No. 10-30585

In the United States Court of Appeals for the Fifth Circuit

HORNBECK OFFSHORE SERVICES, INC.,

Plaintiff-Appellee,

v.

KENNETH SALAZAR, in his official capacity as Secretary of the Interior, UNITED STATES DEPARTMENT OF THE INTERIOR, THE BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION, AND ENFORCEMENT, and MICHAEL R. BROMWICH, in his official capacity as Director of that Bureau,

Defendants-Appellants.

On Appeal from the United States District Court
for the Eastern District of Louisiana, No. 10-CV-1663(F)(2)
(Hon. Martin Feldman)

MOTION FOR LEAVE TO FILE AMICUS CURIAE BRIEF OF SEN. MARY LANDRIEU OF THE STATE OF LOUISIANA, CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA, LOUISIANA OIL & GAS ASSOCIATION, GREATER HOUSTON PARTNERSHIP, IN SUPPORT OF PLAINTIFF-APPELLEE'S OPPOSITION TO DEFENDANTS-APPELLANTS' MOTION FOR STAY

Tanner Alston Johnson
Counsel to Sen. Mary L. Landrieu
328 Hart Senate Office Building
Washington, D.C. 20510

R. Ted Cruz
MORGAN, LEWIS & BOCKIUS LLP
1000 Louisiana Street, Suite 4000
Houston, Texas 77002
713.890.5000 Telephone
713.890.5001 Facsimile

Attorneys for Amici Curiae

(list of amici continues on inside cover)

No. 10-30585

(list of amici, continued from front cover)

Louisiana Association of Business & Industry, Mobile Area Chamber of Commerce, Greater Shreveport Chamber of Commerce, Ruston Lincoln (LA) Chamber of Commerce, Natchitoches Area (LA) Chamber of Commerce, Baton Rouge Area Chamber of Commerce, Southern Crop Production Association, New Orleans Chamber of Commerce, Mississippi Associated Builders & Contractors, Greater Lafayette Chamber of Commerce, Ascension Chamber of Commerce, Greater Iberia Chamber of Commerce, St. Tammany West Chamber of Commerce, East St. Tammany Chamber of Commerce, Plaquemines Association of Business and Industry, Thibodaux Chamber of Commerce, River Region Chamber of Commerce, Houma-Terrebonne Chamber of Commerce, Bayou La Batre Area Chamber of Commerce, Harvey Canal Industrial Association, Louisiana Association of Chambers of Commerce Executives, Southwest Louisiana Chamber of Commerce, Lafourche Chamber of Commerce, Greater New Orleans, Inc.

(list of counsel, continued from front cover)

Robin S. Conrad
Amar D. Sarwal
NATIONAL CHAMBER LITIGATION CENTER, INC.
1615 H Street, N.W.
Washington, D.C. 20062
(202) 463-5337 Telephone
202 463 5346 Facsimile

Counsel for The Chamber of Commerce of the United States of America

Patrick Oxford
BRACEWELL & GIULIANI LLP
711 Louisiana Street
Suite 2300
Houston, TX 77002-2770
Ph: 713.221.1432
Fax: 713.224.8888

Attorneys for Greater Houston Partnership

Clay Allen
ALLEN & GOOCH
2000 Kaliste Saloom Rd, Suite 400
Lafayette LA 70508
Ph: 337.291.1000
Fax: 337.291.1200

Attorneys for The Louisiana Oil & Gas Association

STATEMENT OF IDENTITY, INTEREST, AND AUTHORITY

Amici Curiae, Senator Mary Landrieu of Louisiana, U.S. Chamber of Commerce, Louisiana Oil & Gas Association, Greater Houston Partnership, Louisiana Association of Business & Industry, Mobile Area Chamber of Commerce, Greater Shreveport Chamber of Commerce, Ruston Lincoln Chamber of Commerce, Natchitoches Area Chamber of Commerce, Baton Rouge Area Chamber of Commerce, Southern Crop Production Association, New Orleans Chamber of Commerce, Mississippi Associated Builders & Contractors, Greater Lafayette Chamber of Commerce, Ascension Chamber of Commerce, Greater Iberia Chamber of Commerce, St. Tammany East and West Chambers of Commerce, Plaquemines Association of Business and Industry, Thibodeaux Chamber of Commerce, River Region Chamber of Commerce, Houma-Terrebonne Chamber of Commerce, Bayou La Batre Area Chamber of Commerce, Harvey Canal Industrial Association, Louisiana Association of Chambers of Commerce Executives, Southwest Louisiana Chamber of Commerce, and Greater New Orleans, Inc. submit this motion for leave to file an *amicus* brief pursuant to Fed. R. App. P. 29. Appellants do not oppose the filing of this motion.

INTEREST OF *AMICI*

Amici curiae comprise a broad spectrum of individuals and organizations in the Gulf Coast region and across the Nation who share a deep concern about the serious effects of the federal government's moratorium on the Nation's economy, on the wide variety of industries impacted by the moratorium, on the State of Louisiana, and on the entire Gulf Coast region. In particular, Senator Mary Landrieu, the senior senator from the state of Louisiana and currently the Chair of the Senate Small Business Committee and a member of the Appropriations and Energy and Natural Resources Committees, is intensely interested in the welfare of the great state of Louisiana.

Amici therefore join Plaintiffs-Appellees in respectfully requesting that the Court deny the Government's motion to stay the order by the district court enjoining the Government from enforcing its blanket Moratorium, and uphold the district court's ruling. In support thereof, the *Amici Curiae* identified in Appendix A respectfully seek leave to file this brief pursuant to Rule 29(a) of the Federal Rules of Appellate Procedure.

REASONS WHY FILING AN *AMICUS* BRIEF IS DESIRABLE

Amici's brief is relevant and desirable, see Fed. R. App. P. 29(b)(2), because it presents argument and empirical evidence regarding the real-world effects of a moratorium on drilling in the Gulf of Mexico on the local, regional, and national economies. Because this brief would serve the "classic role" of "bring[ing]" relevant matter to the attention of the Court that has not already been brought to its attention by the parties," *amici's* motion should be granted. Fed. R. App. P. 29

Advisory Comm. Note; *Funbus Systems, Inc. v. Cal. Pub. Util. Comm'n*, 801 F.2d 1120, 1124-25 (9th Cir. 1986)(citation omitted); *see also Neonatology Assocs. v. Commissioner*, 293 F.3d 128, 132-33 (3d Cir. 2002)(Alito, J.)(discussing standards for acceptance of *amicus* briefs). *Amici* here – organizations representing a wide range of business interests offer the Court relevant data and information regarding the real-life consequences of imposing a drilling moratorium. *Amici* will therefore provide a distinct and relevant basis of the issues presented on appeal. *Cf. In re Heath*, 331 B.R. 424, 430 (B.A.P. 9th Cir. 2005)(noting that, even under a different Circuit's "restrictive" approach, an amicus brief is accepted if "the amicus has unique information or perspective that can help the court.").

CONCLUSION

For these reasons, *amici* respectfully request leave that the Court grants their motion to file the attached amicus curiae brief.

Respectfully submitted,

By: /s/ R. Ted Cruz

R. Ted Cruz
MORGAN, LEWIS & BOCKIUS LLP
1000 Louisiana Street, Suite 4000
Houston, Texas 77002
713.890.5000 Telephone
713.890.5001 Facsimile

CERTIFICATE OF SERVICE

On July 2, 2010, I served copies of the foregoing motion and attachment on the following counsel via electronic filing with the Court's CM/ECF system, and via U.S. mail and electronic mail:

Guillermo A. Montero
U.S. Department of Justice
Environmental and Natural Resources Division
Natural Resources Section P.O. Box 663
Washington, D.C. 20016
Counsel for Defendants

Catherine Moore Wannamaker
Southern Environmental Law Center
The Candler Building
127 Peachtree Street
Suite 605
Atlanta, GA 30303

Carl D. Rosenblum
Jones, Walker, Waechter,
Poitevent, Carrere, & Denegre, L.L.P.
201 St. Charles Avenue, 49 Floor
New Orleans, LA. 70170
Counsel for Plaintiffs

Thomas Patrick Baynham
Baynham Best, LLC
3850 N. Causeway Blvd.
Suite 950
Metairie, LA 70002

Alisa Ann Coe
Earthjustice (Tallahassee)
111 S. Martin Luther King Jr. Blvd.
Tallahassee, FL 32301

Peter M. Mansfield
U.S. Attorney's Office
500 Poydras St.
New Orleans, LA 70130

John Timothy Suttles, Jr.
Southern Environmental Law Center
200 W. Franklin St.
Suite 330
Chapel Hill, NC 27516-2559

James D. "Buddy" Caldwell
Louisiana Attorney General
P.O. Box 94005
Baton Rouge, Louisiana 70804-9005

Henry T. Dart, Esq.
Grady J. Flattmann, Esq.
Henry Dart, Attorneys at Law P.C.
510 N. Jefferson St.
Covington, LA 70433

Allan Kanner, Esq.
Elizabeth B. Petersen, Esq.
Rebecca J. Davis, Esq.
Kanner & Whiteley, L.L.C.
701 Camp Street
New Orleans, Louisiana 70130

Bradley Marten, Esq.
Linda R. Larson, Esq.
Marten Law PLLC
1191 Second Avenue, Suite 2200
Seattle, WA 98101

T. Allen Usry, Esq.
Usry, Weeks, & Matthews, APLC
1615 Poydras St., Ste. 12
New Orleans, LA 70112

E. Wade Shows, Esq.
Shows, Cali, Berthelot & Walsh LLP
628 St. Louis Street
Baton Rouge, LA 70802

By: /s/ R. Ted Cruz
R. Ted Cruz
MORGAN, LEWIS & BOCKIUS LLP
1000 Louisiana Street, Suite 4000
Houston, Texas 77002
713.890.5000 Telephone
713.890.5001 Facsimile

No. 10-30585

In the United States Court of Appeals for the Fifth Circuit

HORNBECK OFFSHORE SERVICES, INC.,

Plaintiff-Appellee,

v.

KENNETH SALAZAR, in his official capacity as Secretary of the Interior, UNITED STATES DEPARTMENT OF THE INTERIOR, THE BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION, AND ENFORCEMENT, and MICHAEL R. BROMWICH, in his official capacity as Director of that Bureau,

Defendants-Appellants.

On Appeal from the United States District Court
for the Eastern District of Louisiana, No. 10-CV-1663(F)(2)
(Hon. Martin Feldman)

AMICUS CURIAE BRIEF OF SEN. MARY LANDRIEU OF THE STATE OF LOUISIANA, CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA, LOUISIANA OIL & GAS ASSOCIATION, GREATER HOUSTON PARTNERSHIP, IN SUPPORT OF PLAINTIFF-APPELLEE'S OPPOSITION TO DEFENDANTS-APPELLANTS' MOTION FOR STAY

Tanner Alston Johnson
Counsel to Sen. Mary L. Landrieu
328 Hart Senate Office Building
Washington, D.C. 20510

R. Ted Cruz
MORGAN, LEWIS & BOCKIUS LLP
1000 Louisiana Street, Suite 4000
Houston, Texas 77002
713.890.5000 Telephone
713.890.5001 Facsimile

Attorneys for Amici Curiae

(list of amici continues on inside cover)

No. 10-30585

(list of amici, continued from front cover)

Louisiana Association of Business & Industry, Mobile Area Chamber of Commerce, Greater Shreveport Chamber of Commerce, Ruston Lincoln (LA) Chamber of Commerce, Natchitoches Area (LA) Chamber of Commerce, Baton Rouge Area Chamber of Commerce, Southern Crop Production Association, New Orleans Chamber of Commerce, Mississippi Associated Builders & Contractors, Greater Lafayette Chamber of Commerce, Ascension Chamber of Commerce, Greater Iberia Chamber of Commerce, St. Tammany West Chamber of Commerce, East St. Tammany Chamber of Commerce, Plaquemines Association of Business and Industry, Thibodaux Chamber of Commerce, River Region Chamber of Commerce, Houma-Terrebonne Chamber of Commerce, Bayou La Batre Area Chamber of Commerce, Harvey Canal Industrial Association, Louisiana Association of Chambers of Commerce Executives, Southwest Louisiana Chamber of Commerce, Lafourche Chamber of Commerce, Greater New Orleans, Inc.

(list of counsel, continued from front cover)

Robin S. Conrad
Amar D. Sarwal
NATIONAL CHAMBER LITIGATION CENTER, INC.
1615 H Street, N.W.
Washington, D.C. 20062
(202) 463-5337 Telephone
202 463 5346 Facsimilie

Counsel for The Chamber of Commerce of the United States of America

Patrick Oxford
BRACEWELL & GIULIANI LLP
711 Louisiana Street
Suite 2300
Houston, TX 77002-2770
Ph: 713.221.1432
Fax: 713.224.8888

Attorneys for Greater Houston Partnership
Clay Allen
ALLEN & GOOCH
2000 Kaliste Saloom Rd, Suite 400
Lafayette LA 70508
Ph: 337.291.1000
Fax: 337.291.1200

Attorneys for The Louisiana Oil & Gas Association

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page

CASES

STATUTES

MISCELLANEOUS

TABLE OF AUTHORITIES
(continued)

Page

TABLE OF AUTHORITIES
(continued)

STATEMENT OF IDENTITY, INTEREST, AND AUTHORITY

Amici curiae comprise a broad spectrum of individuals and organizations in the Gulf Coast region and across the Nation who share a deep concern about the serious effects of the federal government's moratorium on the Nation's economy, on the wide variety of industries impacted by the moratorium, on the State of Louisiana, and on the entire Gulf Coast region. In particular, Senator Mary Landrieu, the senior senator from the state of Louisiana and currently the Chair of the Senate Small Business Committee and a member of the Appropriations and Energy and Natural Resources Committees, is intensely interested in the welfare of the great state of Louisiana.

Amici therefore join Plaintiffs-Appellees in respectfully requesting that the Court deny the Government's motion to stay the order by the district court enjoining the Government from enforcing its blanket Moratorium, and uphold the district court's ruling. In support thereof, the *Amici Curiae* identified in Appendix A respectfully seek leave to file this brief pursuant to Rule 29(a) of the Federal Rules of Appellate Procedure.

INTRODUCTION AND SUMMARY OF ARGUMENT

The federal government's rationale for imposing a blanket moratorium on offshore drilling is deliberately opaque. But the consequences are painfully obvious. On the heels of a global financial meltdown that has already left millions of Americans jobless, the economic losses that will be inflicted by the moratorium are nothing short of staggering. Every day the moratorium remains in effect, the drilling rigs sit idle—forcing companies to choose between cancelling contracts or moving to foreign waters (and taking jobs with them). Every day the moratorium remains in effect, millions of dollars in wages are lost. And every day the moratorium remains in effect, a way of life comes closer to disappearing.

Although the repercussions of the moratorium are national in scope, nowhere are the hardships more apparent than in the Gulf Coast region. Recent years have presented enormous challenges for the Gulf Coast. In addition to Hurricanes Katrina and Rita, which devastated the region, inflicting tragic loss of life and crippling economic harm, the Gulf Coast is dealing with the effects of the Deepwater Horizon oil spill. On the backs of those tragedies, the drilling moratorium—if allowed to go into effect—would present yet another catastrophic event. The economic harm from arbitrarily shutting down a vital industry would serve as an additional, completely unnecessary blow to the Gulf Coast citizens already struggling to overcome recent events.

To put it mildly, the Gulf Coast is heavily dependent on the oil-and-gas industry. Given the nature of that industry, businesses ranging from drilling companies to seismic data processing to offshore support are all closely interconnected. A blow to one segment of the industry—such as the moratorium on offshore drilling—thus has serious ripple effects on all of the others. If allowed to go into effect, the moratorium will cost the region billions of dollars and tens of thousands of jobs. As Louisiana Senator Mary Landrieu observed, the job loss from the drilling moratorium would be akin to "closing 12 large motor vehicle assembly plants in one state, all at once." Letter from Mary Landrieu, U.S. Senator, to Barack Obama, United States President, at 1 (June 11, 2010) (*available at* http://landrieu.senate.gov/mediacenter/pressreleases/06-11-2010-1.cfm) [hereinafter Letter to President Obama].

And those effects hardly stop with the oil-and-gas industry. Laid-off workers struggle to pay their bills, spending less to make ends meet. That, in turn, affects local retail and commercial establishments, as well as charitable and non-profit institutions. Layoffs also mean an increased reliance on the unemployment systems of the Gulf Coast States—which are already bearing a heavy financial burden associated with the costs of the oil spill clean-up. As a result of the moratorium, the States' financial obligations will skyrocket, even as their ability to collect necessary tax revenues will plummet.

The Appellees—several companies involved in the vast network that supports deepwater drilling—quickly recognized the devastating impact the moratorium would bear on their businesses and moved the district court to enjoin the government edict. The district court, noting its uneasiness with the veracity of the report used to support the moratorium, granted the request for preliminary injunction, finding the government's decision to be arbitrary and capricious. After unsuccessfully moving for a stay of the injunction in the district court, the government has now sought relief from this Court in the form of a stay that would re-impose the moratorium and, in turn, the harm to the Gulf Coast region.

In seeking a stay, the United States bears a heavy burden. It must show both that it is likely to ultimately prevail in attacking the district court's carefully reasoned order enjoining the moratorium, and that the balance of factors directed toward achieving equity favors a stay. The *amici* here will not revisit all elements of the test for a stay, but will focus particularly on the public interest that will be served in letting the district court's interlocutory order stand, the irreparable harm that will be suffered otherwise, and certain aspects related to the Government's likelihood of overturning the district court's injunction.

ARGUMENT

A. The Public Interest Strongly Favors Denying The Stay And Maintaining The Injunction

Unless the district court's injunction stands, companies will be forced to take steps that will cause a devastating ripple effect throughout the Gulf Coast community, which has faced unprecedented hardships in the last several years, including the immediate crisis of the ongoing oil spill. The oil spill has dealt yet another blow to the fragile economies of the Gulf Coast.

The most far-reaching and devastating effects, however, will be suffered at the hands of the federal government that imposed the moratorium. The oil and gas industry provided the stabilizing force necessary to sustain the Louisiana economy in the aftermath of Hurricanes Katrina and Rita, and is vital to the continued viability of the Gulf Coast as it grapples with the continued effects of the recession and the oil spill. The moratorium essentially cuts the legs from under Gulf Coast communities which are struggling to survive.

1. Like a series of catastrophic aftershocks, the harm inflicted upon the drilling industry by the moratorium will necessarily ripple through its various satellite industries

The oil and gas industry is central to life in the Gulf Coast region. A 2007 study shows that, in Louisiana alone, the total economic impact of the oil and gas industry exceeded $70 billion. Press Release, La. Mid-Continent Oil & Gas Ass'n, Oil Industry Impact on LA Tops $70 Billion, at 1 (Sept. 10, 2007) (*available at* www.lmoga.com/LMOGA%20economic$20study$2007.pdf). The same study notes that the industry supports 320,000 direct and indirect jobs, accounting for $12.7 billion in household earnings—*15.4 percent of the total earnings in Louisiana*. *Id.* Jobs in the oil and gas industry provide wages that far outpace manufacturing jobs,[1] making the industry an even more precious employment source in the Gulf Coast. And, because each upstream oil and gas job supports roughly four other jobs, the economies of the Gulf Coast States simply cannot afford a blanket stoppage of all deepwater drilling activities. *See* La. Mid-Continent Oil & Gas Ass'n, *Impacts of President Obama's Halting Work on 33 Exploratory Wells in the Deepwater Gulf of Mexico*, at 1 (May 28, 2010) (*available at* http://www.lmoga.com/Economic%20Impacts%20of%20Gulf%20Moratorium.pdf) [hereinafter LMOGA, *Impacts*].

Port Fourchon, the southernmost port in Louisiana, is a prime example of the importance of the oil and gas industry in general—and deepwater drilling specifically—to the Gulf Coast. In 2009, Port Fourchon served as the primary support base for more than 90 percent of existing deepwater projects in the Gulf of

[1] Refinery wages are 59 percent higher than average manufacturing wages while exploration and production wages are 83 percent higher than average manufacturing wages. LMOGA Press Release, *supra*, at 2.

Mexico. Jim Redden, *Port Fourchon Thrives Despite the Economy*, OFFSHORE MAG. (Mar. 1, 2009), http://www.offshore-mag.com/index/article-display/357201/articles/offshore/supplements/port-of-fourchon/articles/port-fourchon-thrives-despite-the-economy.html. In early 2009, the MMS listed 59 "pending" deepwater projects in the Gulf of Mexico, in addition to the 33 wells then being drilled in deepwater and the 135 deepwater fields already developed – all of which were being serviced through Port Fourchon. *Id.* By focusing heavily on deepwater projects, Port Fourchon flourished in the midst of a recession, with a daily traffic count in January 2009 13 percent higher than in January 2008. *Id.* The economic success in turn attracted companies to the Port, and by March 2009, Port Fourchon supported more than 250 operators and service and supply companies. *Id.* The blanket moratorium will have a crippling effect on Port Fourchon's operations—stifling a segment of the coastal economy that is creating jobs in this tough economic environment.

