any member of the Cal Dive Group, or any other Person released pursuant to Section 5.1(b), with respect to any Liabilities released pursuant to Section 5.1(b).

(e) It is the intent of each of Helix and Cal Dive, by virtue of the provisions of this Section 5.1, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Closing Date, whether known or unknown, between or among Cal Dive or any member of the Cal Dive Group, on the one hand, and Helix or any member of the Helix Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Closing Date), except as expressly set forth in Sections 5.1 (a), (b) and (c). At any time, at the request of any other party, each party shall cause each member of its respective Group and each other Person on whose behalf it released Liabilities pursuant to this Section 5.1 to execute and deliver releases reflecting the provisions hereof.

5.2 General Indemnification by Cal Dive.

Except as provided in Section 5.5, Cal Dive shall, and shall cause the other members of the Cal Dive Group to, jointly and severally, indemnify, defend and hold harmless on an After-Tax Basis each member of the Helix Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Helix Indemnified Parties"), from and against any and all Liabilities of the Helix Indemnified Parties relating to, arising out of or resulting from any of the following items (without duplication):

(a) the failure of Cal Dive or any other member of the Cal Dive Group or any other Person to pay, perform or otherwise promptly discharge any Cal Dive Liabilities or Cal Dive Contract in accordance with its respective terms, whether prior to or after the Closing Date;

(b) any Cal Dive Liability or any Cal Dive Contract;

(c) except to the extent it relates to an Excluded Liability, any guarantee, indemnification obligation, surety bond or other credit support agreement, arrangement, commitment or understanding by any member of the Helix Group for the benefit of any member of the Cal Dive Group that survives the Closing;

(d) any breach by any member of the Cal Dive Group of this Agreement or any of the Transaction Documents or any action by Cal Dive in contravention of the Charter or Bylaws; and

(e) any untrue statement or alleged untrue statement of a material fact contained in any Helix Public Filing or any other document filed with the SEC by any member of the Helix Group pursuant to the Securities Act or the Exchange Act, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that those Liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information that is either furnished to any member of the Helix Group by any member of the Cal Dive Group or incorporated by reference by any member of the Helix Group from any filings made by any member of the Cal Dive Group with the SEC pursuant to the Securities Act or the Exchange Act, and then only if that statement or omission was made or occurred after the Closing Date.

5.3 General Indemnification by Helix.

Except as provided in Section 5.5, Helix shall indemnify, defend and hold harmless on an After-Tax Basis each member of the Cal Dive Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Cal Dive Indemnified Parties"), from and against any and all Liabilities of the Cal Dive Indemnified Parties relating to, arising out of or resulting from any of the following items (without duplication):

(a) the failure of any member of the Helix Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the Helix Group other than the Cal Dive Liabilities, whether prior to or after the Closing Date or the date hereof;

(b) any Excluded Liability or any Liability of a member of the Helix Group other than the Cal Dive Liabilities;

(c) any breach by any member of the Helix Group of this Agreement or any of the Transaction Documents; and

(d) any untrue statement or alleged untrue statement of a material fact contained in any document filed with the SEC by any member of the Cal Dive Group pursuant to the Securities Act or the Exchange Act other than the IPO Registration Statement or Prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that those Liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information that is either furnished to any member of the Cal Dive Group by any member of the Helix Group or incorporated by reference by any member of the Cal Dive Group from any Helix Public Filings or any other document filed with the SEC by any member of the Helix Group pursuant to the Securities Act or the Exchange Act, and then only if that statement or omission was made or occurred after the Closing Date.

5.4 Registration Statement Indemnification.

(a) Cal Dive agrees to indemnify and hold harmless on an After-Tax Basis the Helix Indemnified Parties and each Person, if any, who controls any member of the Helix Group within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all Liabilities arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the IPO Registration Statement or Prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except to the extent such Liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which has been made therein or omitted therefrom in reliance upon and in conformity with information provided by a member of the Helix Group expressly for use in the IPO Registration Statement or Prospectus or information relating to any underwriter furnished to Cal Dive by or on behalf of such underwriter expressly for use in the IPO Registration Statement or Prospectus.

(b) Helix agrees to indemnify and hold harmless on an After-Tax Basis Cal Dive and its Subsidiaries and any of their respective directors or officers who sign the IPO Registration Statement, and any person who controls Cal Dive within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all Liabilities arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the IPO Registration Statement or Prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such Liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission with respect to information provided by a Helix Group member expressly for use in the IPO Registration Statement or Prospectus.

5.5 Contribution.

(a) If the indemnification provided for in this Article V is unavailable to, or insufficient to hold harmless on an After-Tax Basis, an Indemnified Party under Section 5.2(e), Section 5.3(d) or Section 5.4 in respect of any Liabilities referred to therein, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party in connection with the actions or omissions that resulted in Liabilities as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(b) The parties agree that it would not be just and equitable if contribution pursuant to this Section 5.5 were determined by a pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 5.5(a). The amount paid or payable by an Indemnified Party as a result of the Liabilities referred to in Section 5.5(a) shall be deemed to include, subject to the limitations set forth above, any legal or other fees or expenses reasonably incurred by such Indemnified Party in connection with investigating any claim or defending any Action. Notwithstanding the provisions of this Section 5.5, Helix shall not be required to contribute any amount that, together with the amount of any damages that Helix has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, exceeds the benefits received solely by Helix from the Initial Public Offering (excluding benefits received by the Company and all other parties). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

5.6 Indemnification Obligations Net of Insurance Proceeds and Other Amounts on an After-Tax Basis.

(a) Any Liability subject to indemnification or contribution pursuant to this Article V will be net of Insurance Proceeds that actually reduce the amount of the Liability and will be determined on an After-Tax Basis. Accordingly, the amount which any Person is required to pay pursuant to this Article V (an "Indemnifying Party") to any Person entitled to indemnification or contribution pursuant to this Article V (an "Indemnified Party") will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnified Party in respect of the related Liability. If an Indemnified Party receives a payment required by this Agreement from an Indemnifying Party in respect of any Liability (an "Indemnity Payment") and subsequently receives Insurance Proceeds, then the Indemnified Party will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification and contribution provisions hereof, have any subrogation rights with respect thereto. The Indemnified Party shall use commercially reasonable efforts to seek to collect or recover any third-party Insurance Proceeds (other than Insurance Proceeds under an arrangement where future premiums are adjusted to reflect prior claims in excess of prior premiums) to which the Indemnified Party is entitled in connection with any Liability for which the Indemnified Party seeks contribution or indemnification pursuant to this Article V; provided that, the Indemnified Party's inability to collect or recover any such Insurance Proceeds shall not limit the Indemnifying Party's obligations hereunder.

(c) The term "After-Tax Basis" as used in this Article V means that, in determining the amount of the payment necessary to indemnify any party against, or reimburse any party for, Liabilities, the amount of such Liabilities will be determined net of any reduction in Tax derived by the Indemnified Party as the result of sustaining or paying such Liabilities, and the amount of such Indemnity Payment will be increased (*i.e.*, "grossed up") by the amount necessary to satisfy any income or franchise Tax liabilities incurred by the Indemnified Party as a result of its receipt of, or right to receive, such Indemnity Payment (as so increased), so that the Indemnified Party is put in the same net after-Tax economic position as if it had not incurred such Liabilities, in each case without taking into account any impact on the tax basis that an Indemnified Party has in its assets.

5.7 Procedures for Indemnification of Third Party Claims.

(a) If an Indemnified Party shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Helix Group or the Cal Dive Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnified Party pursuant to Section 5.2, Section 5.3 or Section 5.4, or any other Section of this Agreement or any Transaction Document, such Indemnified Party shall give such Indemnifying Party written notice thereof within 20 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnified Party or other Person to give notice as provided in this Section 5.7(a) shall not relieve the Indemnifying Party of its obligations under this Article V, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) An Indemnifying Party may elect to defend (and to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim. Within 30 days after receipt of notice from an Indemnified Party in accordance with Section 5.7(a) (or sooner, if the nature of such Third Party Claim so requires), an Indemnifying Party electing to defend a Third Party Claim shall notify the Indemnified Party of its election to assume responsibility for defending such Third Party Claim and shall acknowledge and agree in writing that if such Third Party Claim is adversely determined, such Indemnifying Party will have the obligation to indemnify the Indemnified Party in respect of all liabilities relating to, arising out of or resulting from such Third Party Claim and that such Indemnifying Party irrevocably waives in full all defenses it may have to contest such

obligation. After such notice and acknowledgment from an Indemnifying Party to an Indemnified Party of its election to assume the defense of a Third Party Claim, such Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnified Party.

(c) If an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnified Party of its election as provided in Section 5.7(b), such Indemnified Party may defend such Third Party Claim at the cost and expense of the Indemnifying Party.

(d) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnified Party may settle or compromise any Third Party Claim without the consent of the Indemnifying Party. No Indemnifying Party shall consent to entry of any judgment or enter into any settlement of any pending or threatened Third Party Claim in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party without the consent of the Indemnified Party if (i) the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly against such Indemnified Party and (ii) such settlement does not include a full, complete and unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Third Party Claim.

5.8 Additional Matters.

(a) Indemnification or contribution payments in respect of any Liabilities for which an Indemnified Party is entitled to indemnification or contribution under this Article V shall be paid by the Indemnifying Party to the Indemnified Party as such Liabilities are incurred upon demand by the Indemnified Party, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution payment, including documentation with respect to calculations made on an After-Tax Basis and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution agreements contained in this Article V shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnified Party; (ii) the knowledge by the Indemnified Party of Liabilities for which it might be entitled to indemnification or contribution hereunder; and (iii) any termination of this Agreement.

(b) Any claim on account of a Liability which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnified Party to the applicable Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnified Party shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Transaction Documents without prejudice to its continuing rights to pursue indemnification or contribution hereunder.

(c) If payment is made by or on behalf of any Indemnifying Party to any Indemnified Party in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnified Party as to any events or circumstances in respect of which such Indemnified Party may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. Such Indemnified Party shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(d) In an Action in which the Indemnifying Party is not a named defendant, if either the Indemnified Party or Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant if they conclude that substitution is desirable and practical. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Article V, and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement, and the costs of any interest or penalties relating to any judgment or settlement.

5.9 Remedies Cumulative; Limitations of Liability.

The rights provided in this Article V shall be cumulative and, subject to the provisions of Article VII, shall not preclude assertion by any Indemnified Party of any other rights or the seeking of any and all other remedies against any Indemnifying Party. NOTWITHSTANDING THE FOREGOING, NO INDEMNIFYING PARTY, SHALL BE LIABLE TO AN INDEMNIFIED PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, CONSEQUENTIAL, EXEMPLARY, STATUTORILY-ENHANCED OR SIMILAR DAMAGES IN EXCESS OF COMPENSATORY DAMAGES (PROVIDED THAT ANY SUCH LIABILITY WITH RESPECT TO A THIRD PARTY CLAIM SHALL BE CONSIDERED DIRECT DAMAGES) ARISING IN CONNECTION WITH THE TRANSACTIONS.

5.10 Survival of Indemnities.

The rights and obligations of each of Helix and Cal Dive and their respective Indemnified Parties under this Article V shall survive the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities.

ARTICLE VI
OTHER AGREEMENTS

6.1 Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties will cooperate with each other and use (and will cause their respective Subsidiaries and Affiliates to use) commercially reasonable efforts, prior to, on and after the Closing Date, to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary on its part under applicable Law or contractual obligations to

consummate and make effective the transactions contemplated by this Agreement and the Transaction Documents.

(b) Without limiting the foregoing, prior to, on and after the Closing Date, each party hereto shall cooperate with the other parties, and without any further consideration, but at the expense of the requesting party from and after the Closing Date, to execute and deliver, or use commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the Transaction Documents, in order to effectuate the provisions and purposes of this Agreement and the Transaction Documents and the transfers of the Cal Dive Assets and the assignment and assumption of the Cal Dive Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each party will, at the reasonable request, cost and expense of any other party, take such other actions as may be reasonably necessary to vest in such other party good and marketable title to the Assets allocated to such party under this Agreement or any of the Transaction Documents, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) On or prior to the Closing Date, Helix and Cal Dive in their respective capacities as direct and indirect shareholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by Helix, Cal Dive or any other Subsidiary of Helix or Cal Dive, as the case may be, to effectuate the transactions contemplated by this Agreement.

(d) On or prior to the Closing Date, Helix and Cal Dive shall take all actions as may be necessary to approve the stock-based employee benefit plans of Cal Dive in order to satisfy the requirements of Rule 16b-3 under the Exchange Act and the applicable rules and regulations of the New York Stock Exchange.

6.2 Confidentiality.

(a) From and after the Closing, subject to Section 6.2(c) and except as contemplated by this Agreement, any Transaction Document or the Charter, Helix shall not, and shall cause the other members of the Helix Group and all of such parties' respective officers, directors, employees, and other agents and representatives, including attorneys, agents, customers, suppliers, contractors, consultants and other representatives of any Person providing financing (collectively, "Representatives"), not to, directly or indirectly, disclose, reveal, divulge or communicate to any Person (other than Representatives of such party or of its Affiliates who reasonably need to know such information in providing services to any member of the Helix Group) or use or otherwise exploit for its own benefit or for the benefit of any third party, any Cal Dive Confidential Information. If any disclosures are made by a member of the Helix Group to its Representatives in connection with such Representatives providing services to any member of the Helix Group under this Agreement or any Transaction Document, then the Cal Dive Confidential Information so disclosed shall be used only as required to perform the services.