As Port Fourchon demonstrates, the effects of the blanket moratorium—devastating as they are on the deepwater drilling companies targeted by the moratorium—are much more far reaching than that. The moratorium affects businesses occupying the various strata of "satellite" industries which support—and are supported by—the drilling community. These include companies that provide catering, welding, and maintenance services, as well as companies that provide raw materials to these entities. As noted by one commentator, "[t]his is not just about big oil…. It's about service companies – suppliers of equipment, valves, cement. These are not always massive firms." *See* Tom Sawyer, et al., *Economic Worries Grow With Oil Spill*, ENG'G NEWS-REC. (June 14, 2010), at 12 (attached hereto as Exhibit A). If the rigs are not working, there is no need for them to be maintained or serviced—so many of these satellite service and supply companies sit idle. And "[i]f they're not working, they feel [the] economic pain." *Id.*

To underscore the point, the National Ocean Industries Association ("NOIA") described the impact of the moratorium on its diverse member companies. Press Release, Nat'l Ocean Indus. Ass'n, *NOIA Member Companies Feel Impacts of Drilling Moratorium, Applauds Landrieu's Efforts to Save Jobs* (June 11, 2010), *available at* http://www.noia.org/website /article.asp?id=38566. One NOIA member, a manufacturer of subsea equipment, indicated that it may have to lay off workers given the lack of demand for its equipment. *Id.* It also indicated that it faces the prospect of reducing its engineering jobs in Houston if it cannot "refocus" them overseas. *Id.* Either way, it will yield a net domestic job loss.

Another Gulf Coast-based NOIA member—a privately held communications company with offices in Houston, New Orleans, and Lafayette—stated that it will be forced to redeploy personnel to different regions or reduce its workforce. *Id.* Even a privately-owned international survey company headquartered in Lafayette, Louisiana will likely not escape the effects of the moratorium, recently announcing that it expects to lay off nearly a dozen employees and turn away several more expected to join the company in the coming months. *Id.* While these companies, and dozens of others like them, may perhaps remain viable, it will be by the barest of margins and with the knowledge that they may never be compensated for the harm suffered.

Further exacerbating the problem is the fact that many companies are opting to exercise their *force majeure* clauses. *See, e.g.*, Press Release, Cobalt Int'l Energy, Inc. Announces Force Majeure Notification on Drill Rig (June 1, 2010) (*available at* http://ir.cobaltintl.com/phoenix.zhtml?c=231838&p=irol-news Article_print&ID=1 432761). The cancellation of these contracts, often worth millions of dollars, can have costly ramifications which inevitably trickle down to the satellite industries. When drilling contracts are cancelled, there is little need for the various sub-contracts for the goods and services that typically support the main contract. Many companies, unable to withstand the uncertainty of the moratorium, may be forced to change their business models or close their doors altogether.

Financial analysts are predicting that if the moratorium remains in place, deepwater drilling in the Gulf of Mexico may not return for another eighteen months to four years. MORGAN STANLEY, GLOBAL OIL SERVICES AND DRILLING EQUIPMENT: REVIEWING ESTIMATES AND TARGETS ASSUMING 18-MONTH GOM DRILLING MORATORIUM 4-5 (Ole Slorer, et al. eds., June 1, 2010) (attached hereto as Exhibit B). That prediction accounts for the reality that these drilling rigs, which can be leased for between $250,000 and $500,000 per day, will not remain idle long. LMOGA, *Impacts*, *supra*, at 1. Instead, these rigs are likely to move out of the Gulf of Mexico, as companies dissolve their lease contracts in reaction to the moratorium. *See* David Hammer, *Rig Support Crews Feel Left in the Lurch; $100 million fund ignores estimated 24,000 jobs*, TIMES-PICAYUNE, June 18, 2010, http://www.nola.com /news/t-p/frontpage/index.ssf?/base/news-14/1276842671148750.xml&coll=1. And once a rig moves, it will stay in its new location until its new multi-year contract is fulfilled. *See* Tom Zeller, Jr., *No Oil is a Problem, Too*, N.Y. TIMES, June 18, 2010, http://www.nytimes.com/2010/06/18/business /18rig.html?scp=2& sq=&st=nyt [hereinafter Zeller, *No Oil*].

Companies for which relocation is not an option will be unable to wait around wondering when (and if) deepwater drilling can resume in the Gulf of Mexico. Consequently, they will be forced to downsize their workforces to adjust for the decreased demand for goods and services. *See*, *e.g.*, Feature, *US Senator Asks Obama to Lift Drilling Ban*, INT'L OIL DAILY, June 14, 2010, http://www.energyintel.com/DocumentDetail.asp?Try=Yes&document_id=674126&publication_id=31 (attached hereto as Exhibit C) (noting that one builder of offshore support vessels issued statement regarding its "uncertain future" and the fact that it "had no choice but to downsize our company"). Alternatively, they may be forced to restructure their operations or dissolve entirely. Whichever option they choose will have grave consequences for other aspects of life in the Gulf Coast.

2. The ripple effect of the moratorium's economic devastation will not stop with the oil and gas related-industries, but reverberate through all aspects of Gulf Coast life

The effects of the moratorium reach even farther than the drilling industry and its satellite companies. As the rigs and supporting vessels stand idle or are deployed to other waters, employees will find themselves faced with grim employment prospects. It is estimated that each idle platform affected by the moratorium puts as many as 1,400 jobs at risk. *See* LMOGA, *Impacts*, *supra*, at 1; Editorial, *A Second Oil Disaster*, WALL ST. J., June 9, 2010, http://online.wsj.com/article/SB10001424052748703303904575293063057023350.html?KEYWORDS=

a+second+oil+disaster [hereinafter *A Second Oil Disaster*] (citing the Louisiana Mid-Continent Oil and Gas Association). Assuming an average wage of $1,804 per week, that translates into roughly $330 million in lost wages ***per month*** for the 33 rigs that have been forced to cease drilling operations. *See* LMOGA, *Impacts*, *supra*, at 1; *A Second Oil Disaster*, *supra*.

As one commentator aptly noted, "[t]hat's money that won't be spent in local economies." *See id.* Employees, who find themselves jobless and with no source of income, will curtail their spending habits. This includes "spending less at the grocery store and movie theater down the street," thereby affecting the revenues of local business wholly unaffiliated with the drilling community. *See* Jeff Moore, *Industry on Edge*, DAILY ADVERTISER, June 6, 2010, http://www.theadvertiser.com/article/20100606/NEWS18/6060335/Industry-on-edge. Affected employees may even find themselves unable to "pay their modest mortgages, doctor bills, and children's tuitions." *See* Zeller, *No Oil*, *supra*, at B1. And, inevitably, charitable donations and support for local non-profit institutions—vital bulwarks in challenging economic times—will necessarily plummet.

Further compounding the problem, of course, is the lack of available employment opportunities due to the national recession, as well as the fact that it is unlikely that laid-off workers will find alternate jobs for which they are qualified.

Even if they are able to find new jobs, it is likely that such jobs will pay a great deal less. *See id.* Their debts will mount as their ability to pay diminishes, thereby pushing these communities into a "double dip" recession.

Moreover, the loss of wages will put a severe burden on the resources of state governments, which are already struggling with clean-up costs resulting from the spill. *Id.* As noted in the *amicus* brief filed by Governor Jindal and the State of Louisiana, the loss of jobs resulting from the moratorium will strain the State's already scarce unemployment resources. (Dkt. 66 at 4.) Moreover, it will affect the ability of States to collect necessary tax revenues. *See* Presentation, *Potential Economic Impact of the Oil Spill*, Greater New Orleans, Inc., Reg'l Econ. Alliance, at 7 (June 21, 2010) [hereinafter GNO, Inc. Presentation], (*available at* http://gnoinc.org/news-events/key-information-on-gulf-oil-spill) (noting that lost tax revenue at the state and parish level would accrue at a rate of $8 million to $15 million per month, "and could surpass $700 million"); *see also A Second Oil Disaster*, *supra*, (noting that "the moratorium will cost the federal government in 2011 some $120 million to $150 million in lost royalty payments and $300 million to $500 million in lost corporate taxes").

For example, the long-term suspension of drilling operations will significantly decrease the amount of traffic on Louisiana Highway 1—a gateway to drilling launch points—thus impacting the amount of tolls collected on that highway. *See* LMOGA, *Impacts*, *supra*, at 3. It is estimated that the State of Louisiana would suffer a $39 million loss of revenue from such tolls, which would otherwise go directly to retiring bond debt. *See id.*; GNO, Inc. Presentation, *supra*, at 9. "[I]f those tolls are lost, the state of Louisiana … will have to pay to retire that debt, meaning loss of funding for some other programs in the state's budget." LMOGA, *Impacts*, *supra*, at 3.

Absent relief from the moratorium, the employment situation will only worsen. All indicators point to the moratorium lasting well into 2011, if not beyond. *See* Tom Zeller, Jr., *Fear grips oil rig communities; Moratorium threatens jobs of those who depend on deepwater drilling*, INT'L HERALD TRIB., June 19, 2010. In Louisiana alone, "the drilling suspension is expected to result in the loss of between 3,000 to 6,000 jobs in the first two to three weeks; 10,000 jobs within a few months; and some 20,000 existing and potential new jobs if the federal panel takes longer than six months to do their reviews and write their reports." Letter from Mary Landrieu, U.S. Senator, to William K. Reilly, Chairman, Nat'l Comm. on the BP Deepwater Horizon Oil Spill & Offshore Drilling, at 2 (June 23, 2010) (*available at* http://landrieu.senate.gov/mediacenter/pressreleases/06-23-2010-2.cfm). That would be akin to "closing 12 large motor vehicle assembly plants in one state, all at once." Letter to President Obama, *supra*, at 1.

If one magnifies that impact across the remaining Gulf Coast states, including Texas, the havoc it could wreak on these communities is almost unfathomable. *See* T. Zeller, *Fear*, *supra* ("Just as the demise of auto plants and steel mills in the Upper Midwest devastated entire towns, an extended drilling ban could … have a similar effect in the Gulf Coast.") (citing report by Raymond James & Associates). One estimate indicates that local payrolls in the Gulf Coast Region could be reduced by nearly $2 billion. Letter from various U.S. Congressmen to Ken Salazar, U.S. Secretary of the Interior, at 1 (June 24, 2010) (*available at* http://www.house.gov/apps/list/press/tx08_brady/ltr_2010_06_24_to_salazar.pdf). And for the most part, these numbers only reflect the impacted jobs on the rigs and their direct service entities. They do not necessarily account for the rings of satellite industries that depend on those drilling operations.

Nor do they account for the more human toll that the moratorium has already taken on residents of the Gulf Coast. According to some, the moratorium "is … ending our lives as far as the way we live. It's really that scary." *See* Zeller, *No Oil*, *supra*, at B1. To them, the moratorium is more than an economic disaster—as bad as that is. It is an attack on their way of life, their families, and their future.

As one worker who fears that impending layoffs will prevent him from sending his son to college in the fall put it, "[i]t's a shame that I have to tell my 18-year-old son that he might have to help his daddy buy groceries." *Id.*

B. The Threatened Injury To Companies Along The Gulf Coast Is Irreparable And Heavily Outweighs Any Harm To The Government From Lifting The Moratorium

As the devastating ripple effects of the moratorium demonstrate, there can be little real question that the federal government failed to conduct the statutorily-required balancing of costs and benefits (across a broad range of factors) before imposing the moratorium. Indeed, despite its immense breadth—covering virtually ***all*** drilling operations, many of which bear no rational connection or commonality with Deepwater Horizon—there is scant justification or factual support in the administrative record for the moratorium. The district court therefore had little difficulty concluding that the companies that brought this action would suffer irreparable harm without an order enjoining the moratorium—and that the harm would far outweigh any that the Government might suffer if the moratorium were lifted. That conclusion is correct, and *amici* will not re-argue it here.

One point, however, merits further mention. The Government argues that to satisfy the irreparable harm requirement, the companies are required to present concrete evidence that the network of deepwater service vendors and suppliers will altogether collapse because of the moratorium. (Mot. to Stay 18-19.) But harm need not be fatal to be irreparable. *See, e.g.*, *Ross-Simons of Warwick, Inc. v. Baccarat, Inc.*, 102 F.3d 12, 18 (1st Cir. 1996) ("To establish irreparable harm, however, a plaintiff need not demonstrate that the denial of injunctive relief will be fatal to its business."). The fact that a company or an industry segment may find a way to stave off bankruptcy does not make the harm suffered reparable or make an injunction any less proper.

The Government's argument also ignores that the citizen-suit provision that authorizes this litigation provides only an avenue for injunctive relief—and this Court has held that there is no private right of action for damages under the Outer Continental Shelf Lands Act ("OCSLA"). *See Wentz v. Kerr-McGee Corp.*, 784 F.2d 699, 701 (5th Cir. 1986). Certainly the Government has not conceded that it will provide restitution for the economic injury resulting from the moratorium. Indeed, the government can be expected to litigate vigorously against any attempts to recoup the losses caused by the moratorium and, to say the least, recovery from the federal government—aided by a host of legal doctrines that insulate the public from litigation exposure—is far from certain. The moratorium thus threatens to inflict injuries without providing any clear avenue for compensation. That is exactly the type of irreparable harm against which preliminary injunctions are designed to protect.

C. The Government Is Not Likely To Succeed In Defending The Moratorium On The Merits

One need not be expert in administrative law to recognize that the actions taken by the agencies here in implementing the moratorium are the very definition of "arbitrary and capricious" under the Administrative Procedure Act. But more is at stake in the resolution of the issue than procedural niceties. Businesses small and large depend upon the government adhering to the rule of law. Without that adherence, businesses have a more difficult time ordering their affairs—and the government's failure to conduct evidence-based decision-making makes it more likely that it will err in whatever decision it does make. Allowing the government to engage in slipshod regulatory action in a heavily politicized environment will only invite further abuse.

Although an agency is afforded some deference in its decision-making processes, its actions may be set aside if they are "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law." *See* 5 U.S.C. § 706(2)(A); *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 414 (1971) (internal quotations omitted). Under that standard, the reviewing court must consider whether the agency's action "was based on a consideration of the relevant factors and whether there has been a clear error of judgment." *Id.* at 416. The agency must have weighed the relevant data, articulated "an explanation of the basis for its decision," and demonstrated "a rational connection between the facts found and the choice made." *Bowen v. Am. Hosp. Ass'n*, 476 U.S. 610, 626 (1986) (internal quotations and citations omitted); *see also Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto Ins. Co.*, 463 U.S. 29, 43 (1983). Absent this, the agency's action must be set aside.

In crafting OCSLA, Congress intended the Department of the Interior and the Mineral Management Service (together, "the agencies") to adopt a balanced approach in all of their decision-making—an approach that must appropriately weigh, among other things, the economic and social impacts resulting from decisions related to deepwater leases, as well as environmental and other concerns. *See generally* 43 U.S.C. § 1344 (discussing "economic and social values" to be incorporated in decision-making; "equitable sharing of developmental benefits and environmental risks"; "the relative needs of regional and national energy markets"). Nothing in OCSLA exempts decisions regarding suspension of operations from this carefully crafted scheme.

It is particularly offensive to the rule of law that the agencies have failed to articulate ***any*** reason for suspending ***all*** drilling in the Gulf of Mexico, even in the face of multiple successful inspections. After the Deepwater Horizon incident, twenty-nine of the thirty-three drilling rigs passed inspection. Yet there is no explanation in the administrative record for why operations at those sites remain suspended, despite satisfying every legal standard. There is no effort to balance any perceived benefits from imposing the moratorium on rigs that have passed inspection against the enormous economic costs that the moratorium will visit on Gulf Coast communities. The rule of law requires more.

The Administrative Procedure Act recognizes as much and requires that agency decisions bear a rational connection to the facts found. OCSLA requires deliberate decision making, assessing objective data to prevent real—as opposed to merely political—harm. Congress's purpose in requiring this careful consideration of the facts by governmental agencies becomes readily apparent when considering the devastation that these agencies can cause to an entire region with the stroke of a pen. The government's decision to impose the moratorium did not meet this legal standard, nor does its application for a stay in this Court meet the rigorous criteria required to obtain extraordinary relief.

CONCLUSION

For the foregoing reasons, the Government's request for a stay should be denied, and the district court's entry of a preliminary injunction should remain in effect.

MORGAN, LEWIS & BOCKIUS LLP

BY: */s/ R. Ted Cruz*

R. Ted Cruz
Texas Bar No. 24001953
1000 Louisiana Street
Suite 4200
Houston, Texas 77002
713.890.5000 Telephone
713.890.5001 Facsimile

ATTORNEY FOR
AMICUS CURIAE

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing document has been served on all counsel of record via Email and First Class Mail on July 2, 2010.

BY: */S/ R. Ted Cruz*
R. Ted Cruz

Exhibit A

Economic Worries Grow With Oil Spill

06/09/2010

By Compiled by Tom Sawyer from files by Angelle Bergeron, Pam Radtke Russell, Eileen Schwartz and Scott Judy

As contractors mobilized to berm Louisiana's shoreline to protect its wetlands from oil gushing out of a ruptured well in the Gulf of Mexico, the nation focused on the plan's chances for success, the disaster's economic and environmental consequences, and the future of the region's offshore oil industry.

A computer modeling study released on June 3 suggests the oil from the spill in the Gulf of Mexico may extend up the Atlantic coast and into open ocean as early as this summer.

Crews mobilize heavy equipment to build oil-blocking berms on Dauphin Island, Ala.

BP made a $60-million payment on June 7 so that Louisiana can start the berms. BP is on the hook for the total $360-million estimated cost.

"We understand that the U.S. Coast Guard and the state of Louisiana want this project to proceed with urgency, so we want to ensure funding is immediately available to begin construction," says Bob Dudley, BP's managing director.

The state signed a project management contract with The Shaw Group Inc., Baton Rouge, La., on June 3. By the next day, Shaw had met with dredging contractors and moved two bucket dredges to the first of six project areas, says Charlie Hess, project manager.

Shaw is hustling to devise the sequence and schedule and sign contracts. It has asked dredging industry representatives for a list of all available equipment and prices immediately.

Shaw plans to use an array of equipment and start by building a "training dike." Hess describes it as a low ridge on the main berm's seaward edge. When Shaw begins to pump dredge material, it will fill behind the training dike.

As of June 7, U.S. Coast Guard Adm. Thad Allen, national incident commander, said the spill had hit 120 miles of coastline in four states but said the impacted area is probably greater because oil is going deeper into marshlands. "The effect could be far greater than that," he said.

Allen says that, after the well is closed, cleanup will take four to six weeks, but restoration of habitats and the environment will take "years."

Allen says BP's June 4 installation of a cap-and-riser on the sheared top of the well is recovering oil at the surface. BP says it captured 14,800 barrels in 24 hours on June 7. It is closing vents gradually around the cap to keep oil pressure from knocking the cap off or forcing oil around the seal between the cap and the blowout preventer that failed on April 20.

BP expects soon to be able to handle up to 20,000 barrels per day at the surface, but more would require bringing another ship or platform to the scene.

Allen says BP has stopped giving estimates of the oil loss because federal authorities will use the figures to assess fines. Allen says a new federal flow-rate technical group will soon provide the figures, although it already says the release may be as much as 25,000 bpd.

Two relief wells scheduled for completion in early August hold the best chance for stopping the flow, says Allen. On June 7, the first relief well was about 8,000 ft below the seafloor, and the second was about 3,000 ft below the seafloor. They are being drilled vertically to about 6,000 ft and then angled toward the bottom of the blown-out well bore.

Related Links:
Texas Coast Clear Today But Long-Term Outlook Cloudy
Full Coverage of Gulf Oil Spill

Featured Video

Megachallenges: Megaprojects Around the World"
View all ENR videos »

Blogs: ENR Staff | Blogs: Other Voices

Critical Path: ENR's editors and bloggers deliver their insights, opinions, cool-headed analysis and hot-headed rantings


Gulf Coast Fears the 'Great Oilcane of 2010'
By: sam_barnes
6/30/2010 3:37 PM CDT


West Texas Radioactive Waste Site Gets More Heat
By: eileen_schwartz
6/28/2010 5:05 PM CDT


ABS Consultants to Shut Down This Summer
By: melissa_leslie
6/28/2010 3:07 PM CDT

View all Posts »

This Week's Project Leads/Pulse

PLANNING:
FLORIDA Mariner Asset Management Services is planning to build an energy efficient medical office complex at Lake Mary.

CONTRACTS/BIDS/PROPOSALS:
CALIFORNIA The Los Angeles County Metropolitan Transportation Authority has awarded an $83-million design-build contract to Brutoco Engineering and Construction Inc. for the Orange Line Extension, a four mile dedicated busway.

BID/PROPOSAL DATES:
FLORIDA 4/7 The Osceola County School District is seeking qualifications for the provision of construction

Dave Rensink, the incoming president of the American Association of Petroleum Geologists, says the second well is there in case the first one fails. He says drilling through the sand and shale can advance only a few hundred feet a day.

Once the wells reach 13,000 ft below the seafloor, drillers will use trial and error to intersect the well bore, as 3D information at that depth is not precise, Rensink says. Drillers probably will require several attempts. They will fill failed holes with drilling cement and then use their coordinates as guides to narrow in on the target, he says.

The federal Minerals Management Service lifted a moratorium on shallow-water drilling on June 8, but government and industry officials are more concerned about a six-month moratorium on deepwater drilling that President Obama insists will stand.

Louisiana Gov. Bobby Jindal (R) predicts the deepwater ban will cost the state 3,000 to 6,000 jobs by June 30 and...

[Page 1 of 2] NEXT >

management-at-risk services for the phased construction project at Highlands Elementary School in Kissimmee.

View all Project Leads/Pulse »

View This Week's Magazine | Go to Magazine Archives | Subscribe to ENR | Order Back Issues

Exhibit B

Morgan Stanley

MORGAN STANLEY RESEARCH
NORTH AMERICA

Morgan Stanley & Co. Incorporated
Ole Slorer
Ole.Slorer@morganstanley.com
+1 (1)212 761 6198

Paulo Loureiro
Paulo.Loureiro@morganstanley.com
+1 (1)212 761 6875

Igor Levi
Igor.Levi@morganstanley.com
+1 (1)212 761 3232

Morgan Stanley & Co. International plc+
Martijn Rats, CFA
Martijn.Rats@morganstanley.com
+44 (0)20 7425 6618

June 1, 2010

Industry View
Attractive

Global Oil Services, Drilling & Equipment

Reviewing Estimates and Targets Assuming 18-Month GoM Drilling Moratorium

We have reviewed our earnings projections and price targets, assuming an 18-month deepwater GoM drilling moratorium. Last Friday, we hosted a call with the MS US Energy Research Team and political consultants Jack Coleman of EnergyNorthAmerica and James Lucier of Capital Alpha to discuss the political process of unwinding the drilling moratorium (replay info on the right of this page) as well as the political changes in DC that appear to have given the US anti-drilling faction the upper hand.

We see the GoM deepwater moratorium lasting 12–18 months in our base-case scenario. Our political and legal experts appear confident that the ban will meaningfully exceed the 6-months announced last week. In our base-case scenario, we believe a portion of the 35 floaters will leave the region, as operators declare force majeure. While the legislative process could take 9–18 months, it could take even longer for rigs to come back into the region after the ban is lifted. See p. 4–5 for our bull, base, and bear case scenarios.

Offshore drillers to take biggest hit, followed by the subsea equipment manufacturers. We expect a major supply/demand imbalance as the 35 GoM floaters attempt to relocate internationally, while an additional 30 uncontracted newbuilds exacerbate the issue. Subsea equipment companies are likely to feel the after-burn, as their orders are a direct function of deepwater drilling.

Big 4 integrated services companies are somewhat better positioned in the long-run, although 2010 capex and hiring plans likely to be put on hold. Service majors will need to relocate their GoM tools and people to int'l markets, which we believe may result in contract renegotiations with major oil companies, putting pressure on margins. In the short-run, we estimate decrementals of 60% in the GoM will put a severe dent on their 2H10 earnings. See p. 5–6.

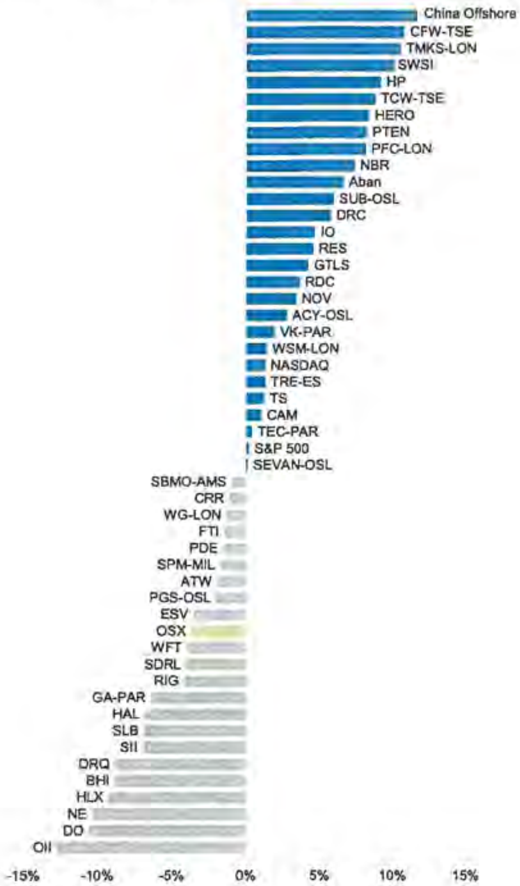
Table of Contents

Replay for Friday's "GoM Six Month Drilling Moratorium" call available until June 11. US dial-in 888-286-8010, passcode 98206805 (int'l dial-in 617-801-6888). Transcript available upon request.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

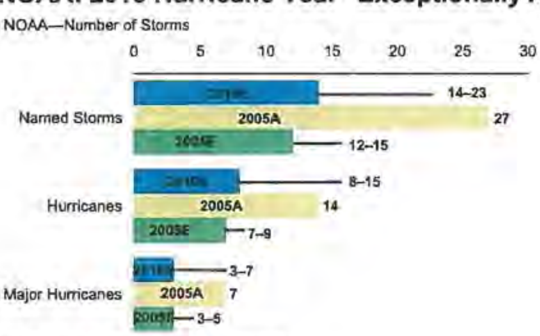
Investment Perspective

Exhibit 1
Weekly Stock Performance



Source: FactSet; Morgan Stanley Research. Note: Graph is for total return for period.

Exhibit 2
NOAA: 2010 Hurricane Year "Exceptionally Active"



Source: NOAA, Morgan Stanley Research

- **The Obama Administration announced a six month moratorium on deepwater (>500 feet) drilling in the GoM** (see our feature beginning on p. 3 for details). Not surprisingly, offshore drillers took a beating. Land drillers put in a strong performance though, and we see no lasting negative impact from the ban to these names. NAm pressure pumpers also performed nicely, as they are not exposed to negative impact from the GoM deepwater ban.
- **OECD Economic Outlook revises growth forecasts upward.** OECD GDP is now projected to rise 2.7% in 2010 and 2.8% in 2011, compared to previous estimates of 1.9% in 2010 and 2.5% in 2011. However, the report also warned of increasing risks due to the European sovereign debt crisis and overheating in EM economies.
- **EIA estimates 49% global energy consumption increase from 2007–2035,** according to a press release last week. Demand forecasted to rise 84% in non-OECD countries and 14% in OECD countries.
- **Reports indicate Iraq's West Qurna Phase One to develop 8 new wells and overhaul 50 old wells.** The state-run Iraqi Drilling Company is drilling 4 wells, and there will be a tender for the remaining 4 for which int'l services companies can bid. We view this as constructive for large cap services firms that have invested in their int'l platforms.
- **Subsea 7 awarded ROV contract by Petrobras** for min 20 and max 30 rigs with a max value of $405mm. The duration for each ROV is 5–10 years. We see this enhancing Subsea 7's footing in the Brazil offshore market.
- **OII dropped sharply on news of the GoM deepwater moratorium.** OII's largest business line, ROVs, has meaningful exposure to GoM deepwater drilling and many of its contracts can be terminated on fairly short notice. We view the moratorium as a significant negative for OII.

The NOAA released its 2010 Hurricane Forecast last week, handicapping an 85% chance for an above normal season (6–15 hurricanes). It estimates the ACE range will be 155–270% of the median (ACE > 175% is "hyperactive"). NOAA estimates a 70% chance for 14–23 named storms, 8–14 hurricanes, and 3–7 major hurricanes.

In contrast, 2005 (a record-setting season, see Exhibit 2 on the left) had a decidedly less severe forecast than the forecast for 2010, handicapping a 70% chance for an above normal season and predicting an ACE range of 120–190% of median, 12–15 named storms, 7–9 hurricanes and 3–5 major hurricanes. We do not see impact for deepwater but likely disruption of shallow water activity.

GoM Deepwater Activity Banned for Six Months, We Expect 6–12 Extra Months as Probable, Bear Case Scenario (~4 Years) Very Real

On Friday May 28th, we hosted a conference call to review the potential outcome of the six month moratorium on all GoM deepwater drilling. Our political consultants, Jack Coleman of EnergyNorthAmerica and James Lucier of Capital Alpha, laid out the case for the moratorium running substantially longer than the announced six months, which we believe could result in significantly lower GoM drilling activity for up to 4 years. The following discussion will focus on:

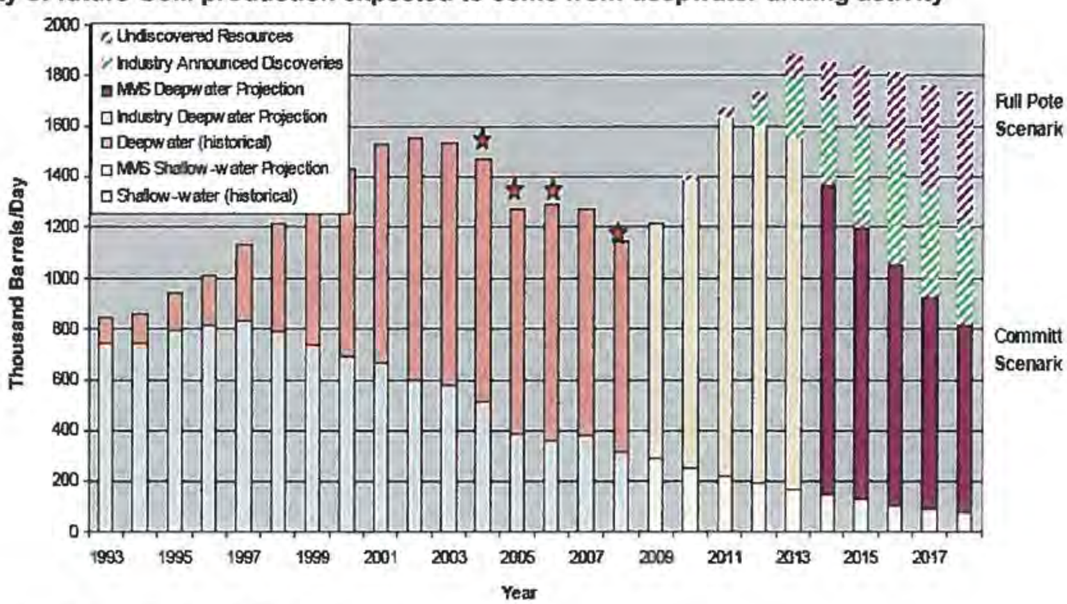
- The importance of deepwater activity in the GoM.
- Bull case for GoM moratorium sees deepwater resuming in February 2011, base case is 12–18 months while bear case puts us 4 years out or even a permanent ban. (p. 4).
- Outlook for the Big 4, subsea equipment names, offshore drillers, and smaller services names (p. 5).
- Revised estimates and price targets (p. 8–9).

Importance of Deepwater in the GoM

The GoM market would effectively cease to exist for the drillers and services and equipment names under a long-term ban on deepwater drilling. The overwhelming majority of activity in GoM today is in deepwater (Exhibit 2), defined as >1,000 feet. The deepwater moratorium has an even stricter definition of shallow versus deepwater, defining deepwater as anything >500 feet. We estimate this cuts out half the rigs we would typically label as shallow water. Even if GoM shallow water survives as an industry, activity in the region would be a sliver of what it once was, and would be far less services intensive. However, even the viability of GoM shallow water market is questionable as the specter of a $10bn liability cap looms, high enough to make GoM shallow water drilling uninsurable.

So what's next? Many factors remain unclear as we wait for more information from Washington, DC. First, we believe existing deepwater programs will stop drilling at the next casing point and seal their wells for abandonment. The ban will not only impact exploration drilling but also development and even workover of existing producing wells. These idle rigs will probably try to find jobs elsewhere (Brazil, West Africa, Australasia). Major services companies will relocate people and redeploy assets to US and Canada land programs, and int'l locations. We expect to see a freeze in announced hiring plans and capex plans to be put on hold as the companies reassess their needs in the wake of employee/tools surplus in the GoM. More details on the following pages.

Exhibit 3
Vast majority of future GoM production expected to come from deepwater drilling activity

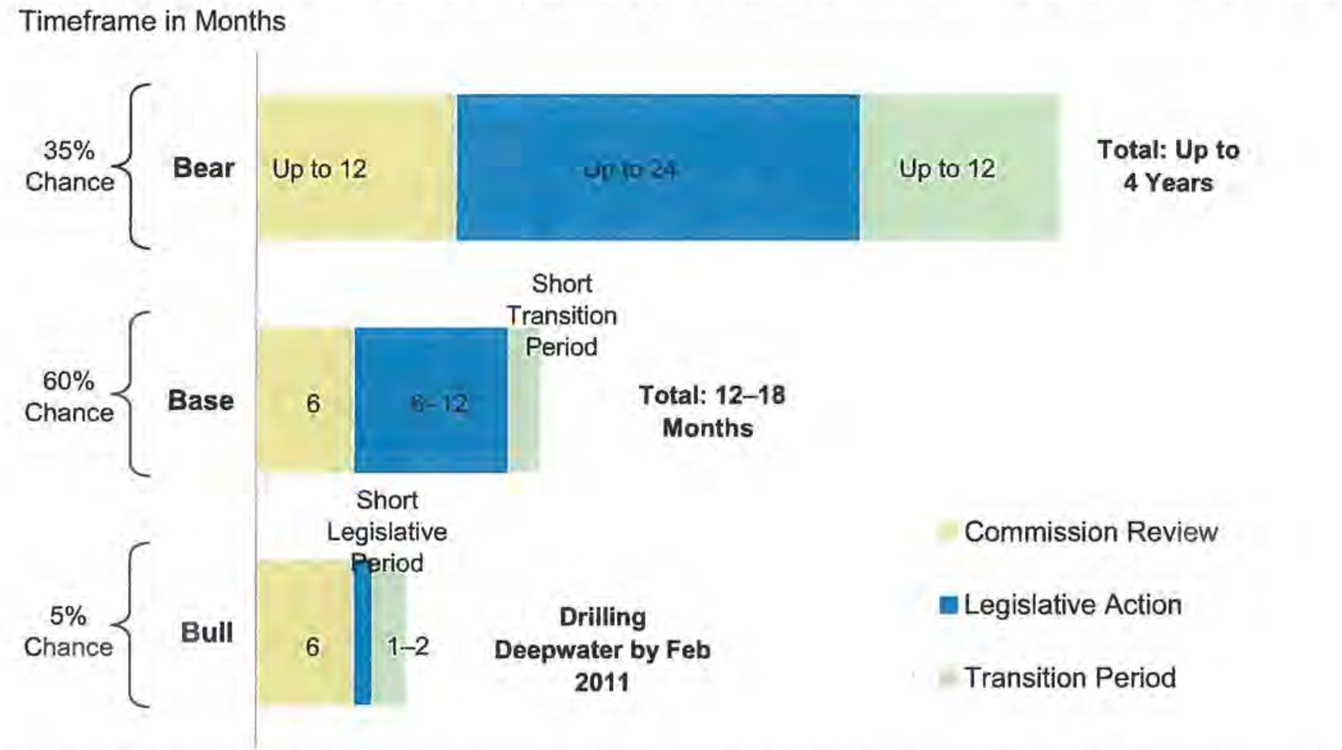


Source: Minerals Management Service, Morgan Stanley Equity Research

How Long Will the Moratorium Last? Bull, Base and Bear Cases

Exhibit 4

We see GoM deepwater drilling ban almost certainly lasting longer than 6 months, and possibly up to 4 years



Source: Morgan Stanley Research estimates. The probabilities shown are illustrative. They do not forecast a precise series of events and do not account for all possible outcomes but instead illustrate our sense of the relative plausibility of the selected scenarios

What We Know About the Moratorium

Few details about the new six month GoM deepwater moratorium have been made available. We base our analysis on our own interpretation as well as discussions with political consultants, legal experts and industry contacts. At this point, we understand that the moratorium bans new deepwater (>500 feet) drilling projects and requires all current deepwater drilling to cease as soon and as safely possible and the wells to be sealed. Other provisions include a halt to Arctic drilling plans and the cancellation or indefinite postponement of pending lease sales.

It is important to note that the moratorium has been declared for six months in order to allow implementation of a presidential commission's recommendations, but <u>there is no statement that drilling will resume in six months.</u> Since the commission is not due to submit its report for six months (which does not include implementing the recommendations), our political consultants believe <u>the default outcome is for the effective ban to last beyond six months.</u> We have developed base, bear and bull cases for the future of GoM offshore drilling.

Bull Case: Drilling by Feb 2011, 5% Chance

6 months for commission to complete review. Commission completes review in allotted six months. Most recommendations involve safety policy that can be implemented quickly without significant legislative action.

Little for Congress to do. Recommended legislation is minor and non-controversial, or else Congress chooses to pursue emergency rule making process for any substantial legislative initiatives, bypassing lengthy public commenting periods.

1–2 month transition period. Implementation begins soon after commission's report received. Transition period can run simultaneously with any action Congress pursues.

Why is our bull case unlikely? First, changes to safety procedures could be implemented today because the President already has Department of Interior's safety report and recommendations. Instead, the Administration is pursuing a lengthier review, which indicates the ultimate goal is broader than revamping safety procedures. Second, emergency rule making process is not the norm and involves little public input, thereby carrying greater risk of getting reforms wrong. Also, our political consultants believe certain groups are likely to vehemently protest the use of the emergency rule making process.

Base Case: Ban Lasts 12–18 Months, 60% Chance

6 months for commission to complete offshore drilling review. Commission completes review on time; recommends some legislative action, which Washington pursues.

6–12 months for Congress to act. Once legislation enters the equation, our political consultants say little will speed up the highly choreographed process. Commission submits recommendations in late November, but Congress will not begin a new project this late in the year. In 2011, a speedy legislative process begins as lawmakers view deepwater issue as a priority. A round or two of public comments are incorporated and final legislation negotiated within one year.

Short transition period. Legislative process follows a clear path, resulting in timely implementation of new policies. Though some drilling contractors move rigs out of the GoM, clarity and timeliness on reform process allow operators to submit bids and plan projects to coincide with re-opening of GoM deepwater, thus bypassing a lengthy ramp-up period.

Bear Case: Ban Lasts Up to Four Years, 35% Chance

6–12 months for commission to complete offshore drilling review. Commission does not complete report on time and moratorium extended for several months. This is basically a replay of the last month, where the Administration decided it needed more than a month to review deepwater drilling, so initiated a moratorium for six months. We note that only the two co-chairs of the 7-member commission have been appointed so far.

Up to 2 years for Congress to act. Commission recommends substantial legislative changes. Our political consultants say major legislation takes as long as two years to get across the finish line, and we see precisely that happening in the bear-case scenario. The process gets bogged down with multiple rounds of lengthy public comments. Breach of contract litigation slows progress further as the legislation evolves continuously with various legal arguments.

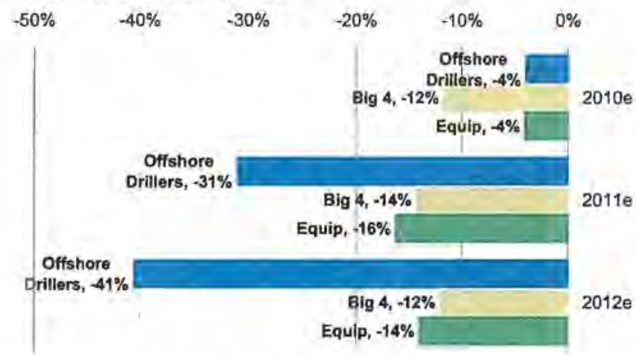
12 month transition period. Drillers have moved rigs to other geographies. When the dust finally settles and reform is complete, it takes time for rigs to migrate back to the GoM. Uncertainty on the outcome of reform deters operators from planning new programs and bidding for rigs until reform finalized. Then, drilling contractors need to wait until contracts in other geographies roll off before moving rigs back to GoM. Regaining momentum in GoM cannot happen overnight.