Helix shall, and shall cause the other members of the Helix Group to, use the same degree of care to prevent and restrain the unauthorized use or disclosure of the Cal Dive Confidential Information by any of their Representatives as they currently use for their own confidential information of a like nature, but in no event less than a reasonable standard of care. Any information, material or documents relating to the Cal Dive Business currently or formerly conducted, or proposed to be conducted, by any member of the Cal Dive Group furnished to or in possession of any member of the Helix Group, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by or on behalf of any member of the Helix Group that contain or otherwise reflect such information, material or documents is referred to herein as "Cal Dive Confidential Information." "Cal Dive Confidential Information" does not include, and there shall be no obligation hereunder with respect to, information that (i) is or becomes generally available to the public, other than as a result of a disclosure by any member of the Helix Group or any of their Representatives not otherwise permissible hereunder, (ii) such member of the Helix Group can demonstrate was or became available to such member of the Helix Group from a source other than Cal Dive or its Affiliates, or (iii) is developed independently by such member of the Helix Group without reference to the Cal Dive Confidential Information; provided, however, that, in the case of clause (ii), the source of such information was not known by such member of the Helix Group to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Cal Dive or any member of the Cal Dive Group with respect to such information.

(b) From and after the Closing, subject to Section 6.2(c) and except as contemplated by this Agreement or any Transaction Document, Cal Dive shall not, and shall cause the other members of the Cal Dive Group and all of such parties' respective Representatives not to, directly or indirectly, disclose, reveal, divulge or communicate to any Person (other than Representatives of such party or of its Affiliates who reasonably need to know such information in providing services to any member of the Cal Dive Group), or use or otherwise exploit for its own benefit or for the benefit of any third party, any Helix Confidential Information. If any disclosures are made by a member of the Cal Dive Group to its Representatives in connection with such Representatives providing services to any member of the Cal Dive Group under this Agreement or any Transaction Document, then the Helix Confidential Information so disclosed shall be used only as required to perform the services. Cal Dive shall, and shall cause other members of the Cal Dive Group to, use the same degree of care to prevent and restrain the unauthorized use or disclosure of the Helix Confidential Information by any of their Representatives as they currently use for their own confidential information of a like nature, but in no event less than a reasonable standard of care. Any information, material or documents relating to the businesses currently or formerly conducted, or proposed to be conducted, by any member of the Helix Group furnished to or in possession of any member of the Cal Dive Group, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by or on behalf of any member of the Cal Dive Group that contain or otherwise reflect such information, material or documents is referred to herein as "Helix Confidential Information." "Helix Confidential Information" does not include, and there shall be no obligation hereunder with respect to, information that (i) is or becomes generally available to the public, other than as a result of a disclosure by any member of the Cal Dive Group or any of their Representatives not otherwise permissible hereunder, (ii) such member of the Cal Dive Group can demonstrate was or became available to such member of the

Cal Dive Group from a source other than Helix or its Affiliates, or (iii) is developed independently by such member of the Cal Dive Group without reference to the Helix Confidential Information; provided, however, that, in the case of clause (ii), the source of such information was not known by such member of the Cal Dive Group to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Helix or any other member of the Helix Group with respect to such information.

(c) If any member of the Helix Group or their respective Representatives, on the one hand, or any member of the Cal Dive Group or their respective Representatives, on the other hand, are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) by any Governmental Authority or pursuant to applicable Law to disclose or provide any Cal Dive Confidential Information or Helix Confidential Information (other than with respect to any such information furnished pursuant to the provisions of Article IV of this Agreement), as applicable, the entity or person receiving such request or demand shall use all commercially reasonable efforts to provide the other party with written notice of such request or demand as promptly as practicable under the circumstances so that such other party shall have an opportunity to seek an appropriate protective order. The party receiving such request or demand agrees to take, and cause its representatives to take, at the requesting party's expense, all other commercially reasonable steps necessary to obtain confidential treatment by the recipient. Subject to the foregoing, the party that received such request or demand may thereafter disclose or provide any Cal Dive Confidential Information or Helix Confidential Information, as the case may be, to the extent required by such Law (as so advised by counsel) or by lawful process of such Governmental Authority.

6.3 Insurance Matters.

(a) Members of the Cal Dive Group will continue to have coverage under Helix's insurance program until the Trigger Date. Members of the Cal Dive Group will be subject to retrospective premium adjustments under each such Insurance Policy based on their loss experience, or with respect to any other rating mechanism (such as a mechanism based on payroll or revenue), in such proportion as is allocable to the Cal Dive Group, under the Insurance Policy and in accordance with Helix's pricing methodologies. The members of the Cal Dive Group will have coverage under all Insurance Policies with respect to periods prior to the Trigger Date in accordance with the terms of each such Insurance Policy. Helix and Cal Dive agree to cooperate in good faith to provide for an orderly transition of insurance coverage leading up to the Trigger Date, and for the treatment of any Insurance Policies that will remain in effect following the Trigger Date on a mutually agreeable basis. In no event shall Helix, any other member of the Helix Group or any Helix Indemnified Party have liability or obligation whatsoever to any member of the Cal Dive Group if any Insurance Policy or other contract or policy of insurance shall be terminated or otherwise cease to be in effect or for any reason shall be unavailable or inadequate to cover any Liability of any member of the Cal Dive Group for any reason whatsoever or shall not be renewed or extended beyond the current expiration date. Helix shall provide notice to Cal Dive promptly upon its becoming aware that any Insurance Policy has been terminated or is otherwise no longer in effect or is reasonably likely to be terminated or otherwise cease to be in effect.

(b) (i) Except as otherwise provided in any Transaction Document, the parties intend by this Agreement that Cal Dive and each other member of the Cal Dive Group be successors-in-interest to all rights that any member of the Cal Dive Group may have as of the Closing Date as a subsidiary, affiliate, division or department of Helix prior to the Closing Date under any policy of insurance issued to Helix by any insurance carrier or under any agreements related to such policies executed and delivered prior to the Closing Date, including any rights such member of the Cal Dive Group may have, as an insured or additional named insured, subsidiary, affiliate, division or department, to avail itself of any such policy of insurance or any such agreements related to such policies as in effect prior to the Closing Date. At the request of Cal Dive, Helix shall take all commercially reasonable steps, including the execution and delivery of any instruments, to effect the foregoing; provided, however, that Helix shall not be required to pay any amounts, waive any rights or incur any Liabilities in connection therewith.

(i) Except as otherwise contemplated by any Transaction Document, after the Closing Date, none of Helix or Cal Dive or any member of their respective Groups shall, without the consent of the other, provide any such insurance carrier with a release, or amend, modify or waive any rights under any such policy or agreement, if such release, amendment, modification or waiver would adversely affect any rights or potential rights of any member of the other Group thereunder; provided, however, that the foregoing shall not (A) preclude any member of any Group from presenting any claim or from exhausting any policy limit, (B) require any member of any Group to pay any premium or other amount or to incur any Liability, or (C) require any member of any Group to renew, extend or continue any policy in force. Each of Cal Dive and Helix will share such information as is reasonably necessary in order to permit the other to manage and conduct its insurance matters in an orderly fashion.

(c) This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of the Helix Group in respect of any Insurance Policy or any other contract or policy of insurance.

(d) Cal Dive does hereby, for itself and each other member of the Cal Dive Group, agree that no member of the Helix Group or any Helix Indemnified Party shall have any Liability whatsoever to Cal Dive or any other member of the Cal Dive Group as a result of the insurance policies and practices of Helix and its Affiliates as in effect at any time prior to the Closing Date, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

(e) Nothing in this Agreement shall be deemed to restrict any member of the Cal Dive Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period; provided that, Cal Dive shall give Helix prompt written notice of any such insurance policy acquired prior to the Trigger Date.

6.4 Allocation of Costs and Expenses.

(a) Helix shall pay (or, to the extent incurred by and paid for by any member of the Cal Dive Group, will promptly reimburse such party for any and all amounts so paid) for all out-

of-pocket fees, costs and expenses incurred by Helix or Cal Dive, or any member of their respective Groups, on or prior to the Closing Date in connection with the Separation, including (i) the preparation and negotiation of this Agreement, each Transfer Document (unless otherwise expressly provided therein), and all other documentation related to the Separation, (ii) accounting and legal costs incurred in association with all domestic and international internal restructuring undertaken as part of the Separation, (iii) the preparation and execution or filing of any and all other documents, certificates, deeds, titles, agreements, forms, applications or contracts associated with the Separation, and (iv) the preparation and filing of Cal Dive's and its Subsidiaries' organizational documents.

(b) Cal Dive shall pay (or, to the extent incurred by and paid or by any member of the Helix Group, will promptly reimburse such party for any and all amounts so paid) for all out-of-pocket fees, costs and expenses incurred by Helix or Cal Dive, or any member of their respective Groups, in connection with the Initial Public Offering and the other Transactions, except as otherwise provided in Section 6.4(a), including (i) the preparation, printing and filing of the IPO Registration Statement, (ii) compliance with applicable federal, state or foreign securities Laws and domestic or foreign securities exchange rules and regulations, together with fees and expenses of counsel retained to effect such compliance, (iii) the preparation, printing and distribution of the Prospectus, (iv) the initial listing of the Common Stock on the New York Stock Exchange, (v) the fees and expenses of Ernst & Young LLP incurred in connection with the IPO Registration Statement and the Initial Public Offering, and (vi) the preparation (including, but not limited to, the printing of documents) and implementation of Cal Dive's and its Subsidiaries' employee benefit plans, retirement plans and equity-based plans, and (vii) the preparation and implementation of Cal Dive's and its Subsidiaries corporate governance programs and policies, financial reporting and internal controls and all other reporting requirements, programs, policies and functions required to be implemented by the Cal Dive Group as a result of being a public company reporting to the SEC with equity securities listed on a national stock exchange.

(c) Notwithstanding the foregoing, Helix and Cal Dive agree that all costs and expenses described in Sections 6.4(a) and (b) may be paid from the proceeds of the Initial Public Offering.

6.5 Covenants Against Taking Certain Actions Affecting Helix.

(a) Cal Dive hereby acknowledges and agrees that it shall not, without the prior written consent of Helix (which it may withhold in its sole and absolute discretion), take, or cause to be taken, directly or indirectly, any action, including making or failing to make any election under the Law of any state, which has the effect, directly or indirectly, of restricting or limiting the ability of Helix or any of its Affiliates to freely sell, transfer, assign, pledge or otherwise dispose of Cal Dive Capital Stock. Without limiting the generality of the foregoing, Cal Dive shall not, without the prior written consent of Helix (which it may withhold in its sole and absolute discretion), take any action, or recommend to its stockholders any action, which would among other things, limit the legal rights of, or deny any benefit to, Helix as a Cal Dive stockholder in a manner not applicable to Cal Dive stockholders generally.

(b) Prior to the Trigger Date, to the extent that any member of the Helix Group is a party to any contract or agreement with a third party (i) that provides that certain actions of Helix's Subsidiaries may result in Helix being in breach of or in default under such agreement and Helix has advised Cal Dive, or Cal Dive is otherwise aware, of the existence of such contract or agreement (or the relevant portions thereof), (ii) to which any member of the Cal Dive Group is a party or (iii) under which any member of the Cal Dive Group has performed any obligations on or before the date hereof, Cal Dive shall not take, and shall cause each other member of the Cal Dive Group not to take, any actions that reasonably could result in any member of the Helix Group being in breach of or in default under any such contract or agreement. Cal Dive hereby acknowledges and agrees that Helix has made available to Cal Dive copies of each such contract or agreement (or the relevant portion thereof) in effect on the date hereof. The parties acknowledge and agree that, after the date hereof, Helix may in good faith (and not solely with the intention of imposing restrictions on Cal Dive pursuant to this covenant) amend the referenced agreements or enter into additional contracts or agreements that provide that certain actions of any member of the Cal Dive Group may result in Helix being in breach of or in default under such agreements; provided that, Helix shall notify and consult with Cal Dive prior to entering into any such amendments or additional contracts or agreements to the extent that compliance therewith (x) could reasonably be expected to have a material adverse effect on any member of the Cal Dive Group or (y) would discriminate in an adverse way in the treatment of members of the Cal Dive Group as compared with Helix and its other Affiliates, and shall make available to Cal Dive copies of such amendments or additional contracts or agreements.

(c) Prior to the Trigger Date, without the prior written consent or affirmative vote of Helix (either of which it may withhold in its sole and absolute discretion), Cal Dive shall not, and shall cause the other members of the Cal Dive Group not to:

(i) take any actions that would result in the occurrence of a Default or Event of Default, as those terms are defined in the under the Credit Agreement dated as of July 3, 2006, by and among Helix Energy Solutions Group, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders and Agents party thereto, or a default or event of default under any credit facility that is an amendment, restatement, renewal, supplement and/or refinancing of such Credit Agreement after the date hereof;

(ii) issue any shares of capital stock or any rights, warrants, options or other rights or securities convertible into or exercisable for capital stock; except for (A) pursuant to the IPO, and (B) the issuance of shares of Common Stock or options to purchase Common Stock pursuant to employee benefit plans or dividend reinvestment plans approved by the Board of Directors of Cal Dive;

(iii) consolidate or merge with or into any Person, except for (A) a consolidation or merger of a wholly-owned Subsidiary of Cal Dive into Cal Dive or with or into another wholly-owned Subsidiary of Cal Dive, or (B) in connection with an acquisition permitted by the Credit Agreement referred to in Section 6.5(c)(i) above;

(iv) alter, amend, terminate or repeal, or adopt any provision inconsistent with, in each case whether directly or indirectly, or by merger, consolidation or otherwise, the provisions of

the Charter or Bylaws relating to any of (A) authorized capital stock, (B) rights granted to the holders of the Common Stock, (C) amendments to the Bylaws, (D) shareholder action by written consent, (E) shareholder proposals and meetings, (F) limitation of liability of and indemnification of officers and directors, (G) corporate opportunities and conflicts of interest between the Cal Dive Group and the Helix Group, and (H) the business combination statute set forth in Section 203 of the Delaware General Corporation Law;

(v) purchase, redeem or otherwise acquire or retire for value any shares of Common Stock or any warrants, options or other rights or securities convertible into or exercisable for to acquire Common Stock, except for (A) the repurchase of Common Stock deemed to occur upon exercise of stock options to the extent shares of Common Stock represent a portion of the exercise price of the stock options or are withheld by Cal Dive to pay applicable withholding taxes; (B) the repurchase of Common Stock deemed to occur to the extent shares of Common Stock are withheld by Cal Dive to pay applicable withholding taxes in connection with any grant or vesting of restricted stock; and (C) the repurchase of stock of terminated employees as provided in any employee benefits plan or in a stock purchase or other agreement;

(vi) adopt a shareholder rights agreement; or

(vii) dissolve, liquidate or wind up.