In a worst case scenario, we could see deepwater drilling in the GoM permanently banned. This would ultimately bring today's ~1.2mb/d of deepwater oil production (~80% of the current 1.5mb/d GoM production) close to zero over an estimated 4-5 years period.

Impact to Our Sub-Sectors

Exhibit 5

% Reduction in MS EPS Estimates



Source: Morgan Stanley Research estimates

See p. 8–9 for EPS revision details

Big 4 Services Companies Best Positioned

SLB, BHI and HAL have approximately similar exposure, with GoM deepwater representing ~8-10% of aggregate revenues (about a 75%/25% split in GoM between deepwater/shallow water), while, in our view, WFT has materially lower exposure (an estimated 15% of NAm revenue is GoM, with only half geared to deepwater). We estimate that over the next couple of quarters, the integrated service companies will experienced decrmentals of ~60%, i.e. the typical impact of past year's hurricane season when employees are moved back to shore and wait for work to resume. As a consequence, we are lowering our near term estimates for SLB, BHI and HAL by ~20-25% per affected quarter in 2010 (-10% for 2Q). For WFT, we are lowering our estimates 10% per affected quarter in 2010 (-5% for 2Q).

Over the long term, we believe the Big 4 will be able to leverage their diversified international platforms and adjust cost structures appropriately, and we expect the run rate negative impact to be proportional with the loss in revenue. Thus, we are lowering our 2011/12 estimates by 10–20% for SLB, BHI and HAL and 10% for WFT. At this juncture, we have not incorporated the ripple effect of a glut of people/tools into international activity, which could trigger a new round of pricing renegotiation by the oil companies. (Details on p. 8)

Subseas Equipment Names

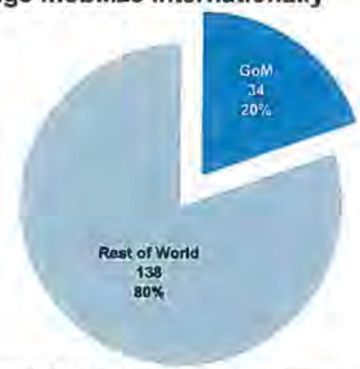
We see a major impact to the equipment names in 2011 and 2012 as a reduction in deepwater drilling activity translates into lower orders for trees and manifolds. While excess rig capacity may ultimately relocate to other regions, it is not likely to immediately translate into higher demand for subsea equipment. NOV is also likely to see a reduction in demand for services and equipment for GoM deepwater rigs, while floater rig package orders are likely to be limited to the 28-rig tender in Brazil. On the other hand, FPSO providers could see an upturn given a likely increase in field development activity outside the GoM. Unlike for service names, we have primarily left 2010 numbers for equipment names unchanged, due to strong backlogs; however, we have adjusted our 2011 and 2012 estimates down by ~15% in order to reflect lower order intake, as development projects in the deep GoM waters do not come to fruition. Furthermore, equipment already ordered for certain fields in the GoM may potentially be redirected elsewhere (Details on p. 8).

Impact to Offshore Drillers Most Negative

We believe the GoM will be closed to deepwater drilling for an extended period and drillers will rotate rigs internationally in order to avoid lengthy downtime. Taking into account 74 deepwater rigs under construction (a third still without contracts), and PBR's 28+ rig domestic newbuild program, we believe this will create an absorption issue. Therefore, we have meaningfully reduced our dayrate assumptions for floaters (see page 13 for our new floater estimates). (Details on p. 9)

Exhibit 6

We anticipate absorption issues if GoM deepwater rigs mobilize internationally



Source: ODS-Petrodata, Morgan Stanley Research

We see less of an absorption issue on the jackup side as most GoM jackups would need substantial upgrades to move internationally, and shallow water (<500 feet) is still a viable market. However, this could change if higher liability caps render GoM shallow water activities uninsurable.

We have meaningfully adjusted down our floater rate assumptions, reducing rates for ultra-deepwater rigs from the $450 kpd range down to ~$375 kpd, while taking down our 4G rates closer to $250 kpd, and 2G rates of ~$100 kpd, near cash break even. We expect a good portion of the floaters currently working in the GoM to receive notices of force majeure from operators. In many cases contracts for these floaters may be renegotiated at lower rates for international work. We have adjusted our models to reflect two quarters of reduced standby rates in the GoM, one quarter of mobilization (at the cost of the driller) and commencement of operations at new, lower leading edge rates. We also assumed mid-water floaters (2G, 3G) currently in the GoM to be cold-stacked. While we see better prospects for jackups, we now expect dayrates to remain weak but stable until 3Q11; we have additionally toned down our dayrate growth assumptions (see page 12).

We have reduced our offshore drilling EPS estimates by ~30% in 2011 and 40% in 2012. SDRL is the least impacted, given it has the highest contract coverage and just one rig located in the GoM, likely to continue working at a renegotiated rate. RIG, PDE, ESV, and NE are likely to experienced the highest negative EPS revisions, given large floater exposure in the GoM and worldwide. While PDE does not currently have floaters in the GoM, two of its newbuilds are slated to go there.

Smaller Services Companies Should be Ok

Smaller services companies in our universe, such as NAm pressure pumpers, are unlikely to see significant impact as their businesses are levered to onshore drilling activities and especially unconventional shale plays. If the moratorium were to drive oil and gas prices higher, resulting in even more unconventional onshore plays, these names could get a short-term boost, though we are not discounting such a scenario at this time.

Land Drillers Not Exposed, Stock Prices May Benefit

We do not expect a near term negative impact for land drillers. There are some longer term risks centered around permitting. At this time, we are leaving our price targets and estimates unchanged. Over the near term, we see land drilling names benefitting from sector rotation.

Impact on Global Shipping

(Please see our Global Shipping Weekly published June 1, *"While Dry Bulk Booms, Tankers Remain In Limbo"* for more details)

Our shipping analysts see problems on the horizon for some of their players, as the moratorium leads to lower day rates and creates a challenging environment for companies with expiring contracts and large capex. Players such as DRYS (UW) that have ordered rigs on speculation without securing contracts will face additional difficulties obtaining financing for their unfunded obligations. At the same time, this should create opportunities for companies with strong balance sheets and contracted cash flows to acquire quality assets at attractive prices.

Revised Price Target Valuation

For Services and Equipment names, we are using slightly lower multiples than prior valuation because of slightly lower growth outlook due to loss in revenue in the GoM.

For offshore driller names, we are using higher multiples than prior valuations as we now forecast a longer time period before reaching peak earnings during this cycle. As a result, we are moving off of trough multiples to better reflect our revised view of the cycle for offshore drillers.

Earnings Revisions and Price Target Changes Details

Prior vs. Revised Earnings

	PT	2010e	2011e	2012e
Big 4				
SLB	$115	2.70	4.50	5.60
Old	$140	3.00	5.25	6.40
Change		-10%	-14%	-13%
HAL	$50	1.40	2.00	2.50
Old	$60	1.60	2.50	3.00
Change		-12%	-20%	-17%
BHI	$80	1.97	3.55	4.45
Old	$100	2.35	4.00	5.00
Change		-16%	-11%	-11%
WFT	$40	0.60	1.40	2.20
Old	$45	0.66	1.60	2.40
Change		-9%	-12%	-8%
Avg Big 4		**-12%**	**-14%**	**-12%**

	PT	2010e	2011e	2012e
Equipment				
TS	$60	1.95	3.40	4.35
Old	$70	2.30	4.00	4.85
Change		-15%	-15%	-10%
NOV	$70	3.80	2.50	3.40
Old	$85	3.80	3.00	4.00
Change		0%	-17%	-15%
CAM	$60	2.30	2.70	3.40
Old	$75	2.30	3.20	4.00
Change		0%	-16%	-15%
FTI	$65	2.85	2.70	3.40
Old	$80	2.90	3.25	4.00
Change		-2%	-17%	-15%
OII	$80	3.18	3.70	4.40
Old	$95	3.45	4.20	5.10
Change		-8%	-12%	-14%
DRQ	$60	2.85	2.70	3.30
Old	$75	2.85	3.45	3.90
Change		0%	-22%	-15%
Avg Equipment		**-4%**	**-16%**	**-14%**

Source: Morgan Stanley Research estimates

Comments

- **SLB:** An estimated 5-8% of OFS comes from the GoM (split 80%/20% deepwater/shallow). WesternGeco is more exposed, with ~50% of Multiclient sales derived from the Gulf, and approximately a third of marine seismic.
- **HAL:** An estimated 5-8% of total HAL revenue is exposed to the GoM.
- **BHI:** An estimated $1.1bn or slightly more than 10% of standalone BHI total revenues is exposed to the GoM with a breakdown 75% deepwater, 25% shallow. We estimated BJS exposure to the GoM at ~$250m (~5% of revenue)
- **WFT:** The least exposed to GoM deepwater at an estimated 15% of NAm revenues (i.e. >$500m or less than 5% of global revenues). Strong int'l platform leads us to lower estimates less than other Big 4 names.
- **TS:** The leader in premium OCTG for the offshore space will likely feel the pain in the short run as we estimate TS' exposure to the GoM at ~5-10%. In the long run, we believe the deepwater Horizon incident will be beneficial to TS by exacerbating the current TS-VK duopoly in deepwater as operators are unlikely to "experiment" new entrant pipes.
- **NOV:** While recent events are likely to keep spec builders away from the deepwater market, we still expect to see the long-promised orders from Brazil to start coming in.
- **CAM, FTI, DRQ:** We have reduced our 2011 and 2012 estimates for subsea equipment names by ~10%, as their revenues are driven by offshore drilling activity, particularly in deep water. These names are likely to be the second most affected, following the offshore drillers, however, the reduction of activity in the GoM is likely to be partly offset by a potential ramp up in Brazil as Petrobras[1] may take advantage of the opportunity to pickup deepwater rigs at a discount, suggesting increased equipment demand there.
- **OII:** ROV business exposed to GoM deepwater; contracts can be terminated in near term.

1. Covered by Subhojit Daripa

Prior vs. Revised Earnings

	PT	2010e	2011e	2012e
Offshore Drillers				
RIG	$115	7.35	5.50	7.60
Old	$140	8.00	11.20	15.20
Change		-8%	-51%	-50%
NE	$55	5.05	4.00	4.80
Old	$65	5.40	6.40	7.60
Change		-7%	-37%	-37%
DO	$70	7.21	6.00	5.00
Old	$87	7.75	9.00	9.10
Change		-7%	-33%	-45%
ESV	$60	3.50	3.50	5.00
Old	$72	3.80	6.35	8.40
Change		-8%	-45%	-40%
SDRL	$33	2.60	2.65	2.50
Old	$38	2.58	2.80	3.00
Change		1%	-6%	-17%
PDE	$35	1.68	2.70	2.00
Old	$40	1.73	3.65	4.50
Change		-3%	-26%	-56%
HERO	na	-0.55	-0.22	-0.59
Old	na	-0.54	0.25	0.15
Change		NM	NM	NM
RDC	$30	2.50	2.00	2.50
Old	$37	2.50	3.00	4.00
Change		0%	-33%	-38%
ATW	$40	3.85	4.30	3.40
Old	$45	3.85	5.20	6.00
Change		0%	-17%	-43%
Avg Offshore Drillers		**-4%**	**-31%**	**-41%**

Source: Morgan Stanley Research estimates

Comments

- **RIG:** One of the most exposed to UDW in the GoM, we have reduced our 2011/12 estimates by ~50%, assuming they will re-contract elsewhere at meaningfully lower rates.
- **NE:** Slightly less exposure to highly-priced UDW contracts in the GoM, ~30% of NE's revenues still come from the region.
- **DO:** While the company has been moving rigs to Brazil, it still has a sizeable presence in the GoM, we assume its mid-water rigs will become cold-stacked while UDW rigs are likely to relocate at lower rates. Either way, this puts the currently reduced dividend largely at risk by 2012.
- **ESV:** With two floaters in the GoM and two more scheduled to start there, the company may need to convince the operators to use their elsewhere.
- **SDRL:** This company has the most secure profile, with just one floater in the GoM, likely to be renegotiated at a lower rate, and very minimum rollover risk in 2011/12. If conditions do not begin to improve by the end of 2012, the dividend may be at risk; in the near-term we expect the company to be able to further grow its dividend.
- **PDE:** Although no rigs currently in the GoM, two of its newbuilds are expected to start working there, and are likely to negotiate for lower rates in either WAf or Brazil, two of the biggest markets for PDE.
- **HERO:** Even a minor reduction in our commodity jackup rate assumptions have drastic effects on HERO's earnings.
- **RDC:** Given its exposure to high-end jackups, RDC remains less exposed to weakness in the floater market; however, we have still reduced our estimates as we have lowered the pace of the expected recovery in jackup rates.
- **ATW:** With no deepwater exposure to the GoM, the company is still exposed to meaningful rate reductions as three of its floaters are scheduled to roll off contract in 2011.

Exhibit 7

Floater Contract Status: Less than 2,000 Feet

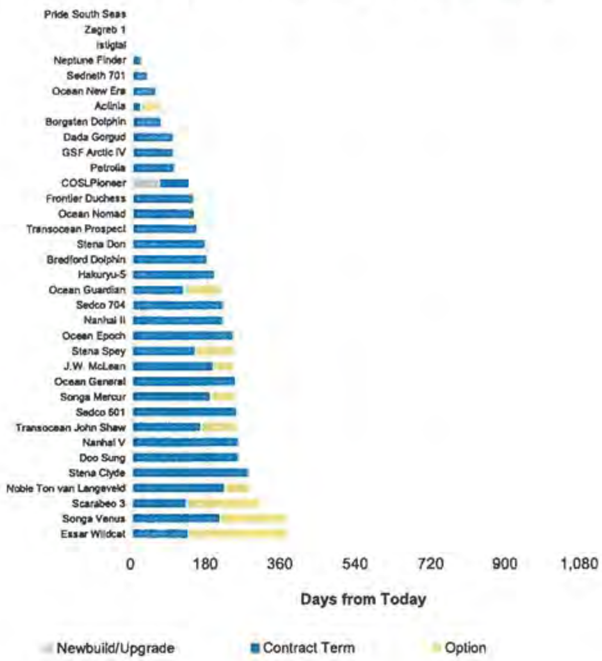


Exhibit 8

Floater Contract Status: 4,001-7,500 Feet

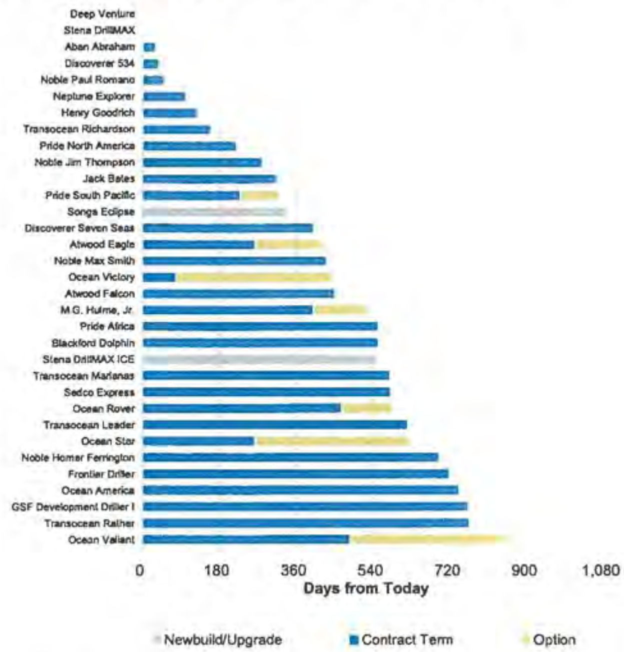


Exhibit 9

Floater Contract Status: 2,000-4,000 Feet

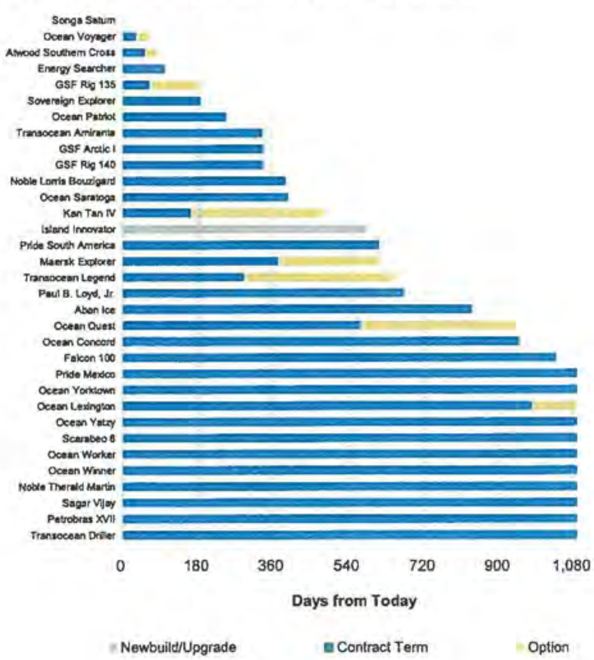
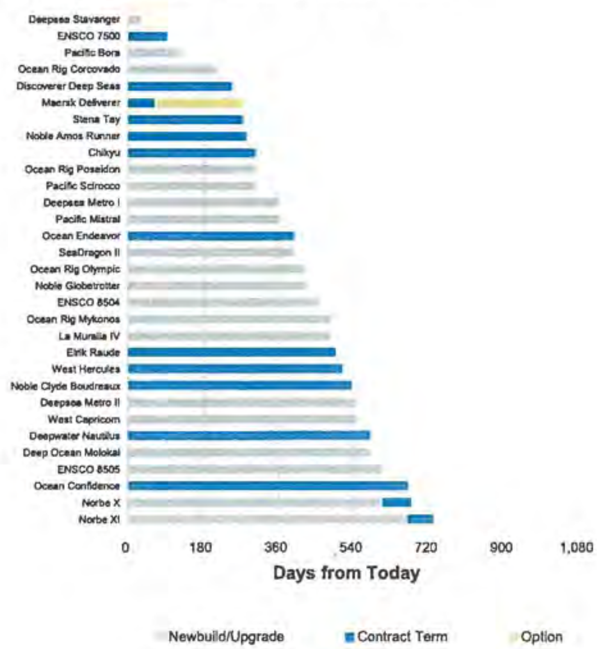


Exhibit 10

Floater Contract Status: 7,500+ Feet



Source: ODS-Petrodata, Company data, Morgan Stanley Research

Exhibit 11

Worldwide Offshore Drilling Snapshot

	Supply	Demand	Util (%)	Previous Week	Weekly Change	Current Dayrate Range		
Jackups								
U.S. Gulf of Mexico								
450'+ IC	2	2	100%	100%	--	$100.0	--	$110.0
328' - 400' IC	10	9	90%	90%	--	$70.0	--	$97.5
350' - 380' IS	2	1	50%	100%	▼	$55.0	--	$55.0
300' IC	5	3	60%	60%	--	$53.5	--	$60.0
250' IC	4	4	100%	100%	--	$50.0	--	$52.5
250' MS	13	5	38%	38%	--	$33.0	--	$36.0
To 225' IC	2	2	100%	100%	--	$30.0	--	$33.0
To 200' MC	26	11	42%	42%	--	$32.0	--	$36.0
Other	7	3	43%	43%	--			
Total U.S. Gulf of Mexico	71	40	56%	58%	▼	$46.3	--	$55.3
International								
Far East	41	30	73%	73%	--	na	--	na
Southeast Asia	51	35	69%	70%	▼	$120.0	--	$126.0
Indian Ocean	32	24	75%	72%	▲	$105.0	--	$105.0
Middle East	120	83	69%	69%	▲	$150.0	--	$155.0
Mediterranean	22	16	73%	73%	--	$125.0	--	$125.0
Mexico	28	26	93%	93%	--	$135.0	--	$135.0
North Sea	37	28	76%	76%	--	$100.0	--	$198.0
Latin America	17	10	59%	63%	▼	na	--	na
West Africa	30	18	60%	63%	▼	$125.0	--	$125.0
Other International	12	7	58%	58%	--			
Total International	390	277	71%	71%	▼			
Worldwide Jackups Total	**461**	**317**	**69%**	**67%**	▲			
Floaters								
US GoM	35	34	97%	100%	▼	$351.0	--	$394.5
Far East	10	4	40%	50%	▼	na	--	na
Southeast Asia	23	8	35%	35%	▼	na	--	na
Mediterranean	7	4	57%	67%	▼	na	--	na
Mexico	5	3	60%	60%	--	na	--	na
North Sea	38	31	82%	81%	▲	$255.0	--	$256.0
Latin America	63	53	84%	80%	▲	na	--	na
West Africa	27	20	74%	78%	▼	$398.0	--	$435.0
Other International	21	15	71%	75%	▼			
Total International	194	138	71%	72%	▼			
Worldwide Floaters Total	**229**	**172**	**70%**	**70%**	--			

Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 12
Average Dayrates for GoM Commodity Jackups

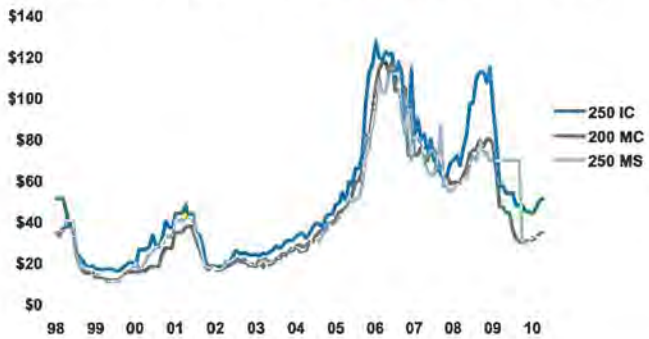


Exhibit 13
Average Dayrates for GoM High Spec Jackups

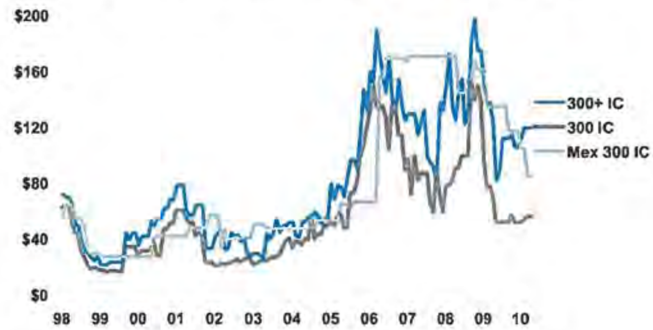


Exhibit 14
Average Dayrates for International Jackups

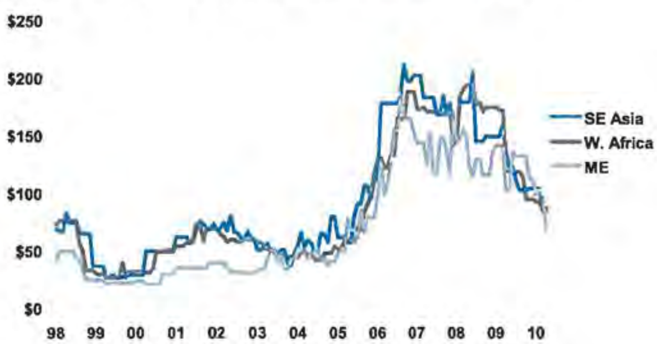


Exhibit 15
Average Dayrates for North Sea Jackups

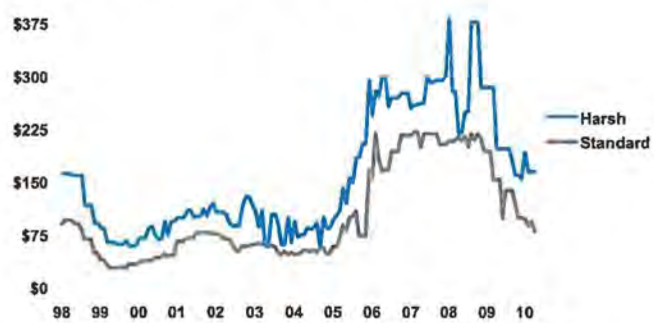


Exhibit 16
Morgan Stanley: Key Jackup Rollover Assumptions ($kpd)

GoM Jackups	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
250 MS	35	35	40	50	50	50	50	45	40	40	40	40
200 MC	37	37	42	52	54	54	54	49	44	44	44	44
250 IC	47	47	52	62	64	64	64	59	54	54	54	54
300 IC	57	57	62	72	74	74	74	69	64	64	64	64
350 IC	77	77	82	92	94	94	105	105	105	105	105	105

International 300 IC	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Mexico	87	87	92	102	114	114	114	114	114	114	114	114
N. Sea (standard)	100	100	100	100	100	115	125	130	135	140	145	150
N. Sea (harsh)	120	120	120	120	120	135	145	150	155	160	165	170
Middle East	90	90	90	90	90	90	95	100	105	110	115	120
Rest of World	95	95	95	95	95	95	100	105	110	115	120	125

Source: ODS-Petrodata, Morgan Stanley Research estimates

Exhibit 17
Average Dayrates for Floaters in the GoM

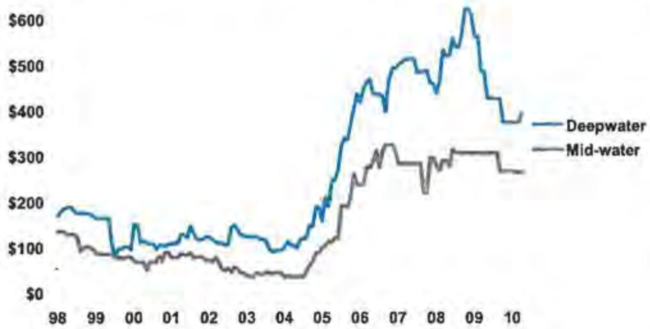


Exhibit 18
Average Dayrates for Floaters in Brazil

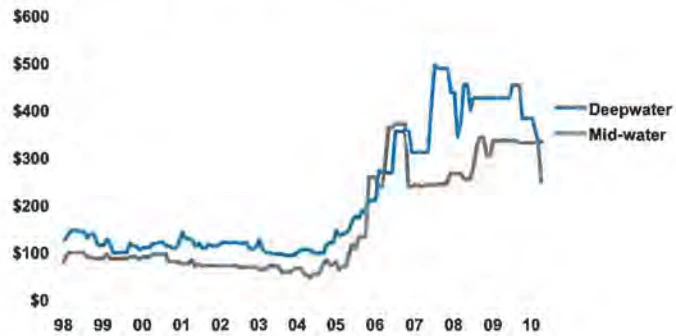


Exhibit 19
Average Dayrates for Floaters in West Africa

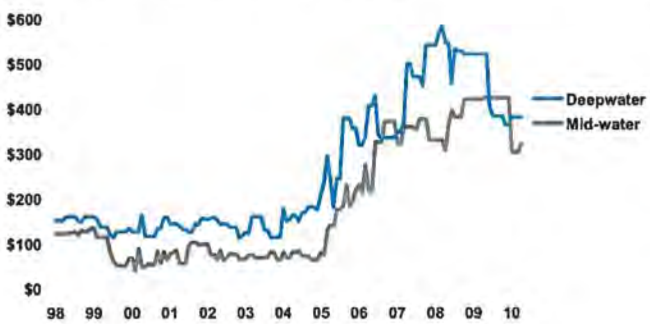


Exhibit 20
Average Dayrates for Floaters in the North Sea

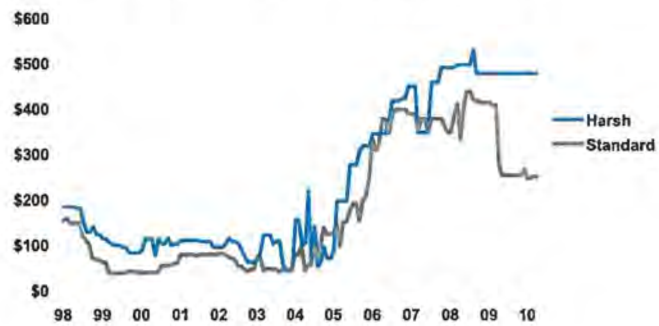


Exhibit 21
Morgan Stanley: Key Floater Rollover Assumptions ($kpd)

Floaters	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
<2,000 ft	168	168	168	168	113	113	113	113	113	113	113	113
2,000-4,000	228	228	228	228	188	188	188	188	188	188	188	188
4,001-7,500	358	358	358	358	263	263	263	263	263	263	263	263
7,500+	453	453	453	453	378	378	378	378	378	378	378	378

North Sea Floaters	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Standard	255	255	255	255	265	275	285	295	305	315	325	335
Harsh	370	370	370	370	375	380	385	390	395	400	405	410

Source: ODS-Petrodata, Morgan Stanley Research estimates

Exhibit 22

Jackup Expected Deliveries (Full Delivery Table by Rig and Yard on Page 31)

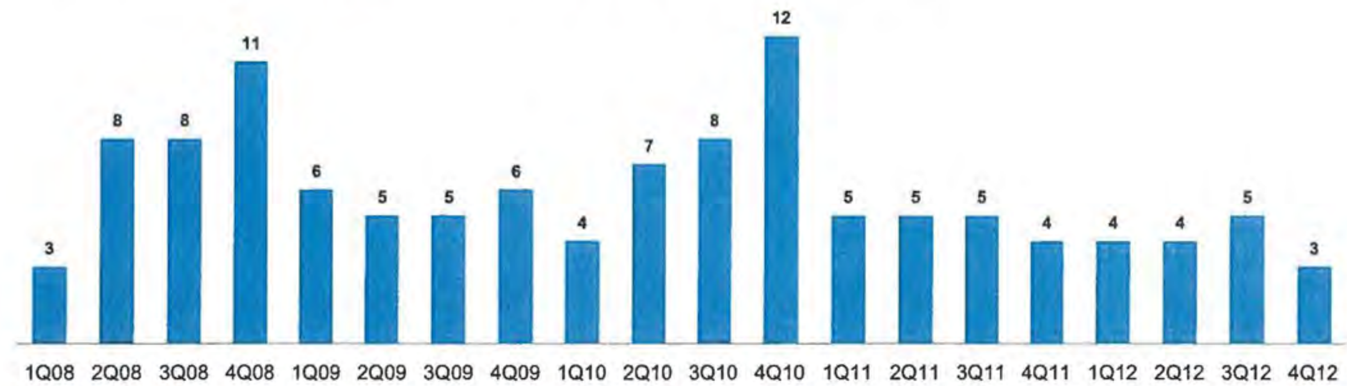


Exhibit 23

Floater Expected Deliveries (Full Delivery Table by Rig and Yard on Page 32)

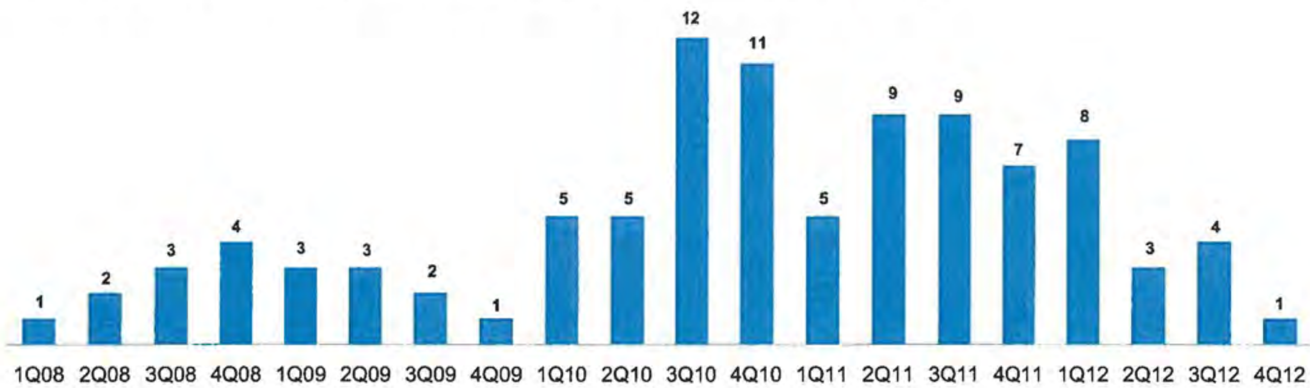


Exhibit 24

Floater Supply

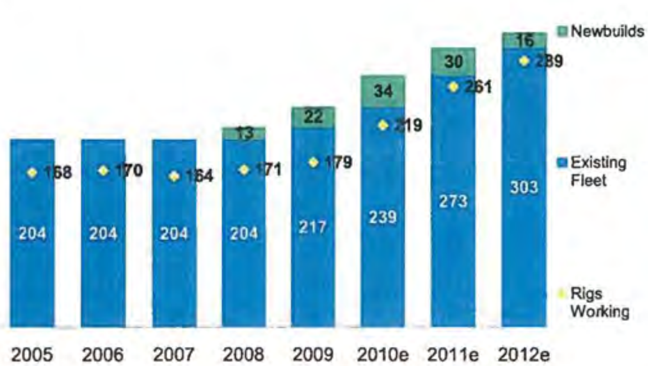
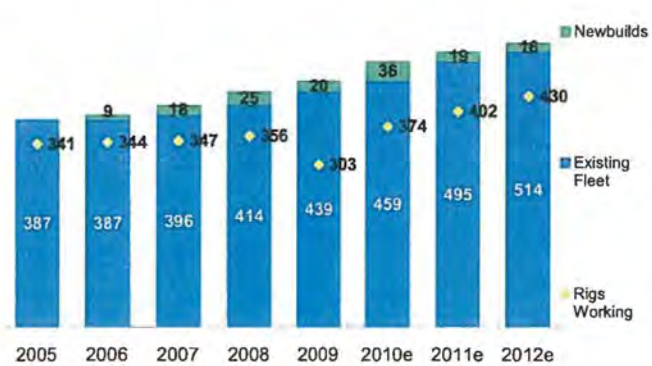


Exhibit 25

Jackup Supply



Source: ODS-Petrodata, Morgan Stanley Research estimates

U.S. and International Rig Counts

Exhibit 26

US Land Rig Count vs. Oil / Gas Strip

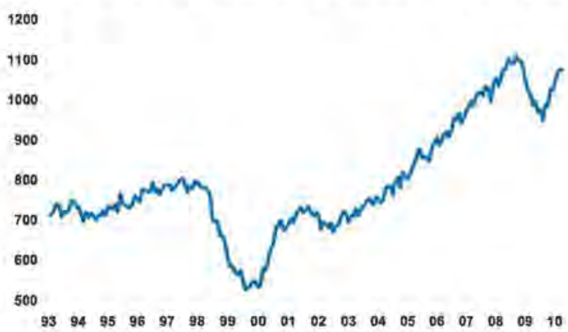
Exhibit 27

North American Weekly Rig Count

05/28/10	This Week	Last Week	Change	Last Year	Recent Peak
US Land	1,489	1,470	19	845	1,855
Gulf of Mexico	46	48	(2)	54	176
US Total	**1,535**	**1,518**	**17**	**899**	**2,031**
Canada	191	173	18	90	727
North America	1,726	1,691	35	989	2,467
US Gas	967	969	(2)	703	1,606
US Oil	555	538	17	187	555
US Horz./Directional	1,021	1,014	7	540	1,211
US Vertical	514	504	10	359	1,064

Exhibit 28

International Rig Count (Updated May 7, 2010)



Note: Adjusted to exclude Iran and Sudan

Exhibit 29

International Monthly Rig Count (Updated May 7, 2010)

Land	04/10	03/10	Change	Last Year	Recent Peak
Europe	45	41	4	30	58
Middle East	222	224	(2)	223	257
Africa	59	59	-	50	59
Latin America	294	305	(11)	278	325
Asia / Pacific	146	150	(4)	132	151
Int'l Land	**766**	**779**	**(13)**	**713**	**815**
Offshore					
Europe	58	53	5	56	71
Middle East	32	37	(5)	30	43
Africa	26	23	3	12	35
Latin America	76	73	3	71	89
Asia / Pacific	116	109	7	104	132
Int'l Offshore	**308**	**295**	**13**	**273**	**321**

Note: Updated first week of every month. Data from Iran and Sudan discontinued on Jan 1, 2006.

Exhibit 30

Morgan Stanley US and International Rig Count Forecast

	1Q09A	2Q09A	3Q09A	4Q09A	1Q10A	2Q10E	3Q10E	4Q10E	2006A	2007A	2008A	2009A	2010E	2011E	2012E
US Land	1,272	887	941	1,073	1,280	1,287	1,276	1,267	1,561	1,696	1,814	1,043	1,277	1,237	1,242
Change % YoY	*-25%*	*-50%*	*-51%*	*-42%*	*0%*	*42%*	*36%*	*19%*	*19%*	*7%*	*6%*	*-42%*	*22%*	*-3%*	*1%*
Gulf of Mexico	54	48	32	34	42	46	48	50	86	71	63	42	46	53	57
US Total	1,326	936	973	1,107	1,322	1,333	1,324	1,316	1,647	1,767	1,877	1,085	1,324	1,290	1,300
US Gas	1,039	730	690	738	868	871	853	836	1,371	1,465	1,489	799	857	801	787
US Oil	275	197	272	358	442	448	457	466	273	297	379	275	453	478	503
US Horz/Directional	752	562	599	705	na	na	na	na	668	768	925	654	na	na	na
US Vertical	584	373	373	401	na	na	na	na	980	999	954	433	na	na	na
Canada	328	91	187	286	511	122	337	358	470	344	379	223	332	300	325
North America	**1,655**	**1,026**	**1,160**	**1,393**	**1,833**	**1,455**	**1,661**	**1,674**	**2,117**	**2,110**	**2,257**	**1,309**	**1,656**	**1,590**	**1,625**
Change % YoY	*-27%*	*-50%*	*-52%*	*-40%*	*11%*	*42%*	*43%*	*20%*	*15%*	*0%*	*7%*	*-42%*	*27%*	*-4%*	*2%*
Europe	90	82	78	85	88	95	98	101	77	78	98	84	95	107	115
Middle East	267	251	243	248	260	257	262	267	238	265	280	252	262	281	304
Africa	59	63	57	67	80	69	70	72	58	66	65	62	73	76	82
Latin America	371	350	350	355	378	393	403	413	324	355	384	356	397	443	495
Asia/Pacific	239	237	241	257	257	263	272	279	228	241	252	243	268	300	331
Int'l Land	743	711	699	733	768	779	793	807	656	720	784	722	787	861	954
Int'l Offshore	282	271	270	277	295	299	312	325	269	286	295	275	308	346	374
Total Int'l	**1,025**	**982**	**969**	**1,011**	**1,063**	**1,077**	**1,105**	**1,132**	**925**	**1,005**	**1,079**	**997**	**1,094**	**1,206**	**1,328**
Change % YoY	*7%*	*8%*	*7%*	*7%*	*-2%*	*-9%*	*-12%*	*-7%*	*2%*	*9%*	*7%*	*-8%*	*10%*	*10%*	*10%*