6.6 <u>No Violations</u>.

(a) Cal Dive acknowledges and agrees that it shall not, and shall cause the other members of the Cal Dive Group not to, take any action or enter into any commitment or agreement that may reasonably be anticipated to result, with or without notice and with or without lapse of time or otherwise, in a contravention or event of default by any member of the Helix Group of: (i) any provisions of applicable Law; (ii) any provision of the organizational documents of any member of the Helix Group; (iii) any credit agreement or other material instrument binding upon any member of the Helix Group; or (iv) any judgment, order or decree of any Governmental Authority having jurisdiction over any member of the Helix Group or any of its respective assets.

(b) Helix acknowledges and agrees that it shall not, and shall cause the other members of the Helix Group not to, take any action or enter into any commitment or agreement that may reasonably be anticipated to result, with or without notice and with or without lapse of time or otherwise, in a contravention or event of default by any member of the Cal Dive Group of: (i) any provisions of applicable Law; (ii) any provision of the organizational documents of Cal Dive; (iii) the Existing Helix Indebtedness, any credit agreement or any other material instrument binding upon Cal Dive; or (iv) any judgment, order or decree of any Governmental Authority having jurisdiction over any member of the Cal Dive Group or any of the Cal Dive Assets.

(c) Nothing in this Agreement is intended to limit or restrict in any way Helix's or its Affiliates' rights as stockholders of Cal Dive.

6.7 Registration Statements.

To the extent necessary to enable the unrestricted transfer of the applicable shares of Cal Dive Common Stock, upon consummation of the Initial Public Offering, Cal Dive shall file and cause to remain effective a registration statement with the SEC to register Cal Dive Common Stock that may be acquired by employees of any member of the Cal Dive Group as contemplated by Helix's or any other member of the Helix Group's employee stock or option plans.

6.8 Compliance with Charter Provisions.

Cal Dive shall, and shall cause each of its Subsidiaries to, take any and all actions necessary to ensure continued compliance by Cal Dive and its Subsidiaries with the provisions of their certificate or articles of incorporation, bylaws, limited liability company agreement, partnership agreement or other applicable organizational documents. Cal Dive shall notify Helix in writing promptly after becoming aware of any act or activity taken or proposed to be taken by Cal Dive or any of its Subsidiaries or any of their equity holders which resulted or would result in non-compliance with any such organizational document provisions and, so long as any member of the Helix Group owns any Cal Dive Capital Stock, Cal Dive shall take or refrain from taking all such actions as Helix shall in its sole discretion determine necessary or desirable to prevent or remedy any such non-compliance.

6.9 Future Intercompany Transactions.

All proposed intercompany transactions between Cal Dive and Helix after the Closing Date, including any material amendments to the Transaction Documents, and any consent or approval proposed to be granted by Cal Dive for Helix's benefit, in each case that would ordinarily be submitted for approval by the board of directors of Cal Dive, will be subject to the approval of a majority of the independent directors (as defined under the applicable rules of any securities exchange on which shares of Cal Dive Common Stock are listed) of the board of directors of Cal Dive.

6.10 [Intentionally Omitted].

6.11 Helix Policies.

If a provision of Cal Dive's Charter or Amended and Restated Bylaws or of any Transaction Document contradicts a policy of Helix or a member of the Helix Group, (the "Helix Policies") that applies to Subsidiaries of Helix, such provision in Cal Dive's Charter or Bylaws or Transaction Document shall control. In any other case, and except as otherwise agreed or unless superseded by any policies adopted by the board of directors of Cal Dive, the Helix Policies that apply to Subsidiaries of Helix shall apply to Cal Dive and its Subsidiaries until the Trigger Date.

6.12 Operations.

Helix shall have the preferential right to use the Vessels up to the Utilization Limit at the then prevailing market rate; provided that Cal Dive shall not be required to breach any of its legal obligations to third parties in order to accommodate such preferential right. If at any time

(a) the number of Vessels utilized by or on behalf of Helix, whether on a day-rate basis or otherwise, is below the Utilization Limit and (b) Cal Dive wishes to enter into a Long-Term Contract with a third party with respect to any of the Vessels that are not then being utilized by or on behalf of Helix, Cal Dive shall notify Helix of its desire to enter into such Long-Term Contract, and shall inform Helix of the corresponding day-rate for such Vessel(s). Helix shall then have two (2) business days to exercise its preferential right to utilize such Vessel(s) (the "Notification Period") at the then prevailing market rate. If Helix does not notify Cal Dive of its decision to utilize the Vessel(s) prior to the expiration of the Notification Period, Helix shall be deemed to have declined the use of such Vessel(s) for such time, and Cal Dive shall be free to contract the Vessel(s) to other parties. Such waiver shall not compromise Helix's ability to exercise its preferential rights in the future with regard to the utilization of Vessels. As used herein, "Utilization Limit" means the multiple of the total number of Vessels in Cal Dive's fleet and .2, rounded down to the nearest whole number, and "Long-Term Contract" means any contract with a duration of 90 days or more. If the number of Vessels utilized by or on behalf of Helix, whether on a day-rate basis or otherwise, is equal to or exceeds the Utilization Limit, then Helix shall not have the preferential right to utilize any other Vessels, unless and until such number falls below the Utilization Limit.

6.13 [Intentionally Omitted].

6.14 Tax Matters.

Notwithstanding any provision in this Agreement to the contrary, to the extent that any representations, warranties, covenants and agreements between Helix and Cal Dive, and their respective Groups, with respect to Tax matters are set forth in the Tax Matters Agreement, including indemnification agreements and any tax sharing agreements and arrangements specifically identified in such agreements, such Tax matters shall be governed exclusively by such Tax Matters Agreement and not by this Agreement.

6.15 Litigation.

(a) Subject to Section 3.6, immediately following the execution and delivery of the Underwriting Agreement by each of the parties thereto, Cal Dive shall, and shall cause the other members of the Cal Dive Group to assume those Actions relating in any material respect to the Cal Dive Business in which one or more members of the Helix Group is a defendant or a party against whom any claim or investigation is directed, including those listed on Schedule 6.15(a) (collectively, the "Assumed Actions").

(b) Subject to Section 3.6, immediately following the execution and delivery of the Underwriting Agreement by each of the parties thereto, Cal Dive shall, and shall cause the other members of the Cal Dive Group to, (i) diligently conduct, at its sole cost and expense, the defense of all Assumed Actions and all Existing Actions, (ii) except as may be provided in Section 6.3, pay all Liabilities that may result from the Assumed Actions and the Existing Actions, and (iii) pay all fees and costs relating to the defense of the Assumed Actions and the Existing Actions, including attorneys' fees and costs incurred after the Closing Date. "Existing

Actions" means those Actions (other than Assumed Actions) in which Cal Dive or any other member of the Cal Dive Group has been named as a defendant or is the party against whom any claim or investigation is directed, which relates to the Cal Dive Business, and which neither Helix nor any other member of the Helix Group is named a defendant or is a party against whom such claim or investigation is directed, including those listed on Schedule 6.15(b).

(c) Notwithstanding anything in this Section 6.15 to the contrary, Helix shall have the right to participate in the defense of any Assumed Action and to be represented by attorneys of its own choosing and at its sole cost and expense. In no event shall Cal Dive (or any other member of the Cal Dive Group) settle or compromise any Assumed Action without the express prior written consent of Helix unless (i) there is no finding or admission of any violation of any law or any violation of the rights of any Person by Helix or any other member of the Helix Group, (ii) there is no relief (either monetary or non-monetary) binding upon Helix or any other member of the Helix Group, and (iii) neither Helix nor any other member of the Helix Group has any Liability with respect to any such settlement or compromise.

(d) Subject to Section 3.6, each of Helix and Cal Dive agrees that at all times from and after the execution and delivery of the Underwriting Agreement by each of the parties thereto, if an Action is commenced by a third party naming both parties (or any member of its respective Group) as defendants thereto and with respect to which one party (or any member of its respective Group) is a nominal defendant, then the other party shall use commercially reasonable efforts to cause such nominal defendant to be removed from such Action.

ARTICLE VII
DISPUTE RESOLUTION

7.1 General Provisions.

(a) The state and federal courts sitting in Harris County, Texas shall be the exclusive forum for the resolution of any dispute, controversy or claim arising out of or relating to this Agreement or the Transaction Documents, or the validity, interpretation, breach or termination thereof (a "Dispute").

(b) THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT LOCATED WITHIN THE STATE OF TEXAS OVER ANY SUCH DISPUTE AND EACH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH DISPUTE OR ANY ACTION RELATED THERETO MAY BE HEARD AND DETERMINED IN SUCH COURTS. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH DISPUTE BROUGHT IN SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH DISPUTE. EACH OF THE PARTIES AGREES THAT A JUDGMENT IN ANY SUCH DISPUTE MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(c) IN CONNECTION WITH ANY DISPUTE, THE PARTIES EXPRESSLY WAIVE AND FORGO ANY RIGHT TO (I) SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, CONSEQUENTIAL, EXEMPLARY, STATUTORILY ENHANCED OR SIMILAR DAMAGES IN EXCESS OF COMPENSATORY DAMAGES (PROVIDED THAT LIABILITY FOR ANY SUCH DAMAGES WITH RESPECT TO A THIRD PARTY CLAIM SHALL BE CONSIDERED DIRECT DAMAGES), AND (II) TRIAL BY JURY.

(d) All communications between the parties or their representatives in connection with the attempted resolution of any Dispute, shall be deemed to have been delivered in furtherance of a Dispute settlement and shall be exempt from discovery and production, and shall not be admissible in evidence for any reason (whether as an admission or otherwise), in any arbitral or other proceeding for the resolution of the Dispute.

(e) Notwithstanding anything to the contrary contained in this Article VII, any Dispute relating to Helix's rights as a stockholder of Cal Dive pursuant to applicable Law or the organizational documents of Cal Dive will not be governed by or subject to the procedures set forth in this Article VII.

ARTICLE VIII
MISCELLANEOUS

8.1 Corporate Power; Fiduciary Duty.

(a) Each of Helix and Cal Dive represents as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and each other Transaction Document to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement has been duly executed and delivered by each such Person and each Transaction Document to which such Person is a party has been, or will be on or prior to the Closing Date, duly executed and delivered by it and upon execution and delivery, this Agreement and the other Transaction Documents will constitute a valid and binding agreement of such Person enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance or similar laws affecting the enforcement of creditors' rights generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding of law or in equity).

(b) Notwithstanding any provision of this Agreement or any Transaction Document, no member of the Helix Group and no member of the Cal Dive Group shall be required to take or omit to take any act that would violate its fiduciary duties to any minority shareholders of Cal Dive or any non-wholly owned Subsidiary of Helix or Cal Dive, as the case may be (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).

8.2 Governing Law.

This Agreement (other than the provisions relating to Helix's rights as a stockholder, which shall be governed by the laws of the State of Delaware) and, unless expressly provided therein, each other Transaction Document, shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas, without giving effect to any conflicts of law rule or principle that might require the application of the laws of another jurisdiction.

8.3 Survival of Covenants.

Except as expressly set forth in any Transaction Document, the covenants and other agreements contained in this Agreement and each Transaction Document, and liability for the breach of any obligations contained herein or therein, shall survive each of the Separation and the Initial Public Offering and shall remain in full force and effect.

8.4 Force Majeure.

No party hereto (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement or, unless otherwise expressly provided therein, any Transaction Document, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (i) notify the other parties of the nature and extent of any such Force Majeure condition and (ii) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

8.5 Notices.

All notices, requests, claims, demands and other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Transaction Documents shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.5):

If to any member of the Helix Group, to:

Helix Energy Solutions Group, Inc.
400 N. Sam Houston Parkway East, Suite 400
Houston, Texas 77060
Attn: General Counsel
Fax: (281) 618-0505

If to any member of the Cal Dive Group, to:

Cal Dive International, Inc.
400 N. Sam Houston Parkway East, Suite 1000
Houston, Texas 77060
Attn: General Counsel
Fax: (281) 618-0503

8.6 Severability.

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

8.7 Entire Agreement.

Except as otherwise expressly provided in this Agreement, this Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of the parties with respect to the subject matter of this Agreement.