Source: Baker Hughes, Morgan Stanley Research

Exhibit 31

Global Valuation Summary

Company	MS Rating	Recent Price	Price Target	Mkt Cap ($MM)	P/E 10E	P/E 11E	P/E 12E	EV/EBITDA 10E	EV/EBITDA 11E	EV/EBITDA 12E	2009FY ROE	Net Debt / Ent. Value 2010e	Net Debt / Ent. Value 2011e	Net Debt / Ent. Value 2012e
Oil Services:														
Schlumberger	O	$56.15	$115	$66,976	20.8	12.5	10.0	10.2	7.1	5.7	17.4%	2.0%	1.5%	(1.9%)
Halliburton	O	$24.83	$50	$22,478	17.7	12.4	9.9	7.2	5.7	4.8	9.2%	6.7%	7.0%	4.8%
Baker Hughes	O	$38.14	$80	$22,529	19.3	10.7	8.6	6.4	4.1	3.4	8.4%	17.4%	18.3%	16.6%
Weatherford	O	$14.12	$40	$10,453	23.4	10.1	6.4	8.2	6.3	4.9	3.5%	37.2%	38.3%	35.8%
Trican Well Services	U	C$12.26	C$22	$1,672	30.7	13.6	12.8	9.9	6.8	6.3	(1.4%)	9.9%	8.3%	2.9%
Carbo Ceramics	U	$64.70	$75	$1,496	24.9	19.0	16.2	11.9	9.3	7.6	11.9%	(6.4%)	(5.9%)	(11.9%)
RPC Inc.	O	$11.29	$20	$1,116	16.6	11.3	9.4	5.3	4.0	3.6	(5.1%)	11.7%	6.9%	1.7%
Calfrac Well Services	U	C$19.54	C$30	$800	23.0	12.6	10.8	7.2	5.1	4.3	(1.4%)	17.9%	13.5%	7.2%
Superior Well Services	O	$15.11	$23	$466	37.6	10.8	10.0	5.0	2.9	2.4	(18.2%)	16.1%	3.9%	(8.1%)
Average					*23.8*	*12.6*	*10.5*	*7.9*	*5.7*	*4.8*	*2.7%*	*12.5%*	*10.2%*	*5.2%*
Offshore Drillers:														
Transocean	O	$56.77	$115	$18,163	7.7	10.3	7.5	5.2	5.6	4.4	21.8%	32.8%	31.3%	24.0%
Diamond Offshore	U	$63.10	$70	$8,773	8.8	10.5	12.6	4.8	5.5	6.3	40.8%	4.6%	5.4%	7.7%
Noble Corporation	O	$29.07	$55	$7,437	5.8	7.3	6.1	3.5	3.8	2.7	31.5%	(7.5%)	(16.8%)	(40.4%)
Seadrill Limited	O	$20.68	$33	$8,526	8.0	7.8	8.3	8.1	7.5	7.5	43.2%	39.1%	39.7%	38.9%
ENSCO International	O	$37.40	$60	$5,330	10.7	10.7	7.5	5.2	4.8	3.2	16.3%	(17.3%)	(23.8%)	(39.8%)
Pride International	E-W	$24.77	$35	$4,350	14.7	9.2	12.4	10.4	7.1	7.6	8.4%	19.4%	23.1%	21.6%
Rowan Companies	E-W	$24.76	$30	$2,833	9.9	12.4	9.9	5.0	5.2	3.8	12.7%	9.1%	2.5%	(11.7%)
China Oilfield Services Ltd.	O	HK$9.75	HK$13	$1,922	11.0	9.0	8.5	7.7	6.4	5.8	14.5%	42.4%	42.3%	38.6%
Atwood Oceanics	U	$27.15	$40	$1,749	7.1	6.3	8.0	5.6	5.1	6.0	29.7%	7.9%	12.6%	14.6%
Aban Offshore Ltd.	O	Rs716	Rs1050	$672	9.2	4.1	4.0	9.0	7.0	6.3	NM	74.5%	80.6%	78.6%
Hercules Offshore	NR	$3.12	NA	$358	NM	NM	NM	6.3	4.3	5.8	(7.3%)	66.5%	63.8%	63.2%
Average					*9.3*	*8.8*	*8.5*	*6.4*	*5.7*	*5.4*	*21.2%*	*24.7%*	*23.7%*	*17.7%*
Land Drillers:														
Nabors Industries	O	$19.03	$36	$5,428	20.0	11.2	8.9	6.2	4.8	4.0	8.0%	32.4%	29.3%	23.7%
Helmerich & Payne	U	$37.68	$50	$3,984	15.0	15.1	15.1	5.5	4.9	4.4	15.4%	(4.9%)	(15.6%)	(29.2%)
Patterson-UTI	E-W	$14.03	$20	$2,159	36.8	28.3	28.3	5.4	4.8	4.7	(0.8%)	2.5%	2.4%	(0.4%)
Average					*24.0*	*18.2*	*17.4*	*5.7*	*4.8*	*4.4*	*7.6%*	*10.0%*	*5.3%*	*(2.0%)*
Equipment:														
Tenaris S.A.	O	$37.12	$60	$21,911	19.0	10.9	8.5	10.6	6.5	5.0	14.5%	(0.2%)	(0.1%)	(3.0%)
National Oilwell Varco	O	$38.13	$70	$15,977	10.0	15.2	11.2	4.7	5.7	4.2	12.4%	(21.3%)	(31.5%)	(39.4%)
Vallourec	U	€ 151.55	€ 145	$10,705	23.3	11.4	8.4	11.1	6.6	4.7	16.5%	4.3%	10.7%	3.7%
Cameron International	O	$36.20	$60	$8,840	15.7	13.4	10.6	7.9	6.4	4.9	20.5%	(9.5%)	(17.1%)	(29.1%)
FMC Technologies	E-W	$58.15	$65	$7,071	20.4	21.5	17.1	11.0	11.1	8.6	53.1%	0.6%	(0.7%)	(2.1%)
TMK	E-W	$17.00	$16	$3,710	30.8	8.6	5.4	9.0	5.6	3.8	(15.3%)	50.0%	45.1%	34.9%
Oceaneering International	E-W	$46.27	$80	$2,551	14.6	12.5	10.5	6.1	5.3	4.4	19.3%	1.7%	0.8%	(2.2%)
Dresser-Rand	E-W	$31.83	$55	$2,627	15.9	11.4	8.8	8.3	6.0	4.4	29.0%	5.9%	(2.1%)	(14.1%)
Dril Quip	E-W	$48.71	$60	$1,939	17.1	18.0	14.8	9.9	9.7	7.7	19.4%	(14.1%)	(21.7%)	(27.5%)
Wellstream Holdings	U	£5.42	£5.75	$785	21.2	12.3	9.7	11.0	6.9	5.4	18.2%	0.1%	(3.0%)	(11.4%)
Chart Industries	E-W	$18.42	$33	$528	23.0	10.5	9.2	8.4	4.6	3.6	14.6%	3.7%	(9.8%)	(22.6%)
Average					*19.2*	*13.3*	*10.4*	*8.9*	*6.7*	*5.2*	*18.4%*	*1.9%*	*(2.7%)*	*(10.3%)*
Engineering & Construction:														
Saipem	O	€ 25.41	€ 34	$13,827	15.8	12.5	10.3	9.0	7.2	5.8	22.2%	26.6%	24.7%	18.6%
Technip	O	€ 53.29	€ 70	$7,185	16.4	14.2	10.8	6.7	5.3	3.6	14.3%	(18.0%)	(29.4%)	(53.2%)
Petrofac	E-W	£11.26	£11.80	$5,627	15.7	11.4	9.2	11.1	8.1	6.6	63.2%	(7.8%)	(11.4%)	(13.9%)
Acergy	U	NKr 99	NKr 100	$2,978	16.3	14.6	11.1	6.1	6.0	4.5	27.0%	(2.7%)	(5.2%)	(16.3%)
Tecnicas Reunidas	O	€ 39.70	€ 65	$2,737	12.6	10.8	9.5	7.9	6.1	4.8	64.5%	(47.0%)	(64.9%)	(88.7%)
SBM Offshore	E-W	€ 13.03	€ 16	$2,693	11.4	10.7	10.3	6.3	6.5	6.0	17.9%	35.1%	44.9%	47.9%
Subsea 7	U	NKr 103	NKr 110	$2,335	13.0	12.0	9.7	6.0	5.3	4.2	40.0%	(2.7%)	(10.1%)	(22.4%)
Wood Group	O	£3.34	£5.30	$2,560	12.6	9.4	7.8	6.5	4.9	4.0	17.5%	3.9%	(1.2%)	(9.9%)
Helix Energy Solutions	E-W	$10.89	$22	$1,139	9.0	4.4	5.2	3.7	2.1	1.7	4.2%	43.5%	27.8%	(0.6%)
Sevan Marine	O	NKr 7	NKr 17	$579	NM	8.5	7.0	9.8	7.5	6.8	(15.6%)	63.3%	68.3%	70.0%
Average (excludes Helix and Sevan)					*14.2*	*11.9*	*9.8*	*7.4*	*6.2*	*4.9*	*33.3%*	*(1.6%)*	*(6.6%)*	*(17.2%)*
Reservoir Information / Seismic:														
CGG Veritas	E-W	€ 18.59	€ 22	$3,469	25.8	7.7	5.3	5.3	3.7	2.9	(8.9%)	26.1%	21.3%	12.2%
Petroleum Geo-Services	E-W	NKr 66	NKr 94	$2,018	18.5	7.0	5.8	5.2	2.9	2.2	26.0%	20.8%	9.4%	(7.4%)
ION Geophysical	O	$5.43	$10	$827	NM	13.6	9.1	6.1	3.6	2.6	(15.6%)	18.6%	11.9%	1.3%
Average					*22.2*	*7.3*	*5.5*	*5.3*	*3.3*	*2.6*	*8.6%*	*23.4%*	*15.4%*	*2.4%*

Source: FactSet, Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates; ++ Rating and price target for this company have been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Trading and Valuation Summary: Contract Drillers

Exhibit 32

Offshore Drillers: Summary of Valuation based on EPS and NAV Projections

Water Depth	Type	Avg. Asset Va. ($mm) Repl.	Mkt.
550'	IC	280	155
450'	IC	240	135
400' HD/HE	IC	280	145
400'	IC	230	125
400'	IS	205	90
375'	IC	220	115
350' HD/HE	IC	250	120
350'	IC	200	100
350'	IS	180	80
328'	IC	180	70
300'	IC	170	60
Tarzan	IC	145	60
250'	IC	135	45
250'	MC	110	23
250'	MS	100	17
250'	IS	95	19
200'	IC	115	25
200'	MC	115	21
200'	MS	95	15
150'	IC	95	13

Type	Avg. Asset Va. ($mm) Repl.	Mkt.
2G Semi	300	200
3G Semi	350	255
4G Semi	450	330
5G (7,500-ft)	500	580
6G (10,000-ft) DP	550	610
6G (10,000-ft) HE	650	655
Drillship (mid-1970s)	450	125
Drillship (4,000-ft+) DP	500	225
Drillship (8,000 ft.+) DP	530	590
Drillship (10,000-ft) DP	550	620

North Sea Certification: $10-20 MM

($mm)	Last Price	NAV/ Share	Price/ NAV
2010e			
SDRL	21	8	252%
DO	63	80	79%
RDC	25	28	88%
RIG	57	76	75%
PDE	25	31	80%
NE	29	43	67%
ESV	37	55	68%
ATW	27	43	64%
HERO	3	4	71%
2011e			
SDRL	21	9	232%
DO	63	81	78%
RDC	25	33	76%
RIG	57	88	65%
PDE	25	35	70%
NE	29	49	60%
ESV	37	63	59%
ATW	27	48	56%
HERO	3	5	62%

Exhibit 33

Second-Hand Market Values for Offshore Rigs

	2001 Apr	2002 Apr	2003 Apr	2004 Apr	2005 Apr	2006 Apr	2007 Apr	2008 Apr	2009 Apr	2010 Apr
Jackups built after 1980										
150 feet ind cantilever	25	12	10	15	21	35	40	40	20	13
200 feet mat cantilever	30	19	20	22	27	50	55	55	30	21
250 feet mat slot	25	17	16	18	24	40	45	45	25	17
250 feet ind cantilever	45	30	40	40	50	75	100	100	60	45
300 feet ind cant international	65	50	55	60	70	90	130	150	95	60
300 feet ind cant N Sea	65	55	55	60	70	100	150	160	120	95
New 350 feet IC	133	133	125	125	135	180	210	210	165	160
Semisubmersibles										
Aker H-3 North Sea	45	25	25	20	40	120	225	240	230	200
3rd gen North Sea	100	75	65	55	80	170	250	275	280	255
4th generation	200	190	168	125	150	280	300	350	350	330
5th gen 8,000 ft +	340	325	290	250	310	420	450	600	610	580
New 6th gen 10,000 ft +	n/a	n/a	n/a	n/a	n/a	600	600	675	650	610
Drillships										
Conventional mid 1970s	29	20	19	17	35	90	170	230	160	125
DP 4000 feet+ (not newbuild)	120	85	65	40	100	165	270	300	250	225
5th gen 8,000 ft +	325	325	290	230	350	420	450	600	610	590
New 6th gen 10,000 ft+	n/a	n/a	n/a	n/a	n/a	600	600	750	670	620

Exhibit 34

Price/NAV Range (Since 2001)

Exhibit 35

P/NAV Trading Range average for RIG/DO

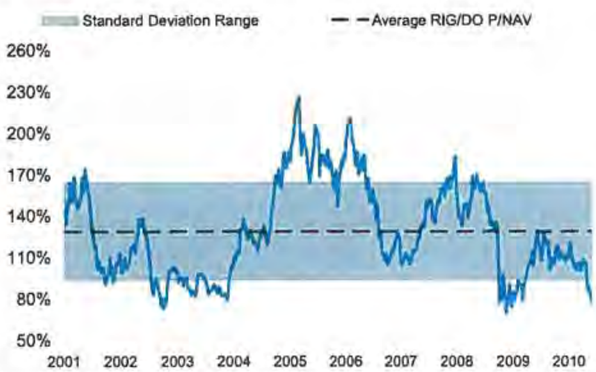
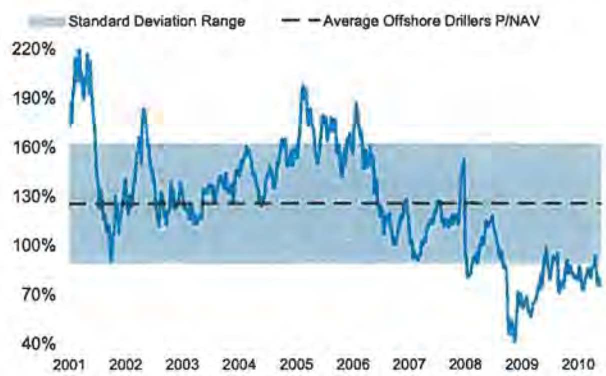


Exhibit 36

P/NAV Trading Range average for NE/ESV/RDC



Source: FactSet, ODS-Petrodata, Morgan Stanley Research

Price Target and Valuation Summary: Oil Services & Drillers

Exhibit 37

Service/Equipment: Price Target Summary

Symbol	MS Rating	Last Price	2012 EPS	P/E	P/E	Target Price	Upside
	MS	Last	2011	2011		Target	Target
WFT	O	$14.12	$2.20	6.4x	18.2x	$40	183%
BHI	O	$38.14	$4.45	8.6x	18.0x	$80	112%
SLB	O	$56.15	$5.60	10.0x	20.6x	$115	107%
HAL	O	$24.83	$2.50	9.9x	20.0x	$50	104%
HLX	E-W	$10.89	$2.10	5.2x	10.5x	$22	102%
NOV	O	$38.13	$3.40	11.2x	20.6x	$70	85%
IO	O	$5.43	$0.60	9.1x	16.7x	$10	84%
TCW-TSE	U	$12.26	$0.95	12.8x	23.0x	$22	81%
RES	O	$11.29	$1.20	9.4x	16.7x	$20	80%
GTLS	E-W	$18.42	$2.00	9.2x	16.5x	$33	79%
OII	E-W	$46.27	$4.40	10.5x	18.2x	$80	73%
DRC	E-W	$31.83	$3.60	8.8x	15.3x	$55	73%
TS	O	$37.12	$4.35	8.5x	13.8x	$60	66%
CAM	O	$36.20	$3.40	10.6x	17.6x	$60	66%
CFW-TSE	U	$19.54	$1.80	10.8x	16.6x	$30	54%
SWSI	O	$15.11	$1.50	10.0x	15.3x	$23	52%
DRQ	E-W	$48.71	$3.30	14.8x	18.2x	$60	23%
CRR	U	$64.70	$4.00	16.2x	18.8x	$75	18%
FTI	E-W	$58.15	$3.40	17.1x	19.1x	$65	12%

Note: Upside percentage includes next six quarters of expected dividends.

Exhibit 38

Contract Drillers: Price Target Summary

Symbol	MS Rating	Last Price	2012 EPS	P/E	P/E	Target Price	Upside
RIG	O	$56.77	$7.60	7.5x	15.1x	$115	109%
NE	O	$29.07	$4.80	6.1x	11.5x	$55	93%
HERO	NR	$3.12	-$0.59	-5.3x	-10.1x	$6	92%
NBR	O	$19.03	$2.15	8.9x	16.8x	$36	89%
SDRL	O	$20.68	$2.50	8.3x	13.2x	$33	79%
ESV	O	$37.40	$5.00	7.5x	12.0x	$60	66%
ATW	U	$27.15	$3.40	8.0x	11.8x	$40	47%
PTEN	E-W	$14.03	$0.50	28.3x	40.3x	$20	45%
PDE	E-W	$24.77	$2.00	12.4x	17.5x	$35	41%
HP	U	$37.68	$2.50	15.1x	20.0x	$50	33%
DO	U	$63.10	$5.00	12.6x	14.0x	$70	26%
RDC	E-W	$24.76	$2.50	9.9x	12.0x	$30	21%

Note: HERO uses base case instead of target price. Upside percentage includes next six quarters of expected dividends.

Exhibit 39

Land Drillers: EV/Rig (Current) ($m/rig, monthly)

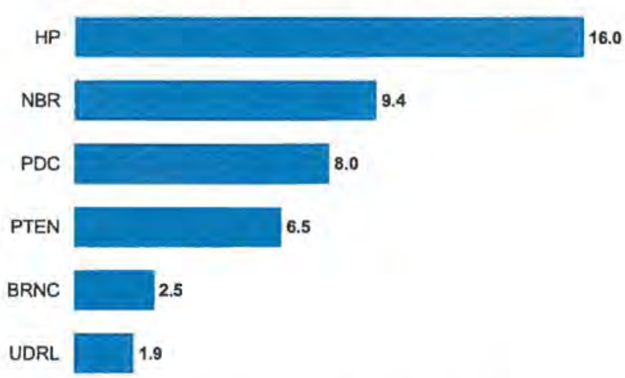


Exhibit 40

PTEN: Historic EV/Rig ($m/rig, monthly)

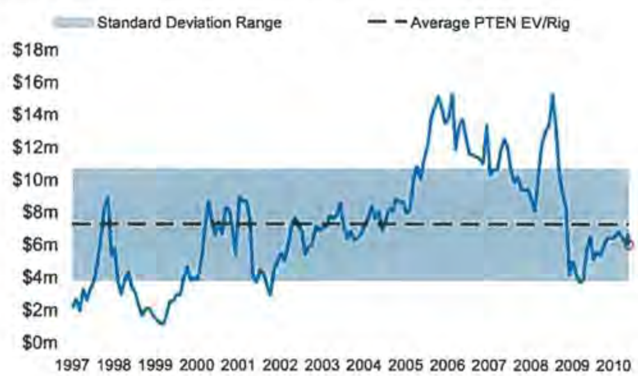
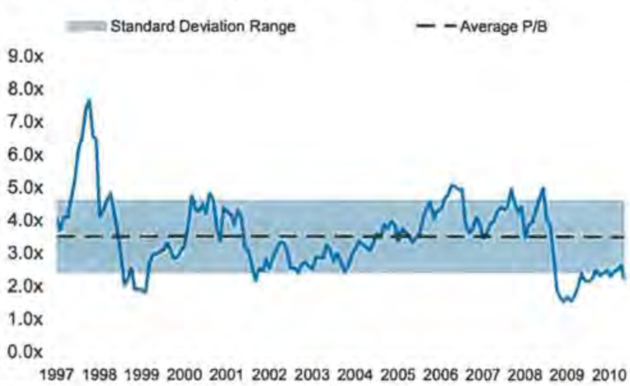


Exhibit 41

Oil Services and Equipment: Price/Book



Note: Includes Services, Equipment and Land Drillers
Source: FactSet, Company data, Morgan Stanley Research

Exhibit 42

Oil Services and Equipment: Price/Sales

Note: Includes Services, Equipment and Land Drillers

Exhibit 43

Morgan Stanley EPS Estimates versus FactSet Consensus

Reuters Symbol	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	2008A	2009A	2010E	2011E	2012E	09 vs 08	10 vs 09	11 vs 10	12 vs 11
SLB.N	0.78	0.68	0.65	0.67	0.62	0.64	0.64	0.80	4.50	2.78	2.70	4.50	5.60	-38%	-3%	67%	24%
Consensus	0.78	0.68	0.65	0.67	0.62	0.69	0.76	0.85	4.50	2.78	2.91	3.92	4.97	-38%	5%	35%	27%
HAL.N	0.44	0.30	0.31	0.28	0.28	0.35	0.36	0.41	2.90	1.34	1.40	2.00	2.50	-54%	4%	43%	25%
Consensus	0.44	0.30	0.31	0.28	0.28	0.34	0.39	0.45	2.90	1.34	1.45	2.10	2.76	-54%	8%	45%	31%
BHI.N	0.82	0.41	0.26	0.43	0.45	0.40	0.49	0.62	5.35	1.92	1.97	3.55	4.45	-64%	3%	80%	25%
Consensus	0.82	0.41	0.26	0.43	0.45	0.42	0.56	0.66	5.35	1.92	2.10	3.34	4.18	-64%	9%	59%	25%
WFT.N	0.27	0.10	0.10	0.02	0.06	0.06	0.22	0.27	2.00	0.47	0.60	1.40	2.20	-76%	27%	132%	57%
Consensus	0.27	0.10	0.10	0.02	0.06	0.07	0.17	0.25	2.00	0.47	0.56	1.23	1.86	-76%	17%	121%	51%
SWSI.O	-0.57	-0.80	-0.53	-0.58	-0.31	0.04	0.25	0.34	1.64	-2.25	0.40	1.40	1.50	NM	NM	NM	8%
Consensus	-0.57	-0.80	-0.53	-0.58	-0.31	-0.13	-0.01	0.02	1.64	-2.25	-0.47	0.61	0.77	NM	NM	NM	25%
RES.N	0.05	-0.12	-0.11	-0.05	0.14	0.16	0.18	0.20	0.85	-0.24	0.68	1.00	1.20	NM	NM	47%	20%
Consensus	0.05	-0.12	-0.11	-0.05	0.14	0.18	0.21	0.22	0.85	-0.24	0.70	1.06	1.20	NM	NM	52%	13%
CFW.TO	C0.15	-C0.40	C0.08	C0.02	C0.31	-C0.10	C0.26	C0.41	C0.47	-C0.15	C0.85	C1.55	C1.80	-131%	NM	82%	17%
Consensus	C0.15	-C0.40	C0.08	C0.02	C0.31	-C0.21	C0.24	C0.40	C0.47	-C0.15	C0.69	C1.55	C1.60	-131%	NM	123%	3%
TCW.TO	C0.08	-C0.18	-C0.03	C0.06	C0.31	-C0.09	C0.17	C0.26	C0.51	-C0.08	C0.40	C0.90	C0.95	-116%	NM	125%	6%
Consensus	C0.08	-C0.18	-C0.03	C0.06	C0.31	-C0.04	C0.15	C0.20	C0.51	-C0.08	C0.53	C0.92	C0.90	-116%	NM	72%	-2%
CRR.N	0.70	0.41	0.63	0.55	0.82	0.58	0.60	0.59	2.51	2.29	2.60	3.40	4.00	-9%	14%	31%	17%
Consensus	0.70	0.41	0.63	0.55	0.82	0.64	0.66	0.67	2.51	2.29	2.81	3.49	3.78	-9%	23%	24%	8%
IO.N	-0.10	-0.10	-0.06	-0.11	-0.09	0.00	0.06	0.10	0.50	-0.36	0.10	0.40	0.60	-173%	NM	NM	50%
Consensus	-0.10	-0.10	-0.06	-0.11	-0.09	0.02	0.06	0.10	0.50	-0.36	0.09	0.38	0.58	-173%	NM	NM	50%
TS.N	0.62	0.62	0.39	0.38	0.37	0.40	0.52	0.66	3.71	2.00	1.95	3.40	4.35	-46%	-3%	74%	28%
Consensus	0.62	0.62	0.39	0.38	0.37	0.43	0.57	0.72	3.71	2.00	2.28	3.37	3.82	-46%	14%	48%	13%
NOV.N	1.13	0.90	0.95	0.96	1.10	0.96	0.90	0.85	5.13	3.94	3.80	2.50	3.40	-23%	-4%	-34%	36%
Consensus	1.13	0.90	0.95	0.96	1.10	0.92	0.86	0.84	5.13	3.94	3.68	3.25	3.69	-23%	-7%	-12%	13%
CAM.N	0.59	0.60	0.58	0.54	0.51	0.55	0.58	0.66	2.68	2.31	2.30	2.70	3.40	-14%	0%	18%	26%
Consensus	0.59	0.60	0.58	0.54	0.51	0.54	0.59	0.65	2.68	2.31	2.28	2.85	3.46	-14%	-1%	25%	21%
FTI.N	0.62	0.84	0.73	0.75	0.80	0.69	0.68	0.69	2.95	2.94	2.85	2.70	3.40	0%	-3%	-5%	26%
Consensus	0.62	0.84	0.73	0.75	0.80	0.70	0.67	0.70	2.95	2.94	2.87	3.22	3.90	0%	-3%	12%	21%
OII.N	0.80	0.87	0.90	0.83	0.77	0.80	0.80	0.80	3.62	3.40	3.18	3.70	4.40	-6%	-7%	16%	19%
Consensus	0.80	0.87	0.90	0.83	0.77	0.85	0.93	0.93	3.62	3.40	3.47	4.14	4.79	-6%	2%	19%	16%
DRC.N	0.43	0.74	0.91	0.61	0.44	0.41	0.51	0.65	2.30	2.69	2.00	2.80	3.60	17%	-26%	40%	28%
Consensus	0.43	0.74	0.91	0.61	0.44	0.33	0.50	0.72	2.30	2.69	1.96	2.57	3.28	17%	-27%	31%	28%

Source: FactSet, Company data, Morgan Stanley Research

Exhibit 44

Morgan Stanley EPS Estimates versus FactSet Consensus (continued)

Reuters Symbol	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	2008A	2009A	2010E	2011E	2012E	09 vs 08	10 vs 09	11 vs 10	12 vs 11
DRQ.N	0.63	0.68	0.72	0.72	0.74	0.66	0.69	0.76	2.68	2.75	2.85	2.70	3.30	3%	4%	-5%	22%
Consensus	0.63	0.68	0.72	0.72	0.74	0.72	0.73	0.76	2.68	2.75	2.95	3.49	4.39	3%	7%	18%	26%
GTLS.O	0.69	0.71	0.26	0.38	0.08	0.18	0.25	0.29	2.64	2.04	0.80	1.75	2.00	-23%	-61%	118%	14%
Consensus	0.69	0.71	0.26	0.38	0.08	0.15	0.23	0.28	2.64	2.04	0.74	1.59	2.20	-23%	-64%	117%	38%
RIG.N	3.74	2.79	2.65	2.21	2.22	1.73	1.61	1.78	14.40	11.38	7.35	5.50	7.60	-21%	-35%	-25%	38%
Consensus	3.74	2.79	2.65	2.21	2.22	1.80	2.08	2.40	14.40	11.38	8.54	10.27	10.57	-21%	-25%	20%	3%
NE.N	1.62	1.55	1.59	1.69	1.43	1.22	1.08	1.31	5.81	6.44	5.05	4.00	4.80	11%	-22%	-21%	20%
Consensus	1.62	1.55	1.59	1.69	1.43	1.31	1.32	1.42	5.81	6.44	5.44	5.33	4.95	11%	-16%	-2%	-7%
DO.N	2.51	2.71	2.57	2.02	2.08	1.77	1.53	1.83	9.96	9.82	7.21	6.00	5.00	-1%	-27%	-17%	-17%
Consensus	2.51	2.71	2.57	2.02	2.08	1.82	2.17	2.32	9.96	9.82	8.33	8.64	8.03	-1%	-15%	4%	-7%
ESV.N	1.56	1.59	1.05	1.24	1.11	0.74	0.86	0.79	8.21	5.43	3.50	3.50	5.00	-34%	-35%	0%	43%
Consensus	1.56	1.59	1.05	1.24	1.11	0.83	1.10	1.04	8.21	5.43	4.03	4.87	5.58	-34%	-26%	21%	15%
SDRL.N	0.47	0.81	0.73	0.66	0.62	0.58	0.76	0.68	1.05	2.60	2.60	2.65	2.50	149%	0%	2%	-6%
Consensus	0.47	0.81	0.73	0.66	0.62	0.67	0.78	0.81	1.05	2.60	2.81	3.20	3.23	149%	8%	14%	1%
PDE.N	0.88	0.70	0.49	0.16	0.43	0.32	0.45	0.48	3.65	2.23	1.68	2.70	2.00	-39%	-25%	61%	-26%
Consensus	0.88	0.70	0.49	0.16	0.43	0.33	0.45	0.63	3.65	2.23	1.81	3.32	3.78	-39%	-19%	83%	14%
HERO.O	0.05	0.09	0.38	0.15	0.19	-0.17	-0.13	-0.05	1.07	0.68	-0.55	-0.22	-0.59	NM	-19%	-59%	165%
Consensus	-0.05	-0.09	-0.38	-0.15	-0.19	-0.17	-0.14	-0.10	1.07	-0.68	-0.60	-0.43	-0.38	NM	NM	NM	NM
RDC.N	1.14	0.78	0.54	0.53	0.81	0.72	0.55	0.42	4.06	2.98	2.50	2.00	2.50	-27%	-16%	-20%	25%
Consensus	1.14	0.78	0.54	0.53	0.81	0.68	0.55	0.51	4.06	2.98	2.55	2.07	2.33	-27%	-14%	-19%	12%
ATW.N	0.88	1.05	0.75	1.03	1.03	0.95	0.84	1.07	3.34	3.89	3.85	4.30	3.40	17%	-1%	12%	-21%
Consensus	0.88	1.05	0.75	1.03	1.03	1.01	1.05	1.07	3.34	3.89	4.02	4.59	5.09	17%	3%	14%	11%
NBR.N	0.65	0.32	0.18	0.18	0.14	0.20	0.26	0.35	3.12	1.33	0.95	1.70	2.15	-57%	-29%	79%	26%
Consensus	0.65	0.32	0.18	0.18	0.14	0.19	0.27	0.36	3.12	1.33	1.03	1.64	2.03	-57%	-23%	60%	23%
PTEN.O	0.11	0.12	0.12	0.05	0.03	0.09	0.12	0.14	2.34	0.18	0.38	0.50	0.50	-108%	NM	30%	0%
Consensus	0.11	-0.12	-0.12	-0.05	0.03	0.04	0.06	0.07	2.34	-0.18	0.20	0.48	0.61	NM	NM	NM	26%
HP.N	0.96	0.48	0.47	0.59	0.61	0.64	0.67	0.64	4.13	3.28	2.50	2.50	2.50	-21%	-24%	0%	0%
Consensus	0.96	0.48	0.47	0.59	0.61	0.59	0.60	0.62	4.13	3.28	2.36	2.54	2.82	-21%	-28%	8%	11%
HLX.N	0.22	0.31	-0.03	-0.04	0.00	0.16	0.51	0.47	1.94	0.48	1.21	2.45	2.10	-75%	153%	103%	-14%
Consensus	0.22	0.31	-0.03	-0.04	0.00	0.13	0.30	0.31	1.94	0.48	0.72	1.55	2.10	-75%	50%	116%	36%

Source: FactSet, Company data, Morgan Stanley Research

Consensus Earnings Revisions and Short Interest Ratios

Exhibit 45
2010 Consensus EPS Revisions (Past 4-Weeks)

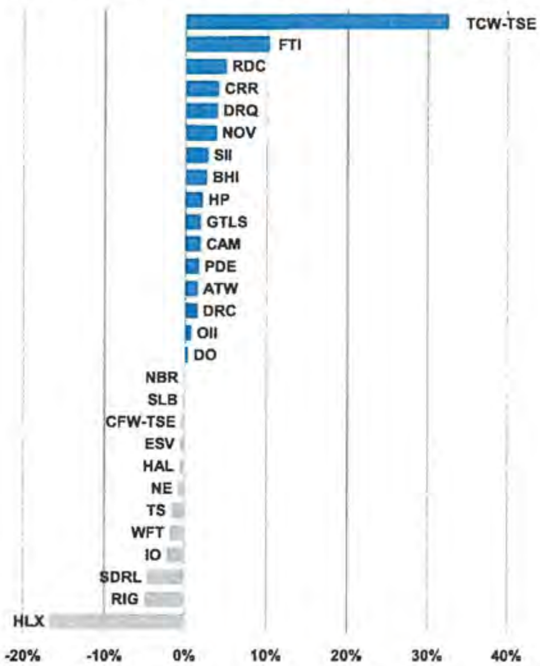


Exhibit 46
Short Interest Ratio

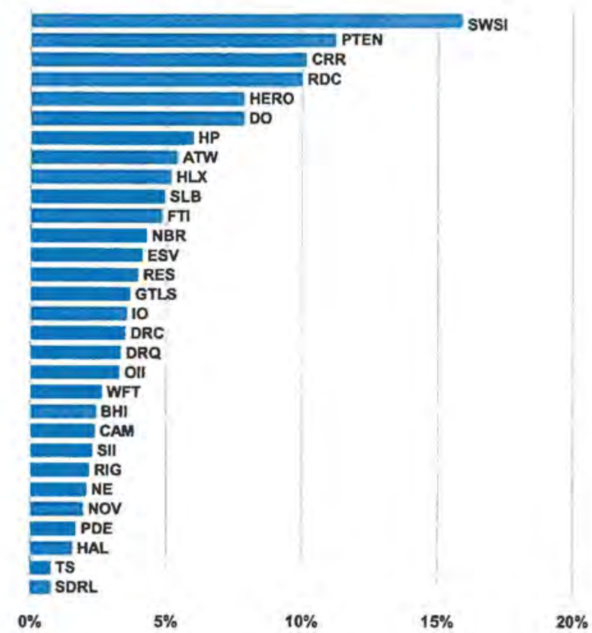


Exhibit 47
2010 Consensus EPS Revisions (Past 3-Months)

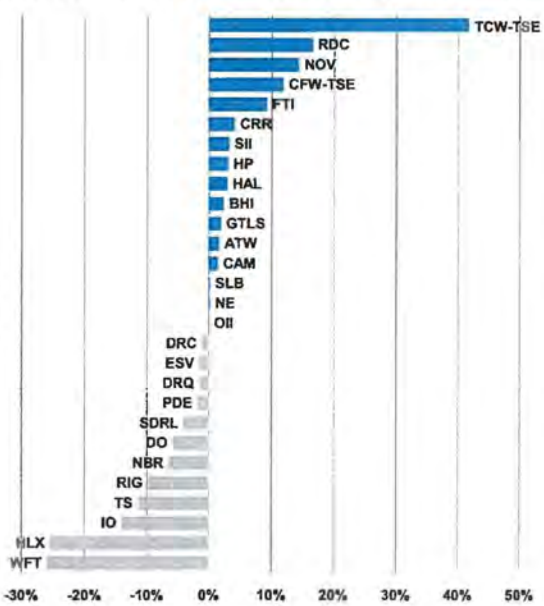
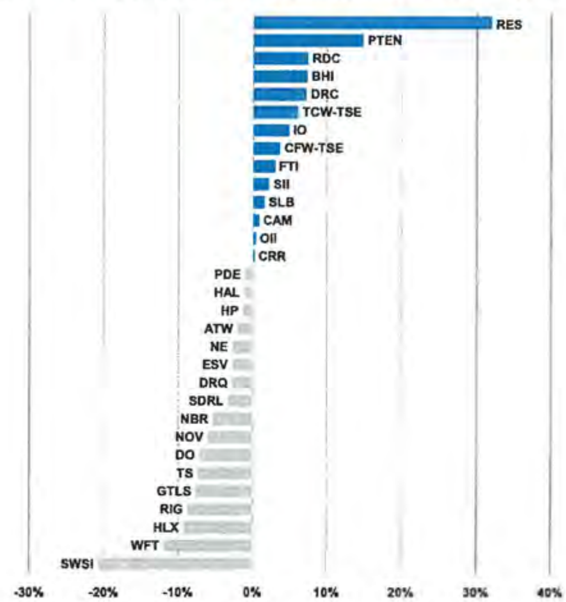


Exhibit 48
2011 Consensus EPS Revisions (Past 3-Months)



Source: FactSet; Morgan Stanley Research

Exhibit 49

Morgan Stanley Revenue Growth Projections by Area for Top Four Service Names

	2010E	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
SLB												
North America	3,276	(38.9%)	15.2%	20.8%	21.0%	40.2%	1.4%	10.6%	(37.3%)	(11.6%)	(19.2%)	(11.1%)
Latin America	4,818	(12.0%)	8.9%	23.1%	26.5%	16.0%	28.5%	28.4%	(0.1%)	14.0%	28.6%	22.7%
Europe/CIS/Afric	7,662	11.5%	4.4%	11.9%	26.7%	43.0%	30.4%	24.1%	(12.6%)	7.2%	28.9%	19.0%
Middle East/Asi	5,593	(10.7%)	9.3%	20.6%	22.4%	22.8%	31.1%	17.3%	(8.6%)	6.8%	26.2%	9.4%
OFS	21,587	(19.1%)	9.2%	19.1%	23.5%	32.5%	21.1%	19.6%	(15.5%)	5.2%	20.5%	14.0%
WesternGeco	1,527	n/a	(19.8%)	4.7%	34.1%	49.0%	19.7%	(4.2%)	(25.2%)	(28.1%)	1.0%	1.0%
Total	23,113	(3.9%)	4.6%	17.4%	24.7%	34.4%	21.0%	16.6%	(16.5%)	2.1%	19.2%	13.3%
Consensus	24,469	(3.9%)	4.6%	17.4%	24.7%	34.4%	21.0%	16.6%	(16.3%)	7.8%	20.0%	13.8%
HAL												
North America	5,476	(24.1%)	1.8%	17.0%	33.5%	34.0%	10.5%	16.9%	(32.1%)	(3.3%)	(0.8%)	10.6%
Latin America	2,176	(7.8%)	7.2%	19.3%	24.2%	12.6%	18.8%	34.9%	(10.1%)	(0.2%)	22.7%	19.4%
Europe/CIS/Afric	4,487	(8.1%)	7.0%	14.0%	18.2%	25.8%	29.4%	17.5%	(9.2%)	13.6%	23.8%	14.2%
Middle East/Asi	3,144	16.7%	(4.8%)	5.2%	20.2%	27.7%	24.0%	20.3%	(9.0%)	9.0%	20.7%	12.7%
Total	15,282	(12.5%)	2.3%	14.3%	26.3%	28.3%	17.8%	19.8%	(19.7%)	4.1%	14.2%	13.6%
Consensus	16,283	(12.5%)	2.3%	14.3%	26.3%	28.3%	17.8%	19.8%	(19.7%)	11.0%	15.7%	14.3%
BHI												
North America	3,402	(13.0%)	14.1%	14.4%	23.7%	29.8%	8.9%	16.6%	(30.8%)	(5.1%)	(1.7%)	7.3%
Latin America	1,171	(18.1%)	1.4%	20.1%	2.5%	17.7%	20.3%	24.8%	0.5%	3.3%	18.9%	22.8%
Europe/CIS/Afric	3,228	11.8%	0.9%	14.7%	13.7%	24.1%	23.6%	10.1%	(13.6%)	10.3%	16.2%	19.3%
Middle East/Asi	1,962	18.9%	11.1%	20.4%	19.3%	22.3%	17.4%	8.2%	(6.9%)	(3.0%)	15.8%	17.1%
BHI Legacy	9,762	(2.1%)	8.1%	16.1%	17.8%	25.7%	15.5%	13.8%	(18.5%)	1.0%	10.2%	15.6%
BJS	2,558	21.4%	24.7%	34.7%	9.9%	13.0%	(23.5%)	(3.3%)	7.5%	(40.8%)	76.0%	15.5%
Total BHI	12,320	(2.1%)	8.1%	16.1%	17.8%	25.7%	15.5%	13.8%	(18.5%)	27.5%	23.8%	15.6%
Consensus	10,634	(2.1%)	8.1%	16.1%	17.8%	25.7%	15.5%	13.8%	(18.5%)	10.0%	23.7%	10.7%
WFT												
North America	2,920	n/a	11.3%	4.1%	27.2%	53.0%	7.2%	13.3%	(38.0%)	5.6%	4.1%	10.0%
Latin America	1,638	n/a	11.3%	118.5%	49.7%	71.3%	21.5%	37.1%	71.7%	(21.1%)	24.8%	25.9%
Europe/CIS/Afric	2,172	n/a	11.3%	5.2%	51.0%	34.0%	43.7%	29.5%	5.0%	34.4%	30.5%	24.7%
Middle East/Asi	2,563	n/a	11.3%	118.5%	57.3%	51.8%	34.8%	31.1%	(1.0%)	8.2%	44.7%	35.1%
Total	9,293	n/a	11.3%	21.4%	37.7%	51.8%	19.0%	22.6%	(8.1%)	5.3%	25.1%	24.4%
Consensus	10,727	n/a	11.3%	21.4%	37.7%	51.8%	19.0%	22.6%	(8.1%)	21.5%	16.3%	17.9%
TOP FOUR												
North America	15,073	(23.2%)	9.6%	15.0%	26.7%	38.0%	7.1%	14.6%	(34.2%)	(4.1%)	(4.1%)	5.7%
Latin America	9,802	(11.5%)	7.1%	25.6%	23.6%	20.4%	23.8%	30.7%	6.9%	1.9%	25.5%	22.5%
Europe/CIS/Afric	17,549	4.8%	4.6%	12.8%	22.4%	33.2%	29.6%	19.9%	(10.4%)	12.2%	25.5%	18.6%
Middle East/Asi	13,262	2.6%	5.3%	21.7%	24.8%	27.6%	27.3%	18.6%	(7.0%)	6.0%	26.9%	16.9%
Total	60,009	(5.9%)	5.3%	16.7%	25.1%	33.0%	18.8%	17.7%	(16.5%)	7.5%	19.8%	15.6%
Consensus	62,112	(5.9%)	5.3%	16.7%	25.1%	33.0%	18.8%	17.7%	(16.5%)	11.3%	18.9%	14.1%
Top 4 Int'l	**40,613**	**0.1%**	**5.4%**	**18.5%**	**23.5%**	**28.3%**	**27.6%**	**21.7%**	**(5.4%)**	**7.5%**	**25.9%**	**19.0%**
SLB	18,073	(2.7%)	7.1%	17.6%	25.2%	29.2%	30.2%	22.8%	(8.4%)	8.8%	28.0%	17.1%
HAL	9,806	(0.4%)	2.8%	12.3%	20.3%	23.0%	25.2%	22.2%	(9.3%)	8.8%	22.6%	14.9%
BHI	6,361	6.9%	4.1%	17.4%	13.6%	22.5%	20.9%	11.6%	(9.1%)	4.6%	16.6%	19.3%
WFT	6,373	n/a	11.3%	61.9%	53.6%	50.4%	34.0%	32.0%	17.9%	5.1%	34.8%	29.5%
Top 4 NAm	**15,073**	**(23.2%)**	**9.6%**	**15.0%**	**26.7%**	**38.0%**	**7.1%**	**14.6%**	**(34.2%)**	**(4.1%)**	**(4.1%)**	**5.7%**
SLB	3,276	(38.9%)	15.2%	20.8%	21.0%	40.2%	1.4%	10.6%	(37.3%)	(11.6%)	(19.2%)	(11.1%)
HAL	5,476	(24.1%)	1.8%	17.0%	33.5%	34.0%	10.5%	16.9%	(32.1%)	(3.3%)	(0.8%)	10.6%
BHI	3,402	(13.0%)	14.1%	14.4%	23.7%	29.8%	8.9%	16.6%	(30.8%)	(5.1%)	(1.7%)	7.3%
WFT	2,920	n/a	11.3%	4.1%	27.2%	53.0%	7.2%	13.3%	(38.0%)	5.6%	4.1%	10.0%

Source: FactSet, Morgan Stanley Research; Note: e = Morgan Stanley Research estimates. Note: 2010 BJS estimate incorporates contribution to BHI only.