8.8 Assignment; No Third-Party Beneficiaries.

This Agreement shall not be assigned by any party hereto without the prior written consent of the other party hereto. Except as provided in Article V with respect to Indemnified Parties, this Agreement is for the sole benefit of the parties to this Agreement and members of their respective Group and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Notwithstanding the foregoing, Helix may assign, collaterally assign, or grant security interests in all of Helix's right, title and interest in and to this Agreement, without the consent of Cal Dive, to one or more financial institutions or other lenders or to any designees, successors or permitted assigns of such financial institutions or other lenders that are, from time to time, parties to the following Credit Agreement, as the same may be amended, restated, amended and restated, renewed, extended, supplemented, replaced, or refinanced from time to time: that certain Credit Agreement dated as of July 3, 2006, by and among Helix Energy Solutions Group, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders and Agents party thereto. In connection with the foregoing, Cal Dive hereby (a) consents to the exercise by the Secured Parties (as defined in the Credit

Agreement) of the rights provided in the security documents granting such assignment, collateral assignment, or security interest, including any foreclosure pursuant thereto and any subsequent assignments by the Administrative Agent on behalf of the Secured Parties, (b) agrees to provide the Administrative Agent with written notice of any default by Helix under the Agreement which is not cured within any applicable grace or cure period, and (c) agrees that prior to terminating the Agreement due to a default by Helix, it shall provide the Administrative Agent with notice of such intended termination (including a detailed description of the reasons therefor) and a reasonable opportunity to cure any underlying default (provided that the Administrative Agent shall have no obligation to cure any default).

8.9 Public Announcements.

Helix and Cal Dive shall consult with each other before issuing, and give each other the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated by this Agreement and the Transaction Documents, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system.

8.10 Amendment.

No provision of this Agreement may be amended or modified except by a written instrument signed by both parties. No waiver by any party of any provision hereof shall be effective unless explicitly set forth in writing and executed by the party so waiving. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

8.11 Rules of Construction.

Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (b) references to the terms Article, Section, paragraph, and Schedule are references to the Articles, Sections, paragraphs, and Schedules to this Agreement unless otherwise specified, (c) the word “including” and words of similar import shall mean “including, without limitation,” (d) provisions shall apply, when appropriate, to successive events and transactions, (e) the table of contents and headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement, and (f) this Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted. In the event of a conflict or inconsistency between the provisions of this Agreement and Article V of the Charter, the provisions of Article V of the Charter shall govern.

8.12 Counterparts.

This Agreement may be executed in one or more counterparts, and by each party in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic mail shall be as effective as delivery of a manually executed counterpart of any such Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Master Agreement to be executed on the date first written above by their respective duly authorized officers.

HELIX ENERGY SOLUTIONS GROUP, INC.

By: /s/ Martin R. Ferron
Name: Martin R. Ferron
Title: President and Chief

CAL DIVE INTERNATIONAL, INC.

By: /s/ Quinn J. Hébert
Name: Quinn J. Hébert
Title: President and Chief Executive Officer

SCHEDULE 1.1 — VESSELS

VESSEL:	FLAG:
MYSTIC VIKING	Bahamas
UNCLE JOHN	Bahamas
CAL DIVER I	USA
CAL DIVER II	USA
CAL DIVER IV	USA
CAL DIVER V	USA
MR. FRED	USA
MR. JACK	USA
MR. JIM	USA
POLO PONY	USA
STERLING PONY	USA
WHITE PONY	USA
BRAVE	USA
DANCER	USA
RIDER	USA
MIDNIGHT STAR	Vanuatu
FOX	USA
CARRIER	USA
KESTREL	Vanuatu
AMERICAN CONSTITUTION	Panama
AMERICAN STAR	USA
AMERICAN TRIUMPH	USA
AMERICAN VICTORY	USA
AMERICAN DIVER	USA
AMERICAN LIBERTY	USA
ECLIPSE	Bahamas
DLB801	Panama

SCHEDULE 2.2 — TRANSFERRED SUBSIDIARIES AND INVESTMENTS

CDI Janus Holdings, LLC (Delaware)
CDI Prometheus Holdings, Inc. (Delaware)
CDI Umbra LLC (Delaware)
CDI Proteus LLC (Delaware)
CDI Vessel Holdings LLC (Delaware)
Cal Dive HR Services LLC (Delaware)
Cal Dive International Pte Limited (Singapore)
Cal Dive International (Australia) Pty. Ltd.
Offshore Technology Solutions Limited (Trinidad)
Marine Technology Solutions St. Lucia Ltd (St. Lucia)

SCHEDULE 2.4(b)(ii) — CONTINUING AGREEMENTS

None.

SCHEDULE 6.15(a) — ASSUMED ACTIONS

Case	Case No.
Jacob Robichaux v. Cal Dive International, Inc., et al.	5:06-cv-00217-DF
Michael Erter, individually and on behalf of the estate of Ryan Erter and Melissa Erter, individually v. Cal Dive International, Inc., et al.	3:06-cv-00654
United States of America v. Cal Dive International, Inc., et al.	1:05CV02041
Jimmy Agbayani v. Cal Dive International, Inc., et al.	6:05-cv-0081-TLM-MEM
Danny Cunningham, et al. v. Cal Dive International, Inc., et al.	5:04-cv-00282-DF

SCHEDULE 6.15(b) — EXISTING ACTIONS

Case	Case No.
Donald Keith Willey v. Cal Dive International, Inc.	3:06-cv-00410
April Renee Erter and A.C.E., a minor child v. Cal Dive International, Inc.	3:06-cv-00585
Patricia Erter, individually and on behalf of Makayla Labruyere and Summer Labruyere, and Harold L. Domingue, Jr. as personal representative of Ryan A. Erter estate v. Cal Dive International, Inc.	6:06-cv-01913-RFD-MEM
Leeland M. Lovell v. Cal Dive International, Inc.	00054-249
Tessa Berard v. Cal Dive International, Inc.	6:06-cv-01061-RTH-CMH

TAX MATTERS AGREEMENT

BY AND BETWEEN

HELIX ENERGY SOLUTIONS GROUP, INC.

AND

CAL DIVE INTERNATIONAL, INC.

Dated as of December 14, 2006

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TAX MATTERS AGREEMENT

This Tax Matters Agreement (this "Agreement") is entered into as of December 14, 2006, by and between Helix Energy Solutions Group, Inc., a Minnesota corporation ("Parent"), and Cal Dive International, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("Cal Dive").

Recitals

WHEREAS, as of the date hereof, Cal Dive is a direct wholly-owned subsidiary of Parent;

WHEREAS, Parent is the common parent corporation of an affiliated group (as defined in Section 1504 of the Code) of corporations (the "Parent Consolidated Group") that has elected to file consolidated Federal Income Tax returns;

WHEREAS, the Parent Consolidated Group has included Cal Dive and its direct and indirect eligible domestic Subsidiaries;

WHEREAS, certain Parent Group Members, on the one hand, and certain Cal Dive Group Members, on the other hand, file income Tax Returns on a consolidated, combined and/or unitary basis for certain State Income Tax and Foreign Income Tax purposes;

WHEREAS, Parent and Cal Dive currently contemplate that Cal Dive will make an initial public offering ("IPO") of shares of Cal Dive common stock pursuant to a registration statement on Form S-1 filed pursuant to the Securities Act of 1933, as amended;

WHEREAS, as a result of the IPO, Cal Dive and its direct and indirect eligible domestic Subsidiaries will cease to be members of the Parent Consolidated Group, and Parent Group Members and Cal Dive Group Members will cease to file Income Tax Returns on a consolidated, combined and/or unitary basis for State Income Tax and Foreign Income Tax purposes;

WHEREAS, following the IPO, Cal Dive will be a common parent corporation of an affiliated group of corporations, which will elect to file consolidated Federal Income Tax returns; and

WHEREAS, in contemplation of the IPO, the Companies desire to enter into this Agreement to provide for the allocation among them of the liabilities for Taxes arising prior to, as a result of and subsequent to the IPO, and to provide for and agree upon other matters relating to Taxes;

Agreements

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Companies hereby agree as follows:

Section 1. Definition and Construction.

Section 1.1. Definitions of Capitalized Terms.

For purposes of this Agreement (including the recitals hereof), the following capitalized terms shall have the meanings set forth below:

"Additional Tax" means:

(a) with respect to any Post-IPO Event that affects the amount of any Tax imposed on or attributable to any Group Member for which Parent is otherwise responsible under this Agreement, an amount equal to the excess (if any) of (1) the cumulative amount of Tax for which Parent is otherwise responsible under this Agreement determined after taking into account any and all Post-IPO Events, over (2) the cumulative amount of Tax that Parent would otherwise be responsible for under this Agreement determined without taking into account any Post-IPO Event; and

(b) subject to clause (a) and without duplication, with respect to any Post-IPO Event that affects a Tax Asset of any Group Member, an amount equal to the Tax Benefits from such Tax Asset that Parent would have otherwise recognized if such Post-IPO Event had not occurred.

"Adjustment Request" means any formal or informal claim or request filed with any Tax Authority, or with any administrative agency or court, for the adjustment, refund or credit of Taxes, including (i) any amended Tax Return claiming adjustment to the Taxes as reported on the Tax Return or, if applicable, as previously adjusted, or (ii) any claim for refund or credit of Taxes previously paid.

"Affiliate" means any Person that directly or indirectly is "controlled" by the other Person in question. For purposes of the term Affiliate, the term "controlled" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. Except as otherwise provided herein, the term Affiliate shall refer to Affiliates of a Person as determined after the IPO.

"Agreement" shall have the meaning provided in the preamble.

"Assets" means, collectively, the Parent Assets and the Cal Dive Assets.

"Boot Gain" " shall have the meaning provided in Section 2.7.

"Cal Dive Assets" means those assets and equity interests in Entities related to the Cal Dive Business that were held by Parent Group Members before the Restructuring and are held by Cal Dive Group Members after the Restructuring.

"Cal Dive Business" has the meaning set forth in the Master Agreement.

“Cal Dive Filed Returns” shall have the meaning provided in Section 4.2.

“Cal Dive Group” means, collectively, Cal Dive and its direct and indirect Subsidiaries immediately after the IPO, including, without limitation, the Subsidiaries set forth on Schedule 1.1.

“Cal Dive Group Member” means, individually, each member of the Cal Dive Group, and the term “Cal Dive Group Members” means, collectively, as the context requires, all or less than all of the members of the Cal Dive Group.

“Cal Dive Indemnitees” shall have the meaning provided in Section 2.1(a).

“Cal Dive Separate Return” means a Tax Return that includes one or more Cal Dive Group Members and does not include any Parent Group Member, including any such Tax Return filed for Federal Income Tax purposes by an affiliated group (as defined in Section 1504 of the Code) of corporations the common parent of which is a Cal Dive Group Member or any other corporation that is not a Parent Group Member.

“Cal Dive’s Allocated Tax Liability” shall have the meaning provided in Section 5.1(a).

“Cal Dive’s Cumulative Tax Payment” shall have the meaning provided in Section 5.1(a).

“Cal Dive’s Redetermined Allocated Tax Liability” shall have the meaning provided in Section 5.1(b).

“Carryback Item” means any net operating loss, net capital loss, excess tax credit or other similar Tax item which may or must be carried from one Tax Year to another Tax Year under the Code or other applicable Tax Law.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor law.

“Combined Tax Return” means, with respect to any Income Tax, a Tax Return that is filed by one or more Parent Group Members and which includes, to any extent, one or more Cal Dive Group Members or in which income, deductions, or credits of any Parent Group Member may be combined with, or offset against, income, deductions or credits of any Cal Dive Group Member, including the Consolidated Return filed by Parent for the Parent Consolidated Group.

“Companies” means Parent and Cal Dive, collectively, and “Company” means, as the context requires, any one of Parent or Cal Dive.

“Consolidated Return” means any Federal Income Tax Return which is filed on a consolidated basis by Parent (or any other member of the Parent Group), as common parent, and its eligible Subsidiaries (as determined under Section 1504(a) of the Code or any successor provision) and which includes, to any extent, any Cal Dive Group Member (as determined under Section 1504(a) of the Code or any successor provision).

“Controlling Company” shall have the meaning provided in Section 7.2(a).

"Default Rate" means a rate of interest equal to the underpayment rate provided in Section 6621(c) of the Code, determined as of the date any applicable payment required to be made under this Agreement is due.

"Dividend" means, collectively, the distributions contemplated by Sections 3.5 and 3.7 of the Master Agreement.

"Entity" means a partnership (whether general or limited), a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity, without regard to whether it is treated as a disregarded entity for Federal Income Tax purposes.

"Equity Award" means any equity-based incentive compensation award, grant or agreement that provides for the delivery of shares of Parent stock to any Person as compensation for services, including, but not limited to, an option to acquire shares of Parent stock (or other equity-based incentives the economic value of which is designed to mirror that of an option, including incentive stock options, non-qualified stock options, discounted non-qualified stock options, cliff options and tandem stock options), restricted stock, restricted stock units, stock appreciation rights, phantom stock units, performance shares, dividend equivalents, stock payments, deferred stock payments, performance-based awards or warrants granted under any plan, agreement or arrangement to the extent shares of Parent stock are issued, issuable or transferred (as opposed to cash compensation).

"Federal Income Tax" means any Tax imposed by Subtitle A or F of the Code.

"Federal Income Tax Return" means any report of Federal Income Taxes due, any claims for refund of Federal Income Taxes paid, any information return with respect to Federal Income Taxes, or any other similar report, statement, declaration, or document required to be filed under Federal Income Tax Law, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

"Final Determination" means the final resolution of liability for any Tax, which resolution may be for a specific issue or adjustment or for a Tax Year, (a) by IRS Form 870 or 870-AD (or any successor forms thereto) on the date of acceptance by or on behalf of the Controlling Company, or by a comparable form under the Tax Laws of a state, local or foreign taxing jurisdiction, except that an IRS Form 870 or 870-AD or comparable form shall not constitute a Final Determination to the extent that it reserves (whether by its terms or by operation of law) the right of the Controlling Company to file a claim for refund or the right of the Tax Authority to assert a further deficiency in respect of such issue or adjustment or for such Tax Year (as the case may be); (b) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable; (c) by a closing agreement or accepted offer in compromise under Sections 7121 or 7122 of the Code, or a comparable agreement under the Tax Laws of a state, local or foreign taxing jurisdiction; (d) by any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered (including by way of offset) by the jurisdiction imposing such Tax; (e) by a final settlement resulting from a treaty-based competent

authority determination; or (f) by any other final disposition, including by reason of the expiration of the applicable statute of limitations.

"Foreign Income Tax" means any Tax imposed by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or possession of the United States, which is an "income tax" as defined in Treasury Regulations Section 1.901-2.

"Group" means the Parent Group or the Cal Dive Group, as the context requires, and the term "Groups" means the Parent Group and the Cal Dive Group.

"Group Member" means any Parent Group Member or any Cal Dive Group Member.

"Income Tax" means each of any Federal Income Tax, State Income Tax or Foreign Income Tax, as the context requires.

"Indemnification Expenses" shall have the meaning provided in Section 7.3.

"Indemnified Company" means (i) Parent, in cases where it is entitled to be indemnified for Losses by Cal Dive under this Agreement, and (ii) Cal Dive, in cases where it is entitled to be indemnified for Losses by Parent under this Agreement.

"Indemnifying Company" means (i) Parent, in cases where it is obligated to indemnify Cal Dive for Losses under this Agreement, and (ii) Cal Dive, in cases where it is obligated to indemnify Parent for Losses under this Agreement.

"Independent Firm" means a nationally recognized accounting firm; provided, however, that such term shall not include any accounting firm that performs or has preformed audit services with respect to Parent or Cal Dive.

"IPO" shall have the meaning provided in the recitals to this Agreement.

"IPO Closing Date" means the first date on which the proceeds of any sale of Cal Dive stock to the underwriters in the IPO are received by Cal Dive or any of its Subsidiaries.

"IRS" means the Internal Revenue Service.

"Joint Taxes" shall have the meaning provided in Section 5.1.

"Loss" means any loss, cost, fine, penalty, fee, damage, obligation, liability, payment in settlement, Tax or other expense of any kind, including reasonable attorneys' fees and costs, but excluding any consequential, special, punitive or exemplary damages.

"Master Agreement" means that certain Master Agreement dated December 8, 2006, as amended from time to time, between Parent and Cal Dive, and to which this Agreement is attached as an exhibit.

"Other Tax" means any Tax that is not an Income Tax, including any value added tax, any real or personal property Tax, any flat minimum dollar Tax, any withholding Tax or any capital duty Tax.

"Parent Assets" means those assets and equity interests in Entities, if any, related to the Parent Business that were held by Cal Dive Group Members before the Restructuring and are held by Parent Group Members after the Restructuring.

"Parent Business" has the meaning set forth in the Master Agreement.

"Parent Consolidated Group" shall have the meaning provided in the recitals to this Agreement.

"Parent Filed Returns" shall have the meaning provided in Section 4.1(a).

"Parent Group" means, collectively, Parent and its direct and indirect Subsidiaries, other than Cal Dive Group Members, as determined immediately after the IPO, including, without limitation, the Subsidiaries set forth on Schedule 1.2.

"Parent Group Member" means, individually, each member of the Parent Group, and the term "Parent Group Members" means, collectively, as the context requires, all or less than all of the members of the Parent Group.

"Parent Indemnitees" shall have the meaning provided in Section 2.1(b).

"Payment Date" means (i) with respect to any Federal Income Tax, (a) each of the due dates for any required installment of estimated Federal Income Taxes determined under Section 6655 of the Code, (b) the due date (determined without regard to extensions) for filing any Tax Return determined under Section 6072 of the Code and (c) the date any Tax Return is filed, and (ii) with respect to any other Tax, the corresponding due dates determined under the applicable Tax Law.

"Payment Period" shall have the meaning provided in Section 5.5.

"Person" means an individual, any Entity or a governmental entity or any department, agency or political subdivision thereof.

"Post-IPO Tax Benefit" shall have the meaning provided in Section 2.7.

"Post-IPO Events" shall have the meaning provided in Section 2.6(b).

"Post-IPO Period" means, with respect to any Tax, any Tax Year beginning after the IPO Closing Date, and, in the case of any Straddle Period, the portion of such Straddle Period beginning on the day after the IPO Closing Date.

"Pre-IPO Period" means, with respect to any Tax, any Tax Year ending on or before the IPO Closing Date, and, in the case of any Straddle Period, the portion of such Straddle Period ending on and including the IPO Closing Date.

"Prior Tax Allocation Agreements" means any written or oral agreement or any other arrangements relating to the allocation of Taxes existing between or among any Parent Group Member and any Cal Dive Group Member prior to the date hereof (other than this Agreement).

"Reimbursement Statement" shall have the meaning provided in Section 7.3.

"Restructuring" means the restructuring by Parent of the Assets to cause the Parent Assets to be held by the Parent Group and the Cal Dive Assets to be held by the Cal Dive Group.

"Restructuring Taxes" means any and all Taxes imposed on or attributable to any Group Member that arise from or are attributable to such Group Member's distribution, transfer, assignment, other disposition, receipt, purchase or other acquisition of Assets pursuant to the Restructuring, however effected.

"Separate Company Tax" means any Tax computed by reference to the assets and activities of a member or members of a single Group.

"Straddle Period" means, with respect to any Tax, any Tax Year beginning on or before the IPO Closing Date and ending after the IPO Closing Date.

"State Income Tax" means any Tax imposed by any state of the United States, the District of Columbia or any political subdivision of the foregoing, which is imposed on or measured, in whole or in part, by income, capital or net worth or a taxable base in the nature of income, capital or net worth, including franchise Taxes based on such factors.

"Subsidiary" means, with respect to any Person, each Entity that such Person directly or indirectly owns, beneficially or of record, (i) an amount of voting securities or other interests in such Entity that is sufficient to enable such Person to elect at least a majority of the members of such Entity's board of directors or other governing body or (ii) at least 50% of the outstanding equity or financial interests of such Entity.

"Tax" or "Taxes" means any income, gross income, gross receipts, profits, capital stock, capital duty, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any Tax Authority, and any interest, penalties, additions to tax or additional amounts in respect of the foregoing.

"Tax Asset" means any Tax Item that has accrued for Tax purposes, but has not been used during a Tax Year, and that could reduce a Tax in another Tax Year, including a net operating loss, net capital loss, investment tax credit, foreign tax credit, research and experimentation credit, charitable deduction or credit related to alternative minimum tax or any other Tax credit, but does not include the tax basis of an asset.

"Tax Authority" means, with respect to any Tax, the governmental entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such governmental entity or political subdivision, including the IRS.

"Tax Benefit" means any refund received or credit or other Tax Item that actually reduces otherwise required Tax payments (including any reduction in estimated Tax payments).

"Tax Contest" means an audit, review, examination or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes of any Group Member (including any administrative or judicial review of any claim for refund) for any Tax Year.

"Tax Detriment" means an increase in the Tax liability of any Group Member for any Tax Year or a decrease in a Tax Asset of any Group Member. Except as otherwise provided in this Agreement, a Tax Detriment shall be deemed to have been realized from a Tax Item in a Tax Year only if and to the extent that the Tax liability of the Group Member for such Tax Year, after taking into account the effect of the Tax Item on the Tax liability of such Group Member in the current Tax Year and all prior Tax Years, is more than it would have been if such Tax liability were determined without regard to such Tax Item.

"Tax Item" means, with respect to any Tax, any item of income, gain, loss, deduction or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

"Tax Law" means the law of any governmental entity or political subdivision thereof relating to any Tax, including the Code, and any controlling judicial or administrative interpretations of such law relating to any Tax.

"Tax Records" means Tax Returns, Tax Return workpapers, documentation relating to any Tax Contests and any other books of account or records required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority.

"Tax Return" means any report of Taxes due, any claims for refund of Taxes paid, any information return with respect to Taxes or any other similar report, statement, declaration or document required to be filed under the Code or other Tax Law, including any attachments, exhibits or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

"Tax Year" means, with respect to any Tax, the year, or shorter period, if applicable, for which the Tax is reported as provided under applicable Tax Law.

"Treasury Regulations" means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Year.

Other capitalized terms defined elsewhere in this Agreement shall have the meanings given them.

Section 1.2. Construction.

Unless the context otherwise requires: (i) references to a Section (other than in connection with the Code or the Treasury Regulations) refer to a section of this Agreement; (ii) the word "including" shall mean "including, but not limited to"; and (iii) words used in the singular shall also denote the plural, and words used in the plural shall also denote the singular.

The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 2. Indemnification; Allocation of Responsibility for Taxes.

Section 2.1. Indemnification.

(a) Parent's Indemnity of Cal Dive.

Parent shall indemnify Cal Dive, each other Cal Dive Group Member and their respective directors, officers and employees (collectively, the "Cal Dive Indemnitees"), and hold them harmless from and against any and all Losses that arise from or are attributable to:

(1) any and all Taxes that are specifically allocated to or are the responsibility of Parent under this Agreement;

(2) any failure by Parent to make a payment required by this Agreement to Cal Dive when due; and

(3) any breach or nonperformance by Parent of any of its representations, warranties or covenants contained in this Agreement.

(b) Cal Dive's Indemnity of Parent.

Cal Dive shall indemnify Parent, each other Parent Group Member and their respective directors, officers and employees (collectively, the "Parent Indemnitees"), and hold them harmless from and against any and all Losses that arise from or are attributable to:

(1) any and all Taxes that are specifically allocated to or are the responsibility of Cal Dive under this Agreement;

(2) any failure by Cal Dive to make a payment required by this Agreement to Parent when due; and

(3) any breach or nonperformance by Cal Dive of any of its representations, warranties or covenants contained in this Agreement.

Section 2.2. Allocation of Federal Income Taxes.

Except as provided in Section 2.6, the responsibility for Federal Income Taxes, including any adjustment to such Federal Income Taxes as a result of a Final Determination, imposed on or attributable to any Cal Dive Group Member shall be allocated between Parent and Cal Dive as follows:

(a) Parent's Responsibility for Federal Income Taxes.

Parent shall be responsible for any and all Federal Income Taxes, including any adjustment to such Federal Income Taxes as a result of a Final Determination, to the extent such

Federal Income Taxes are imposed on or are attributable to any Cal Dive Group Member for any Pre-IPO Period.

(b) Cal Dive's Responsibility for Federal Income Taxes.

Cal Dive shall be responsible for any and all Federal Income Taxes, including any adjustment to such Federal Income Taxes as a result of a Final Determination, that are imposed on or are attributable to any Cal Dive Group Member for any Post-IPO Period.

Section 2.3. Allocation of State Income Taxes.

Except as provided in Section 2.6, the responsibility for any and all State Income Taxes, including any adjustment to such State Income Taxes as a result of a Final Determination, imposed on or attributable to any Cal Dive Group Member shall be allocated between Parent and Cal Dive as follows:

(a) Parent's Responsibility for State Income Taxes.

Parent shall be responsible for any and all State Income Taxes, including any adjustment to such State Income Taxes as a result of a Final Determination, that are imposed on or are attributable to any Cal Dive Group Member for any Pre-IPO Period.

(b) Cal Dive's Responsibility for State Income Taxes.

Cal Dive shall be responsible for any and all State Income Taxes, including any adjustment to such State Income Taxes as a result of a Final Determination, that are imposed on or are attributable to any Cal Dive Group Member for any Post-IPO Period.

Section 2.4. Foreign Income Taxes.

Except as provided in Section 2.6, the responsibility for Foreign Income Taxes, including any adjustment to such Foreign Income Taxes as a result of a Final Determination, that are imposed on or are attributable to any Cal Dive Group Member shall be allocated between Parent and Cal Dive as follows:

(a) Parent's Responsibility for Foreign Income Taxes.

Parent shall be responsible for any and all Foreign Income Taxes, including any adjustment to such Foreign Income Taxes as a result of a Final Determination, that are imposed on or are attributable to any Cal Dive Group Member for any Pre-IPO Period.

(b) Cal Dive's Responsibility for Foreign Income Taxes.

Cal Dive shall be responsible for any and all Foreign Income Taxes, including any adjustment to such Foreign Income Taxes as a result of a Final Determination, that are imposed on or are attributable to any Cal Dive Group Member for any Post-IPO Period.

Section 2.5. Allocation of Other Taxes.

Except as provided in Section 2.6, the responsibility for Other Taxes, including any adjustment to such Other Taxes as a result of a Final Determination, imposed on or attributable to any Cal Dive Group Member shall be allocated between Parent and Cal Dive as follows:

(a) Other Taxes imposed on Cal Dive Group Members.

Cal Dive shall be responsible for any and all Other Taxes imposed on or attributable to any Cal Dive Group Member with respect to any Tax Year.

(b) Other Taxes Imposed on Multiple Group Members.

Notwithstanding anything to the contrary in Section 2.5(a), with respect to any Other Taxes for any Tax Year that are imposed under applicable Tax Law on one or more Parent Group Members and one or more Cal Dive Group Members:

(1) Parent shall be responsible for any and all such Other Taxes to the extent any Parent Group Member is primarily responsible for such Other Taxes under applicable Tax Law; and

(2) Cal Dive shall be responsible for any and all such Other Taxes to the extent any Cal Dive Group Member is primarily responsible for such Other Taxes under applicable Tax Law.

Section 2.6. Restructuring Taxes; Additional Taxes.

(a) Restructuring Taxes.

Notwithstanding any other provision of this Agreement to the contrary, the responsibility for Restructuring Taxes imposed on or attributable to any Group Member shall be allocated between Parent and Cal Dive as follows:

(1) Parent's Responsibility for Restructuring Taxes. Except as provided in Section 2.6(a)(2), Parent shall be responsible for any and all Restructuring Taxes, including any adjustment to such Restructuring Taxes as a result of a Final Determination, that are imposed on or attributable to any Group Member with respect to any Tax Year.

(2) Cal Dive's Responsibility for Restructuring Taxes. Notwithstanding Section 2.6(a)(1), Cal Dive shall be responsible for any and all Restructuring Taxes, including any adjustment to such Restructuring Taxes as a result of a Final Determination, that are imposed on or attributable to any Group Member to the extent that such Restructuring Taxes result, in whole or in part, from any act or failure to act by any Cal Dive Group Member after the IPO Closing Date, including any such act or failure to act that results in Parent recognizing income or gain for Federal Income Tax purposes in excess of the amount of the Dividend.

(b) Additional Taxes.

Subject to Section 2.6(a), but notwithstanding any other provision of this Agreement to the contrary, Cal Dive shall be responsible for one hundred percent (100%) of any Additional Taxes, determined for each applicable Tax Year, imposed on any Group Member that result or arise, in whole or in part, from any act, failure to act, event or transaction that relates to any Cal Dive Group Member's breach of any representation, covenant or agreement contained in this Agreement that occurs after the IPO Closing Date (a "Post-IPO Event"), including Additional Taxes resulting or arising from any Cal Dive Group Member failing to provide assistance and cooperation to Parent in accordance with Section 6.1 or failing to retain Tax Records in accordance with Section 6.2.

(c) Combined Tax Returns Filed After the IPO Closing Date.

Subject to Section 2.6(a) and Section 2.6(b), but notwithstanding any other provision of this Agreement to the contrary, in the event any Combined Tax Return includes any portion of a Post-IPO Period, the Income Taxes that are treated as imposed on or attributable to the Cal Dive Group Members included in such Combined Tax Return for purposes of this Agreement shall be determined as if such Cal Dive Group Members were not required to join and did not join in the filing of the Combined Tax Return for the Post-IPO Period but instead filed their own consolidated, combined or unitary Tax Return based solely on their income, apportionment factors and other Tax Items included in such Combined Tax Return for the Post-IPO Period, with such Income Taxes being calculated in accordance with the principles of Treasury Regulations Section 1.1552-1(a)(2)(ii) for calculating the "separate tax liability" of a member of an affiliated group or an applicable corresponding provision under the Tax Laws of any state, local or foreign jurisdiction, as such corresponding provision is reasonably interpreted by Parent.

Section 2.7. Payment for Certain Tax Benefits.

As a result of the transactions contemplated in conjunction with the IPO, Parent will recognize a substantial amount of taxable gain (the "Boot Gain") as a result of cash distributions by Cal Dive to Parent. As a result of this recognition of the Boot Gain, Cal Dive will be entitled to increase its Tax basis in the assets contributed to Cal Dive by Parent and such increase in Tax basis may result in a Tax Benefit to Cal Dive. For each taxable year of Cal Dive that ends after the IPO Closing Date, but on or before the tenth anniversary of the IPO Closing Date, Cal Dive shall compute its hypothetical Tax liability without taking into account the Tax basis adjustment attributable to the recognition by Parent of the Boot Gain and subtract from such hypothetical Tax liability its actual Tax liability for such year to determine the amount of the post IPO Tax Benefit ("Post-IPO Tax Benefit") for that year relating to the Tax basis adjustment resulting from the recognition by Parent of the Boot Gain, such calculations being subject to Parent's review and approval. For each taxable year described in this section, Cal Dive shall pay to Parent 90% of the Post-IPO Tax Benefit recognized with respect to such taxable year, such payment to be made by Cal Dive to Parent on or before the 15th day following the date on which Cal Dive files each Tax Return for such taxable year which includes such a Tax Benefit.

Section 3. Proration of Taxes; Allocation of Tax Items.

For purposes of apportioning Taxes and Tax Items between Pre-IPO Periods and Post-IPO Periods and preparing and filing Tax Returns under this Agreement, the following provisions shall apply:

Section 3.1. Proration of Tax Items.

(a) General Method.

Except as provided in Section 3.1(b), Tax Items of the Cal Dive Group Members shall be apportioned between Pre-IPO Periods and Post-IPO Periods in accordance with the principles of Treasury Regulations Section 1.1502-76(b) or an applicable corresponding provision under the Tax Laws of any state, local or foreign jurisdiction, as such corresponding provision is reasonably interpreted and applied by Parent. No election shall be made under Treasury Regulations Section 1.1502-76(b)(2)(ii) (relating to ratable allocation of a year's items).

(b) Restructuring Tax Items.

In determining the apportionment of Tax Items between Pre-IPO Periods and Post-IPO Periods, any Tax Items relating to the Restructuring shall be treated as extraordinary items described in Treasury Regulations Section 1.1502-76(b)(2)(ii)(C) and shall be allocated to Pre-IPO Periods, and any Taxes related to such Tax Items shall be treated under Treasury Regulations Section 1.1502-76(b)(2)(iv) as relating to such extraordinary item and shall be allocated to Pre-IPO Periods.

Section 3.2. Allocation of Tax Assets and Earnings & Profits.

(a) Allocation of Tax Assets.

Parent shall determine in accordance with applicable Tax Laws the allocation of any applicable Tax Assets among Parent, each other Parent Group Member, Cal Dive and each other Cal Dive Group Member. The Companies hereby agree that in the absence of controlling legal authority or unless otherwise provided under this Agreement, each Tax Asset shall be allocated to the Group Member who generated such Tax Asset.

(b) Earnings & Profits.

On or before the first anniversary of the IPO Closing Date, Parent shall advise Cal Dive in writing of the decrease in Parent's earnings and profits under Section 312(h) of the Code attributable to the IPO; provided, however, that Parent shall provide Cal Dive with estimates of such amounts (determined in accordance with past practice) prior to such anniversary as reasonably requested by Cal Dive.

Section 3.3. Parent Equity Awards.

Except as otherwise required by applicable Tax Law and subject to the following sentence, Parent shall be entitled to claim on its Tax Returns any and all Tax deductions

attributable to an exercise, or a disqualifying disposition, grant, vesting, payment or delivery of shares, or other consideration in lieu of shares, by Parent, under or in connection with an Equity Award (including a payment of dividends in connection with an Equity Award), and no Cal Dive Group Member shall attempt to claim on any Tax Return any such Tax deductions. Notwithstanding the foregoing sentence, if Parent determines that under applicable Tax Law (or as a result of a Final Determination) no Parent Group Member is entitled to claim such Tax deductions but a Cal Dive Group Member is entitled to claim such Tax deductions, such Cal Dive Group Member shall be entitled to claim such Tax deductions on its applicable Tax Returns, and Cal Dive shall pay to Parent the "deemed tax benefit" of such Tax deductions, regardless of whether any Cal Dive Group Member actually claims such Tax deductions or realizes a Tax Benefit from claiming any such Tax deductions. For purposes of this Section 3.3, the "deemed tax benefit" shall conclusively be the total amount of the available Tax deductions for any such exercise, disqualifying disposition, grant, vesting or payment multiplied by 40%. Cal Dive shall pay the "deemed tax benefit" amount, if any, to Parent no later than twenty (20) days after the later of (a) Parent's notification to Cal Dive that a Cal Dive Group Member is entitled to claim such Tax deductions or (b) the occurrence of any applicable exercise, disqualifying disposition, grant, vesting, payment or delivery of shares, or other consideration in lieu of shares, by Parent under or in connection with an Equity Award. Further, if the performance of the obligations described in this Section 3.3 shall become impracticable or impossible due to any change in Tax Law or the interpretation thereof by any Tax Authority subsequent to the date of this Agreement, the parties hereto shall use their best efforts to find an alternative means to achieve the same or substantially the same result as that contemplated by this Section 3.3.

Section 3.4. Separation Transactions Occurring After the IPO Closing Date.

If the Parent Group Member transfers any part of the Cal Dive Business (including any Subsidiary) to the Cal Dive Group, or any Cal Dive Group Member transfers any part of the Parent Business (including any Subsidiary) to the Parent Group, after the IPO Closing Date in a transaction contemplated by the Restructuring, such transfer will be deemed to have occurred immediately before the IPO Closing Date for purposes of computing the Taxes imposed on or attributable to the Cal Dive Group and the Parent Group.

Section 4. Preparation and Filing of Tax Returns.

Section 4.1. Parent's Responsibility.

(a) Parent Filed Returns.

Parent shall have the exclusive obligation and right to prepare and file, or to cause to be prepared and filed, all Tax Returns that include any Group Member if Parent is responsible under this Agreement for any portion of the Taxes reported on such Tax Returns ("Parent Filed Returns"), including (i) all Combined Tax Returns and (ii) all Cal Dive Separate Returns for which Parent is responsible for any portion of any Tax reported on such Cal Dive Separate Return, and Parent shall have the exclusive obligation and right to prepare and file, or to cause to be prepared and filed, all Adjustment Requests made with respect to Parent Filed Returns. Cal Dive shall, and shall cause each other Cal Dive Group Member to, assist and cooperate with

Parent in accordance with Section 6 with respect to the preparation and filing of all Parent Filed Returns, including providing information required to be provided in Section 6. In the case of any Parent Filed Return which is required by applicable Tax Law to be signed by any Cal Dive Group Member (or by its authorized representative), Cal Dive shall cause such Cal Dive Group Member (or its authorized representative) to sign such Parent Filed Return.

(b) Preparation of Parent Filed Returns.

Parent shall have the exclusive right, in its sole discretion, with respect to each Parent Filed Return to determine (i) the manner in which such Parent Filed Return shall be prepared and filed, including the elections, methods of accounting, positions, conventions and principles of taxation to be used and the manner in which any Tax Item shall be reported, (ii) whether any extensions may be requested, (iii) the elections that will be made on such Parent Filed Return, (iv) whether an Adjustment Request should be made with respect to any Parent Filed Return, (v) whether any refunds shall be paid by way of refund or credited against any liability for the related Tax and (vi) whether to retain outside firms to prepare or review such Parent Filed Returns.

(c) Election to Join Combined Tax Returns.

Cal Dive shall cause each Cal Dive Group Member to elect and join in filing Combined Tax Returns with any Parent Group Member that Parent reasonably determines are required to be filed under applicable Tax Laws or will result in the minimization of the net present value of the aggregate Tax to the Group Members eligible to join in such Combined Tax Returns.

(d) Appointment as Agent.

Cal Dive hereby irrevocably designates, and agrees to cause each other Cal Dive Group Member to so designate, Parent as its sole and exclusive agent and attorney-in-fact to take such action (including execution of documents) as Parent, in its sole discretion, may deem appropriate in any and all matters (including Tax Contests) relating to Combined Tax Returns.

Section 4.2. Cal Dive Filed Returns.

Cal Dive shall have the exclusive obligation and right to prepare and file, or to cause to be prepared and filed, all Cal Dive Separate Returns that are not Parent Filed Returns ("Cal Dive Filed Returns"), and Cal Dive shall have the exclusive obligation and right to prepare and file, or to cause to be prepared and filed, all Adjustment Requests made with respect to Cal Dive Filed Returns.

Section 4.3. Tax Accounting Practices.

(a) In General.

Except as otherwise provided in Section 4.3(b), to the extent the Tax accounting practices or reporting position with respect to Tax Items reported on any Cal Dive Filed Return might adversely affect any Parent Group Member, Cal Dive shall prepare such Cal Dive Filed Return and report such Tax Items in a manner that is consistent with Parent's past Tax accounting

practices and reporting positions with respect to such Tax Items (unless such past Tax accounting practices or reporting positions are no longer permissible under the Code or other applicable Tax Law), and to the extent any Tax Items are not covered by past Tax accounting practices or reporting positions (or in the event such past Tax accounting practices or reporting positions are no longer permissible under the Code or other applicable Tax Law), in accordance with reasonable Tax accounting practices and reporting positions selected by Parent.

(b) Reporting of Restructuring Tax Items.

Parent shall determine the proper Tax treatment of any Tax Items relating to the Restructuring and the method for reporting such Tax Item on any Tax Return. Such treatment and reporting method shall be used by Cal Dive in preparing and filing any Cal Dive Filed Return unless there is no reasonable basis for such Tax treatment. To the extent any Cal Dive Filed Return includes a Tax Item relating to the Restructuring, Cal Dive shall submit a copy of such Cal Dive Filed Return to Parent for its review. Cal Dive shall use its reasonable best efforts to make such Cal Dive Filed Return available for Parent's review sufficiently in advance of the due date for filing such Cal Dive Filed Return to provide Parent with a meaningful opportunity to analyze and comment on such Cal Dive Filed Return and have such Cal Dive Filed Return modified before filing.

Section 4.4. Right to Review Combined Tax Returns.

Parent shall make each Combined Tax Return and related workpapers available for review by Cal Dive, if requested, to the extent (i) such Combined Tax Return relates to Taxes for which Cal Dive may be responsible under this Agreement or (ii) Cal Dive reasonably determines that it must inspect such Combined Tax Return to confirm its compliance with the terms of this Agreement. Parent shall use its reasonable best efforts to make such Combined Tax Return available for review as required under this paragraph sufficiently in advance of the due date for filing such Combined Tax Return to provide Cal Dive with a meaningful opportunity to analyze and comment on such Combined Tax Return and have such Combined Tax Return modified before filing. Parent and Cal Dive shall attempt in good faith to resolve any issues arising out of the review of such Combined Tax Returns.

Section 4.5. Adjustment Requests; Carrybacks; Utilization of Tax Assets.

(a) Adjustment Requests and Carrybacks Requiring Parent's Consent.

Except as otherwise required by applicable Tax Law or unless Parent otherwise consents in writing, Cal Dive hereby agrees to cause each Cal Dive Group Member (i) to not make any Adjustment Request with respect to any Income Tax for any Pre-IPO Period and (ii) to make any available elections to relinquish the right to claim in any Pre-IPO Period any Carryback Items of any Cal Dive Group Member arising in a Post-IPO Period, including making the election under Section 172(b)(3) of the Code (and any similar provision of any other applicable Tax Laws) to relinquish the right to carry back net operating losses. With respect to any Adjustment Request to which Parent grants its consent under the preceding sentence, Cal Dive shall reimburse Parent for its legal, accounting, administrative and other related expenses incurred in preparing, filing and making any such Adjustment Request.

(b) Carrybacks to Pre-IPO Periods.

Notwithstanding Section 4.5(a), if any Cal Dive Group Member is required by applicable Tax Law to carry back a Carryback Item arising in a Post-IPO Period to a Pre-IPO Period, the Companies agree that any Carryback Item of any Parent Group Member that may be carried back to the same Pre-IPO Period shall be deemed to be used before any Carryback Item of any Cal Dive Group Member. If any Parent Group Member receives a refund or realizes a Tax Benefit as a result of a Carryback Item of any Cal Dive Group Member arising in a Post-IPO Period being carried back to a Pre-IPO Period, Parent shall make a payment to Cal Dive in an amount equal to such refund or the realized Tax Benefit within 30 days following either the receipt of such refund or the filing of the Tax Return reflecting the realization of such Tax Benefit.

(c) Other Adjustment Requests Permitted.

With respect to any Tax imposed on or attributable to any Group Member for any applicable Pre-IPO Period, Parent may make an Adjustment Request with respect to such Tax, including carrying back a Carryback Item of any Parent Group Member arising in a Post-IPO Period to any Pre-IPO Period. Any refund or other Tax Benefit obtained as a result of any such Adjustment Request pursuant to the preceding sentence shall be for the account of Parent, and Parent shall have no obligation to compensate or make a payment to any Cal Dive Group Member in the event any such Adjustment Request results in a Tax Detriment to any Cal Dive Group Member.

(d) Utilization of Tax Assets.

With respect to each Combined Tax Return and any adjustment to the Income Taxes reflected on a Combined Tax Return as a result of a Tax Contest, Adjustment Request or otherwise, each Group Member included in such Combined Tax Return shall be entitled to use, in accordance with applicable Tax Laws, any and all Tax Assets of each other Group Member included in such Combined Tax Return. Except as provided in Section 5.1(c) with respect to Joint Taxes, no Group Member that utilizes the Tax Assets of any other Group Member shall be required to compensate or make any payment to such other Group Member with respect to the utilization of such Tax Assets.

Section 5. Payments Under this Agreement.

Section 5.1. Joint Taxes.

With respect to any Tax for any Tax Year for which Parent and Cal Dive are each responsible for a portion of such Tax under this Agreement (a "Joint Tax"), the following provisions shall apply:

(a) Joint Taxes Relating to Parent Filed Returns.

With respect to any Joint Tax that is reflected or reported on any Parent Filed Return, Parent shall determine the amount of such Joint Tax that Cal Dive is responsible for under Section 2 ("Cal Dive's Allocated Tax Liability"). At least 15 days prior to an applicable Payment Date, Parent shall deliver to Cal Dive a statement setting forth in appropriate detail

Parent's determination of Cal Dive's Allocated Tax Liability and the amount (if any) of the cumulative net payments made with respect to such Joint Tax prior to the date of such statement by the Cal Dive Group ("Cal Dive's Cumulative Tax Payment"). Not more than 30 days after Cal Dive's receipt of such statement, Cal Dive shall pay Parent an amount equal to the excess (if any) of Cal Dive's Allocated Tax Liability, over Cal Dive's Cumulative Tax Payment. If Cal Dive's Cumulative Tax Payment is greater than Cal Dive's Allocated Tax Liability, then Parent shall pay such excess to Cal Dive within 30 days of Parent's receipt of the corresponding Tax Benefit (i.e., through either a reduction in Parent's otherwise required Tax payment or a refund of prior Tax payments).

(b) Adjustments to Joint Taxes.

If there is any adjustment to any Joint Tax described in Section 5.1(a), whether as a result of a Tax Contest, Adjustment Request or otherwise, Parent shall redetermine Cal Dive's Allocated Tax Liability ("Cal Dive's Redetermined Allocated Tax Liability"). After determining Cal Dive's Redetermined Allocated Tax Liability, Parent shall deliver to Cal Dive a statement setting forth in appropriate detail Parent's determination of Cal Dive's Redetermined Allocated Tax Liability and the amount (if any) of Cal Dive's Cumulative Tax Payments made with respect to such Joint Tax prior to the date of such statement. Not more than 30 days after Cal Dive's receipt of such statement, Cal Dive shall pay Parent an amount equal to the excess (if any) of Cal Dive's Redetermined Allocated Tax Liability, over Cal Dive's Cumulative Tax Payments. If Cal Dive's Cumulative Tax Payment is greater than Cal Dive's Redetermined Allocated Tax Liability, then Parent shall pay such excess to Cal Dive within 30 days of Parent's receipt of the corresponding Tax Benefit (i.e., through either a reduction in Parent's otherwise required Tax payment or a refund of prior Tax payments).

(c) Payments for Use of Tax Assets.

If a Parent Group Member realizes a Tax Benefit upon its utilization of a Tax Asset of a Cal Dive Group Member, Parent shall make a payment to Cal Dive equal to the Tax Benefit realized to the extent such utilized Tax Asset of the Cal Dive Group Member arose or accrued during any Post-IPO Period. If a Cal Dive Group Member realizes a Tax Benefit upon its utilization of a Tax Asset of a Parent Group Member, Cal Dive shall make a payment to Parent equal to the Tax Benefit realized to the extent such utilization occurs during any Post-IPO Period. Any payment required to be made under this Section 5.1(c) shall be paid within 30 days following either the receipt of a refund or the filing of the Tax Return reflecting the realization of such Tax Benefit.

Section 5.2. Payments to Tax Authority.

With respect to each Tax Return that a Company is required to prepare and file under this Agreement, such Company shall pay, or cause to be paid, to the applicable Tax Authority when due (including extensions) all Taxes determined to be due and payable. With respect to any Joint Taxes described in Section 5.1(a), Parent shall pay, or cause to be paid, to the applicable Tax Authority when due such Joint Taxes.

Section 5.3. Timing of Payments.

In the event a Company is required to make a payment to the other Company under this Agreement and the time for making such payment is not otherwise provided for in this Agreement, the first Company shall make such payment within 30 days of its receipt of such other Company's written demand for such payment, which written demand shall include in reasonable detail an explanation and computation of the amount due.

Section 5.4. Tax Treatment of Payments.

Unless otherwise required by applicable Tax Law, the Companies agree that any payments made by one Company to the other Company (other than any reimbursement of expense pursuant to Section 4.5(a) and interest payments pursuant to Section 5.5) pursuant to this Agreement shall be treated for all Tax and financial accounting purposes as nontaxable payments (dividend distributions or capital contributions, as the case may be) made immediately prior to the IPO and, accordingly, as not includible in the Taxable income of the recipient Company or as deductible by the payor Company. If, notwithstanding the previous sentence, there is a Final Determination that the recipient Company's receipt of such payment is subject to Tax, the payor Company shall pay to the recipient Company an additional amount that, when added to the prior payment, will result in the recipient Company receiving an amount equal to such prior payment, after taking into account all Taxes that are payable by the recipient Company with respect to the receipt of such prior payment and such additional amount.

Section 5.5. Interest.

Any payment that is not made within the period prescribed in this Agreement (the "Payment Period") shall bear interest at the Default Rate, compounded semiannually, for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment. Notwithstanding Section 5.4, the interest payment shall be treated as interest expense to the payor (deductible to the extent provided by applicable Tax Law) and as interest income by the recipient (includible in income to the extent provided by applicable Tax Law).

Section 5.6. Refunds.

(a) Refund Received by Parent Group Members.

If a Parent Group Member receives a Tax refund with respect to Taxes for which a Cal Dive Group Member is responsible hereunder, Parent shall pay to Cal Dive within 30 days following the receipt of the Tax refund, an amount equal to such Tax refund.

(b) Refund Received by Cal Dive Group Members.

If a Cal Dive Group Member receives a Tax refund with respect to Taxes for which a Parent Group Member is responsible hereunder, Cal Dive shall pay to Parent within 30 days following the receipt of the Tax refund, an amount equal to such Tax refund.

Section 5.7. Payments by or to Other Members of the Groups.

When appropriate under the circumstances to reflect the underlying liability for a Tax or entitlement to a Tax refund or Tax Benefit, a payment which is required to be made by or to a Company may be made by or to another member of the Group to which that Company belongs, but nothing in this Section 5.7 shall relieve any Company of its obligations under this Agreement.

Section 5.8. Tax Benefits from Payment of Taxes.

With respect to any Tax Benefits received by a Cal Dive Group Member after the IPO Closing Date that result from Taxes for which Parent is responsible hereunder, including as a result of the utilization of foreign tax credits and minimum tax credits, Cal Dive shall make a payment to Parent in an amount equal to the Tax Benefit received, with such payment being made within 30 days following the filing of the Tax Return reflecting the realization of such Tax Benefit. For purposes of this Section 5.8, the Cal Dive Group Member (i) shall be deemed to realize such Tax Benefit in the first Tax Year (or Tax Years) that such Tax Benefit (or the Tax Item giving rise to such Tax Benefit) may be realized under applicable Tax Law, (ii) shall be deemed to pay Tax at the highest marginal corporate Tax rates in effect in each relevant Tax Year and (iii) shall be deemed to have utilized the Tax Items attributable to the Taxes that are the responsibility of Parent giving rise to such Tax Benefit prior to similar Tax Items of any Cal Dive Group Member that could have otherwise been utilized by the Cal Dive Group Member.

Section 6. Assistance and Cooperation; Retention of Tax Records.

Section 6.1. Assistance and Cooperation.

Cal Dive shall cause each Cal Dive Group Member to cooperate with Parent and its agents, including accounting firms and legal counsel, in connection with Tax matters relating to (i) the preparation and filing of Tax Returns, (ii) determining the liability for and the amount of any Taxes due (including estimated Taxes) or the right to an amount of any refund of Taxes and (iii) any Tax Contest. Such cooperation shall include making all information and documents, including Tax Records, in any Cal Dive Group Member’s possession relating to any Group Member available to Parent for inspection during normal business hours upon reasonable notice and, upon request by Parent, providing copies, at Cal Dive’s expense, of such information and documents, including Tax Records. Cal Dive shall also make available to Parent, as reasonably requested and available, personnel (including each Cal Dive Group Member’s officers, directors, employees and agents) responsible for preparing, maintaining and interpreting information and documents relevant to Taxes and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any Tax Contest. Any information or documents provided under this Section 6 shall be kept confidential by Parent, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any Tax Contest.

Section 6.2. Tax Records.

(a) Retention of Tax Records.

Each Company shall preserve and keep all Tax Records exclusively relating to Separate Company Taxes of its Group for Pre-IPO Periods, and Parent shall preserve and keep all other Tax Records relating to Taxes of the Groups for Pre-IPO Periods, for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in any event until the later of (i) the expiration of any applicable statutes of limitation, or (ii) seven years after the IPO Closing Date. If, prior to the expiration of the applicable statute of limitation and such seven-year period, a Company reasonably determines that any Tax Records which it is required to preserve and keep under this Section 6.2 are no longer material in the administration of any matter under the Code or other applicable Tax Law, such Company may dispose of such Tax Records upon 90 days prior notice to the other Company. Such notice shall include a list of the Tax Records to be disposed of, describing in reasonable detail each file, book or other record accumulation being disposed. The notified Company shall have the opportunity, at its cost and expense, to copy or remove, within such 90-day period, all or any part of such Tax Records.

(b) Access to Tax Records.

The Companies shall make available to members of the other Group for inspection and copying during normal business hours upon reasonable notice all Tax Records in their possession to the extent reasonably requested by any such member of the other Group in connection with the preparation of Tax Returns, Tax Contests or the resolution of items under this Agreement.

Section 7. Tax Contests.

Section 7.1. Notice.

Each Company shall provide prompt notice to the other Company of any pending or threatened Tax audit, assessment or proceeding or other Tax Contest of which it becomes aware that could affect any Tax liability for which the other Company may be responsible under this Agreement; provided, however, that failure to give prompt notice shall not affect the indemnification obligations hereunder except to the extent the Indemnifying Company is actually prejudiced thereby. Such notice shall contain factual information (to the extent known) describing such audit, assessment or proceeding in reasonable detail and shall be accompanied by copies of any notice and other documents received from any Tax Authority in respect of any such matters.

Section 7.2. Control of Tax Contests.

(a) Tax Contests Relating to Tax Returns.

Except as otherwise provided in this Agreement, the Company responsible for preparing and filing a Tax Return pursuant to Section 4 of this Agreement (the "Controlling Company") shall have the exclusive right, in its sole discretion, to control, contest and represent the interests of each Group in any Tax Contest relating to such Tax Return and to resolve, settle or agree to

any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Contest. The Controlling Company's rights shall extend to any matter pertaining to the management and control of the Tax Contest, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item.

(b) Additional Taxes & Restructuring Taxes.

Notwithstanding any other provision of this Agreement to the contrary, Parent shall have the exclusive right, in its sole discretion, to control, contest and represent the interests of each Group in any Tax Contest relating, in whole or in part, to Additional Taxes and Restructuring Taxes and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Contest. Parent's rights shall extend to any matter pertaining to the management and control of the Tax Contest, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item.

(c) Other Taxes.

In the case of any Tax Contest with respect to any Other Tax for which Cal Dive is solely responsible under Section 2.5, Cal Dive shall have the exclusive right, in its sole discretion, to control, contest and represent the interests of the Cal Dive Group in such Tax Contest and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Contest. With respect to any Other Tax not described in the preceding sentence, Parent shall have the exclusive right, in its sole discretion, to control, contest and represent the interests of the Groups in such Tax Contest and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Contest.

Section 7.3. Reimbursement of Expenses.

If the Indemnifying Company is not the Controlling Company, the Indemnifying Company shall reimburse the Controlling Company for its costs (including accountant's fees, investigatory fees and fees and disbursements of tax counsel) ("Indemnification Expenses") incurred in any Tax Contest that are reasonably allocable to the portion of the contested Taxes that would be the responsibility of the Indemnifying Company hereunder upon a Final Determination that such contested Taxes are due. The Controlling Company shall provide the Indemnifying Company with a written statement (a "Reimbursement Statement") periodically (but not more often than monthly) that sets forth the amount of the Controlling Company's Indemnification Expenses since the most recent Reimbursement Statement and due hereunder. Within 15 days of the Indemnifying Company's receipt of each Reimbursement Statement, the Indemnifying Company shall pay to the Controlling Company the total amount of the Indemnification Expenses shown on such Reimbursement Statement.

Section 8. Continuing Covenants.

Except as otherwise provided in this Agreement, each of Parent (for itself and each other Parent Group Member) and Cal Dive (for itself and each other Cal Dive Group Member) agrees (i) not to take any action reasonably expected to result in an increased Tax liability to another Group, a reduction in a Tax Asset of another Group or an increased liability to another Group

under this Agreement, (ii) not to take any action, fail to take any action or commit any omission that would result in Additional Taxes and (iii) to take any action reasonably requested by a Company that would reasonably be expected to result in a Tax Benefit or avoid a Tax Detriment to such Company; provided, that such action does not result in any additional direct or indirect cost not fully compensated for by the requesting Company.

Section 9. Dispute Resolution.

In the event that the Companies disagree as to the amount or calculation of any payment to be made under this Agreement, or the interpretation or application of any provision under this Agreement, the Companies shall attempt in good faith to resolve such dispute. If such dispute is not resolved within 60 days following the commencement of the dispute, the Companies shall jointly retain an Independent Firm, reasonably acceptable to the Companies, to resolve the dispute; provided, however, that in order to pursue any such dispute resolution under this Section 9, the Indemnifying Company must first pay to the Indemnified Company, or place in an escrow account reasonably satisfactory to the Indemnified Company pending resolution of such dispute, an amount equal to the payment which is the subject of such dispute. The Independent Firm shall act as an arbitrator to resolve all points of disagreement and its decision shall be final and binding upon the Companies. Following the decision of the Independent Firm, the Companies shall take, or cause to be taken, any action necessary to implement the decision of the Independent Firm. The fees and expenses relating to the Independent Firm shall be borne by the Company that does not prevail in the dispute resolution proceeding. Notwithstanding any provision of this Agreement to the contrary, the provisions of Article VII of the Master Agreement shall apply to any disagreement between the Companies relating to Restructuring Taxes or any matter relating to any Tax Contest.

Section 10. General Provisions.

Section 10.1. Effectiveness; Termination of Prior Tax Allocation Agreements.

This Agreement shall be effective on the date first written above. Immediately prior to the close of business on the date hereof (i) all Prior Tax Allocation Agreements shall be terminated, and (ii) amounts due under such Prior Tax Allocation Agreements as of the date hereof shall be settled. Upon such termination and settlement, no further payments by or to any Parent Group Member or by or to any Cal Dive Group Member, with respect to such Prior Tax Allocation Agreements, shall be made, and all other rights and obligations resulting from such Prior Tax Allocation Agreements between the Companies and their Affiliates shall cease at such time. Any payments pursuant to such Prior Tax Allocation Agreements shall be ignored for purposes of computing amounts due under this Agreement.

Section 10.2. Survival of Obligations.

The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

Section 10.3. Addresses and Notices.

All notices, consents, requests, instructions, approvals, statements, reports and other communications provided for herein shall be validly given, made or served, if in writing and delivered personally or sent by registered mail, postage prepaid, or by facsimile transmission:

If to Parent:

Helix Energy Solutions Group, Inc.
400 N. Sam Houston Parkway East, Suite 400
Houston, Texas 77060
Attn: General Counsel
Fax: (281) 618-0505

If to Cal Dive:

Cal Dive International, Inc.
400 N. Sam Houston Parkway East, Suite 1000
Houston, Texas 77060
Attn: General Counsel
Fax: (281) 618-0503

or to such other address that a Company may, from time to time, designate in a written notice to the other Company given in a like manner. Notice delivered personally shall be deemed delivered when received by the recipient. Notice given by mail as set out above shall be deemed delivered five calendar days after the date the same is mailed. Notice given by facsimile transmission shall be deemed delivered on the day of transmission provided telephone confirmation of receipt is obtained promptly after completion of transmission.

Section 10.4. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the Companies and their successors and assigns.

Section 10.5. Waiver.

No failure by any Company to insist upon the strict performance of any obligation under this Agreement or to exercise any right or remedy under this Agreement shall constitute waiver of any such obligation, right or remedy or any other obligation, rights or remedies under this Agreement.

Section 10.6. Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 10.7. Further Action.

Each Company shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement, including the execution and delivery to the other Company and their Affiliates and representatives of such powers of attorney or other authorizing documentation as is reasonably necessary or appropriate in connection with Tax Contests under the control of any such other Company in accordance with Section 7.

Section 10.8. Integration.

This Agreement constitutes the entire agreement between the Companies pertaining to the subject matter of this Agreement and supersedes all prior agreements and understandings pertaining thereto. In the event of any inconsistency between this Agreement and the Master Agreement or any other agreements relating to the transactions contemplated by the Master Agreement, the provisions of this Agreement shall control.

Section 10.9. Construction.

The language in all parts of this Agreement shall in all cases be construed according to its fair meaning and shall not be strictly construed for or against any Company.

Section 10.10. No Double Recovery.

No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages or other amounts for which the damaged Company has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or equity. Unless expressly required in this Agreement, a Company shall not be required to exhaust all remedies available under other agreements or at law or equity before recovering under the remedies provided in this Agreement.

Section 10.11. Setoff.

All payments to be made by any Company under this Agreement may be netted against payments due to such Company under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding, all of which are hereby expressly waived.

Section 10.12. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

Section 10.13. No Third Party Rights.

This Agreement is only intended to allocate the responsibility for certain Taxes between Parent and Cal Dive and to address the other Tax matters stated herein. Nothing in this Agreement, express or implied, is intended or shall confer any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement upon any Group Member or Person

other than Parent and Cal Dive. Parent and Cal Dive acknowledge and agree that the respective rights of the Parent Indemnitees and the Cal Dive Indemnitees expressly provided under this Agreement may only be enforced by Parent and Cal Dive, respectively.

Section 10.14. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to contracts executed in and to be performed in the State of Texas.

[Signature Page Follows]

IN WITNESS WHEREOF, the Companies have caused this Agreement to be executed by their respective officers as of the date set forth above.

HELIX ENERGY SOLUTIONS GROUP, INC.

By: /s/ Martin R. Ferron
Name: Martin R. Ferron
Its: President and Chief Executive Officer

CAL DIVE INTERNATIONAL, INC.

By: Quinn J. Hébert
Name: Quinn J. Hébert
Its: President and Chief Executive Officer

SCHEDULE 1.1

List of Cal Dive Subsidiaries

CDI Janus Holdings LLC
Cal Dive HR Services LLC
Cal Dive International Pte Limited
Cal Dive International (Australia) Pty Limited
CDI Proteus LLC
CDI Umbra LLC
Marine Technology Solutions St. Lucia Limited-IBC
Offshore Technology Solutions Limited (40% owned)
CDI Prometheus Holdings, Inc.
CDI Vessel Holdings LLC

SCHEDULE 1.2

List of Parent Subsidiaries

Helix Oil & Gas, Inc.
Helix Energy Solutions (U.K.) Limited
Well Ops, Inc.
Vulcan Marine Holdings LLC
Neptune Vessel Holdings LLC
Helix Energy Solutions BV
Cal Dive I — Title XI, Inc.
Helix Vessel Holdings LLC
Cal Dive Offshore Ltd.
Canyon Offshore, Inc.
Energy Resource Technology GOM, Insc.
Energy Resource Technology (U.K.) Limited
Canyon Offshore Limited
Canyon Offshore International Corp.
CKB Petroleum, Inc.
CKB & Associates, Inc.
Box Brothers Realty Investments Company
CB Farms, Inc.
Box Resources, Inc.
Helix Energy Limited
Well Ops (U.K.) Limited
Helix RDS Limited
Helix RDS Sdn Bhd (50% owned)
Helix RDS Pty Limited
Helix HR Services Limited
Well Ops PTE Limited
Vulcan Marine Technology LLC
Deepwater Gateway LLC (50% owned)
Helix Energy Services PTE Limited
Helix Energy Services Pty Limited
Kommandor LLC (50% owned)
Wells Ops SEA Pty Ltd. (58% owned)

Exhibit 21.1

Subsidiaries of Helix Energy Solutions Group, Inc.
As of December 31, 2006

Name of Subsidiary	Jurisdiction of Formation
Canyon Offshore, Inc.	Texas
Canyon Offshore Limited	Scotland
Canyon Offshore International Corp	Texas
Helix Energy Solutions BV	The Netherlands
Helix Energy Solutions (U.K.) Limited	Scotland
Well Ops (U.K.) Limited	Scotland
Helix HR Services Limited	Scotland
Well Ops PTE Limited	Singapore
Helix Energy Limited	Scotland
Helix RDS Limited	Scotland
Helix RDS Pty Limited	Australia
Well Ops, Inc.	Texas
Energy Resource Technology GOM, Inc.	Delaware
CKB Petroleum, Inc.	Texas
CKB & Associates, Inc.	Texas
Box Brothers Realty Investments Company	Texas
CB Farms, Inc.	Texas
Box Resources, Inc.	Texas
Energy Resource Technology (U.K.) Limited	Scotland
Cal Dive I-Title XI, Inc.	Texas
Helix Vessel Holdings LLC	Delaware
Neptune Vessel Holdings LLC	Delaware
Vulcan Marine Holdings LLC	Delaware
Vulcan Marine Technology LLC	Delaware
Cal Dive Offshore Ltd.	Cayman
Helix Oil & Gas, Inc.	Delaware
Kommandor LLC (50% interest)	Delaware
Cal Dive International, Inc. (73% interest)	Delaware
Helix Energy Services Pte. Limited.	Singapore
Well Ops SEA Pty Ltd (d/b/a Seatrac) (58% interest)	Australia
Helix Energy Services Pty Ltd	Australia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement Forms S-3 (Nos. 333-103451 and 333-125276) and in the related Prospectuses and Forms S-8 (Nos. 333-126248, 333-58817, 333-50289 and 333-50205) of Helix Energy Solutions Group, Inc. of our reports dated February 28, 2007, with respect to the consolidated financial statements of Helix Energy Solutions Group, Inc. and subsidiaries, Helix Energy Solutions Group, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Helix Energy Solutions Group, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 28, 2007

Exhibit 23.2

[Letterhead of Huddleston & Co., Inc.]
February 28, 2007

Helix Energy Solutions Group, Inc.
400 North Sam Houston Parkway East
Suite 400
Houston, TX 77060

Re: Helix Energy Solutions Group, Inc.
Securities and Exchange Commission
Form 10-K
Consent Letter

Gentlemen:

The firm of Huddleston & Co., Inc. consents to the naming of it as experts and to the incorporation by reference of its report letter dated February 14, 2007 concerning the proved reserves as of January 1, 2007 attributable to Energy Resource Technology GOM, Inc. in the Annual Report of Helix Energy Solutions Group, Inc. on Form 10-K to be filed with the Securities and Exchange Commission. Huddleston & Co., Inc. has no interests in Helix Energy Solutions Group, 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 Helix Energy Solutions Group, Inc. We are not employed by Helix Energy Solutions Group, Inc. on a contingent basis.

Very truly yours,

HUDDLESTON & CO., INC.

By: /s/ PETER D. HUDDLESTON
Name: Peter D. Huddleston, P.E.
Title: President

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Owen Kratz, the Principal Executive Officer of Helix Energy Solutions Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Helix Energy Solutions Group, Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2007

/s/ OWEN KRATZ
Owen Kratz
Executive Chairman

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, A. Wade Pursell, the Principal Financial Officer of Helix Energy Solutions Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Helix Energy Solutions Group, Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2007

/s/ A. WADE PURSELL
A. Wade Pursell
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the accompanying annual report of Helix Energy Solutions Group, Inc. ("Helix") on Form 10-K for the period ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Owen Kratz, Executive Chairman of Helix, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 Helix.

Date: March 1, 2007

/s/ OWEN KRATZ
Owen Kratz
Executive Chairman

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

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

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

In connection with the accompanying Quarterly Report of Helix Energy Solutions Group, Inc. (“Helix”) on Form 10-K for the period ended December 31, 2007, 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 Helix, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 Helix.

Date: March 1, 2007

/s/ A. WADE PURSELL
A. Wade Pursell
Executive Vice President and
Chief Financial Officer

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

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.