Exhibit 50

Morgan Stanley EBIT Margins Projections by Area for Top Four Service Names

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
SLB														
North Am.	7.5%	15.7%	24.1%	12.5%	14.1%	16.7%	24.8%	30.4%	28.7%	23.2%	5.8%	6.2%	16.9%	21.6%
Latin Am.	2.1%	7.5%	13.9%	13.1%	15.6%	12.7%	14.9%	19.3%	22.9%	20.3%	17.8%	18.4%	22.0%	24.6%
Eur/CIS/Afr.	8.3%	12.9%	16.4%	15.7%	17.9%	16.0%	19.9%	25.5%	28.5%	27.4%	23.9%	21.5%	28.4%	29.2%
Mid East/Asia	18.8%	18.8%	21.9%	24.2%	24.8%	26.2%	28.7%	32.1%	35.1%	35.0%	32.3%	30.5%	33.6%	34.0%
OFS	9.8%	14.2%	19.0%	16.0%	17.6%	17.6%	22.2%	27.7%	29.3%	26.8%	21.1%	20.6%	26.9%	28.4%
WesternGeco	n/a	n/a	n/a	4.8%	(1.7%)	10.1%	19.0%	32.8%	35.8%	29.5%	15.4%	11.7%	15.0%	20.0%
Total	6.6%	9.7%	10.9%	9.4%	10.6%	14.7%	20.2%	26.6%	28.8%	26.1%	19.0%	18.6%	25.1%	27.0%
Consensus	6.6%	9.7%	10.9%	9.4%	10.6%	14.7%	20.2%	26.6%	28.8%	26.1%	18.5%	18.6%	21.2%	22.5%
HAL														
North Am.	n/a	n/a	19.8%	14.1%	11.2%	19.0%	26.8%	32.1%	27.8%	24.5%	8.5%	13.3%	14.5%	17.4%
Latin Am.	n/a	n/a	16.7%	13.1%	18.2%	11.4%	15.0%	19.8%	19.4%	21.5%	17.7%	12.8%	18.5%	18.9%
Eur/CIS/Afr.	n/a	n/a	(1.1%)	4.9%	8.5%	10.8%	17.8%	18.8%	20.1%	19.7%	17.9%	17.8%	19.6%	19.8%
Mid East/Asia	n/a	n/a	9.5%	11.3%	15.4%	14.2%	20.2%	24.0%	25.4%	25.7%	24.4%	22.3%	24.2%	24.5%
Total	n/a	n/a	13.3%	11.3%	12.3%	15.2%	22.1%	26.4%	24.5%	23.2%	15.5%	16.4%	18.9%	19.9%
Consensus	n/a	n/a	13.3%	11.3%	12.3%	15.2%	22.1%	26.4%	24.5%	23.2%	13.9%	13.9%	16.9%	17.9%
BHI														
North Am.	n/a	n/a	n/a	n/a	n/a	n/a	21.6%	26.7%	26.5%	24.9%	9.2%	11.5%	13.0%	14.5%
Latin Am.	n/a	n/a	n/a	n/a	n/a	n/a	21.0%	20.3%	19.4%	18.9%	12.4%	9.6%	16.1%	17.8%
Eur/CIS/Afr.	n/a	n/a	n/a	n/a	n/a	n/a	17.6%	21.3%	22.3%	21.7%	17.9%	14.6%	21.4%	22.0%
Mid East/Asia	n/a	n/a	n/a	n/a	n/a	n/a	18.2%	23.0%	23.4%	20.4%	13.4%	11.3%	19.1%	20.8%
BHI Legacy	4.9%	9.0%	15.4%	12.0%	11.5%	14.0%	19.8%	24.0%	24.1%	22.6%	13.1%	12.2%	17.6%	19.0%
BJS	0.5%	12.2%	24.2%	13.5%	12.9%	16.3%	20.2%	26.8%	23.2%	16.1%	6.1%	11.5%	14.0%	14.8%
Total BHI	4.9%	9.0%	15.4%	12.0%	11.5%	14.0%	19.8%	24.0%	24.1%	22.6%	13.1%	10.3%	15.7%	17.0%
Consensus	4.9%	9.0%	15.4%	12.0%	11.5%	14.0%	19.8%	24.0%	24.1%	22.6%	9.4%	11.3%	13.7%	16.0%
WFT														
North Am.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.0%	25.7%	25.2%	7.1%	12.4%	15.1%	17.9%
Latin Am.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18.3%	23.0%	22.9%	13.6%	12.5%	13.6%	13.7%
Eur/CIS/Afr.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	20.6%	24.2%	24.9%	15.6%	14.7%	16.6%	16.3%
Mid East/Asia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	20.2%	22.8%	23.5%	18.7%	18.8%	22.4%	26.1%
Total	5.4%	9.5%	16.7%	11.7%	10.6%	12.5%	15.4%	20.7%	21.0%	21.0%	9.1%	10.7%	14.4%	16.6%
Consensus	5.4%	9.5%	16.7%	11.7%	10.6%	12.5%	15.4%	20.7%	21.0%	21.0%	9.5%	10.6%	14.0%	15.4%
TOP FOUR														
North Am.	7.5%	15.7%	22.0%	13.3%	12.7%	17.8%	24.4%	29.3%	27.2%	24.5%	7.7%	10.9%	14.9%	17.8%
Latin Am.	2.1%	7.5%	15.3%	13.1%	16.9%	12.0%	17.0%	19.4%	21.2%	20.9%	15.4%	13.3%	17.6%	18.7%
Eur/CIS/Afr.	8.3%	12.9%	7.7%	10.3%	13.2%	13.4%	18.4%	21.6%	23.8%	23.4%	18.8%	17.1%	21.5%	21.8%
Mid East/Asia	18.8%	18.8%	15.7%	17.7%	20.1%	20.2%	22.4%	24.8%	26.7%	26.2%	22.2%	20.7%	24.8%	26.3%
Total	5.6%	9.4%	14.1%	11.1%	11.2%	14.1%	19.4%	24.4%	24.6%	23.2%	14.2%	14.5%	19.0%	20.6%
Consensus	5.6%	9.4%	14.1%	11.1%	11.2%	14.1%	19.4%	24.4%	24.6%	23.2%	12.8%	13.6%	16.5%	18.0%
Top 4 Int'l	**9.7%**	**13.1%**	**12.9%**	**13.7%**	**16.7%**	**15.2%**	**19.3%**	**21.9%**	**23.9%**	**23.5%**	**18.8%**	**17.1%**	**21.3%**	**22.3%**
SLB	9.7%	13.1%	17.4%	17.6%	19.4%	18.3%	21.2%	25.7%	28.8%	27.6%	24.7%	23.5%	28.0%	29.3%
HAL	n/a	n/a	8.3%	9.8%	14.1%	12.1%	17.6%	20.9%	21.6%	22.3%	20.0%	17.6%	20.8%	21.1%
BHI	n/a	n/a	n/a	n/a	n/a	n/a	18.9%	21.5%	21.7%	20.4%	14.6%	11.8%	18.8%	20.2%
WFT	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19.7%	23.3%	23.7%	15.9%	15.4%	17.5%	18.7%
Top 4 NAm	**7.5%**	**15.7%**	**22.0%**	**13.3%**	**12.7%**	**17.8%**	**24.4%**	**29.3%**	**27.2%**	**24.5%**	**7.7%**	**10.9%**	**14.9%**	**17.8%**
SLB	7.5%	15.7%	24.1%	12.5%	14.1%	16.7%	24.8%	30.4%	28.7%	23.2%	5.8%	6.2%	16.9%	21.6%
HAL	n/a	n/a	19.8%	14.1%	11.2%	19.0%	26.8%	32.1%	27.8%	24.5%	8.5%	13.3%	14.5%	17.4%
BHI	n/a	n/a	n/a	n/a	n/a	n/a	21.6%	26.7%	26.5%	24.9%	9.2%	11.5%	13.0%	14.5%
WFT	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.0%	25.7%	25.2%	7.1%	12.4%	15.1%	17.9%

Source: FactSet, Morgan Stanley Research estimates. Note: 2010 BJS estimate incorporates contribution to BHI only

Exhibit 51

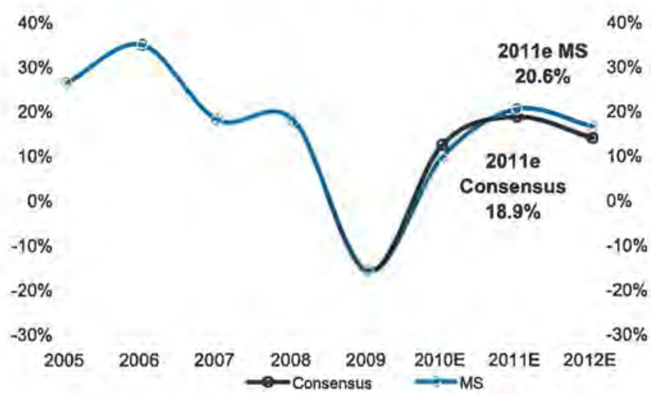
Oil Services Large-Cap: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
SLB	MS	23,269	27,120	22,641	23,113	27,553	31,222	24.7%	34.4%	21.0%	16.6%	(16.5%)	2.1%	19.2%	13.3%
	Consensus	23,269	27,120	22,641	24,469	29,357	33,407	24.7%	34.4%	21.0%	16.6%	(16.5%)	8.1%	20.0%	13.8%
HAL	MS	15,264	18,279	14,675	15,282	17,453	19,820	26.3%	28.3%	17.8%	19.8%	(19.7%)	4.1%	14.2%	13.6%
	Consensus	15,264	18,279	14,675	16,283	18,835	21,533	26.3%	28.3%	17.8%	19.8%	(19.7%)	11.0%	15.7%	14.3%
BHI	MS	10,428	11,864	9,664	12,320	15,257	17,631	17.7%	25.6%	15.5%	13.8%	(18.5%)	27.5%	23.8%	15.6%
	Consensus	10,428	11,864	9,664	10,634	13,155	14,568	17.7%	25.6%	15.5%	13.8%	(18.5%)	10.0%	23.7%	10.7%
WFT	MS	7,832	9,601	8,827	9,293	11,628	14,461	37.7%	51.8%	19.0%	22.6%	(8.1%)	5.3%	25.1%	24.4%
	Consensus	7,832	9,601	8,827	10,727	12,480	14,714	37.7%	51.8%	19.0%	22.6%	(8.1%)	21.5%	16.3%	17.9%
Avg.	**MS**	**14,198**	**16,716**	**13,952**	**15,002**	**17,973**	**20,783**	**26.6%**	**35.0%**	**18.3%**	**18.2%**	**(15.7%)**	**9.7%**	**20.6%**	**16.7%**
	Consensus	**14,198**	**16,716**	**13,952**	**15,528**	**18,457**	**21,056**	**26.6%**	**35.0%**	**18.3%**	**18.2%**	**(15.7%)**	**12.6%**	**18.9%**	**14.2%**

Note: top line figures for SLB excludes Sema prior to 2004, top line figures for HAL excludes KBR prior to 2007

Exhibit 52

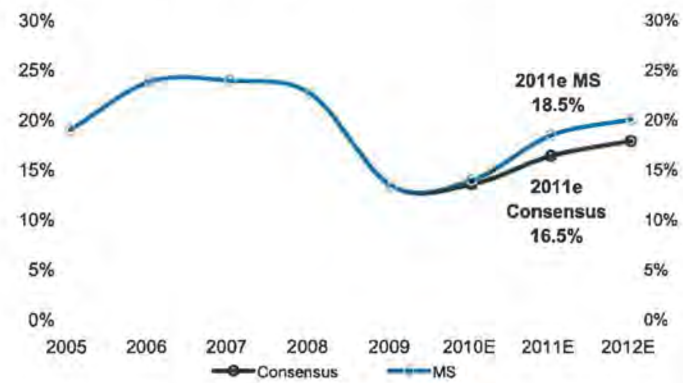
Oil Services Large-Cap: Revenue Growth



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of SLB, HAL, WFT and BHI

Exhibit 53

Oil Services Large-Cap: EBIT Margins



Note: Includes historical figures and MS vs. consensus projection of EBIT margins for the average of SLB, HAL, WFT and BHI

Exhibit 54

Oil Services Large-Cap: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
SLB	MS	20.2%	26.6%	28.8%	26.1%	19.0%	18.6%	25.1%	27.0%	225	(277)	(708)	(35)	648	187
	Consensus	20.2%	26.6%	28.8%	26.1%	19.0%	18.6%	21.2%	22.5%	225	(277)	(708)	(33)	255	132
HAL	MS	22.1%	26.0%	24.5%	23.2%	15.5%	16.4%	18.9%	19.9%	(151)	(134)	(764)	87	245	108
	Consensus	22.1%	26.0%	24.5%	23.2%	15.5%	13.9%	16.9%	17.9%	(151)	(134)	(764)	(165)	297	104
BHI	MS	18.6%	22.4%	21.7%	20.6%	10.2%	10.3%	15.7%	17.0%	(67)	(112)	(1,038)	12	534	132
	Consensus	18.6%	22.4%	21.7%	20.6%	10.2%	11.3%	13.7%	16.0%	(67)	(112)	(1,038)	107	245	225
WFT	MS	15.4%	20.7%	21.0%	21.0%	9.1%	10.7%	14.4%	16.6%	29	5	(1,191)	159	373	217
	Consensus	15.4%	20.7%	21.0%	21.0%	9.1%	10.6%	14.0%	15.4%	29	5	(1,191)	153	340	138
Avg.	**MS**	**19.1%**	**23.9%**	**24.0%**	**22.7%**	**13.5%**	**14.0%**	**18.5%**	**20.1%**	**9**	**(129)**	**(925)**	**56**	**450**	**161**
	Consensus	**19.1%**	**23.9%**	**24.0%**	**22.7%**	**13.5%**	**13.6%**	**16.5%**	**18.0%**	**9**	**(129)**	**(925)**	**16**	**284**	**150**

Note: figures for SLB excludes Sema prior to 2004, figures for HAL excludes KBR prior to 2007

Source: FactSet, Company data, Morgan Stanley Research

Exhibit 55

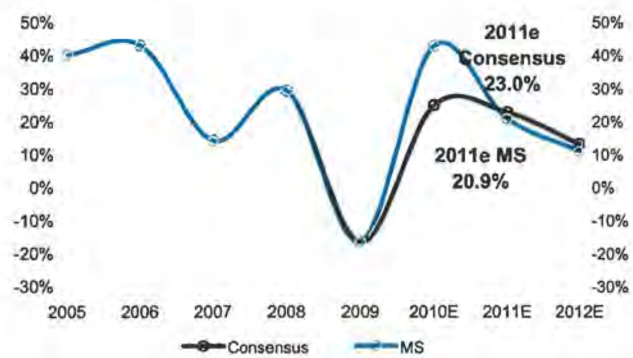
Oil Services Small-Cap: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
RES	MS	690	877	588	991	1,314	1,425	25.9%	39.5%	15.7%	27.1%	-33.0%	68.6%	32.5%	8.5%
	Consensus	690	877	588	736	898	1,236	25.9%	39.5%	15.7%	27.1%	-33.0%	25.2%	22.1%	37.6%
SWSI	MS	351	521	399	536	561	607	73.2%	85.7%	43.4%	48.5%	-23.3%	34.1%	4.7%	8.2%
	Consensus	351	521	399	471	635	574	73.2%	85.7%	43.4%	48.5%	-23.3%	18.0%	34.7%	-9.5%
TCW	MS	C836	C1,016	C811	C1,173	C1,487	C1,659	57.0%	32.2%	-1.3%	21.5%	-20.1%	44.6%	26.8%	11.5%
	Consensus	C836	C1,016	C811	C1,057	C1,267	C1,409	57.0%	32.2%	-1.3%	21.5%	-20.1%	30.3%	19.8%	11.2%
CFW	MS	C460	C557	C592	C841	C1,028	C1,153	30.2%	35.7%	8.0%	21.0%	6.2%	42.1%	22.3%	12.1%
	Consensus	C460	C557	C592	C807	C942	C1,112	30.2%	35.7%	8.0%	21.0%	6.2%	36.5%	16.7%	18.1%
CRR	MS	300	388	342	429	508	582	14.8%	22.9%	5.7%	29.3%	-11.8%	25.4%	18.4%	14.6%
	Consensus	300	388	342	396	481	528	14.8%	22.9%	5.7%	29.3%	-11.8%	15.9%	21.5%	9.6%
Avg.	**MS**	**528**	**672**	**546**	**794**	**980**	**1,085**	**40.2%**	**43.2%**	**14.3%**	**29.5%**	**-16.4%**	**43.0%**	**20.9%**	**11.0%**
	Consensus	**528**	**672**	**546**	**694**	**845**	**972**	**40.2%**	**43.2%**	**14.3%**	**29.5%**	**-16.4%**	**25.2%**	**23.0%**	**13.4%**

Note: some consensus numbers might lack relevance due to the low number of estimates; the top line average does not take into account currencies (USD vs. CAD), and is rather a rough indicator of how much we differ from consensus on total top line growth for this segment of the industry.

Exhibit 56

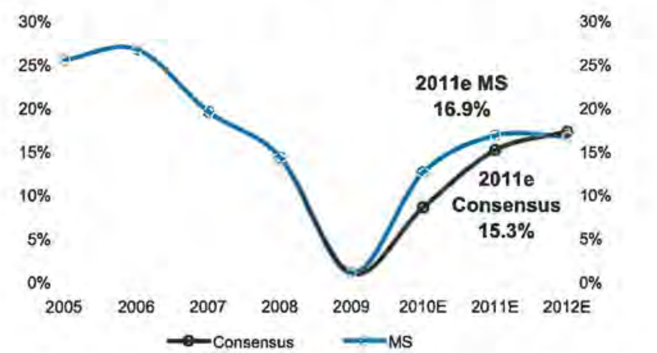
Oil Services Small-Cap: Revenue Growth



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of RES, SWSI, TCW, CFW, and CRR

Exhibit 57

Oil Services Small-Cap: EBIT Margins



Note: Includes historical figures and MS vs. consensus projection of EBIT margins for the average of RES, SWSI, TCW, CFW, and CRR

Exhibit 58

Oil Services Small-Cap: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
RES	MS	23.1%	30.9%	20.3%	14.8%	-4.0%	12.6%	13.6%	14.2%	-1066	-544	-1879	1658	96	66
	Consensus	23.1%	30.9%	20.3%	14.8%	-4.0%	4.3%	14.9%	29.2%	-1066	-544	-1879	828	1058	1431
SWSI	MS	18.0%	21.7%	17.6%	13.3%	-20.0%	7.4%	17.8%	17.5%	-405	-436	-3328	2744	1032	-27
	Consensus	18.0%	21.7%	17.6%	13.3%	-20.0%	0.9%	10.7%	7.0%	-405	-436	-3328	2092	974	-368
TCW	MS	31.3%	29.4%	15.8%	9.0%	-2.7%	6.8%	11.1%	10.4%	-1360	-678	-1174	951	427	-64
	Consensus	31.3%	29.4%	15.8%	9.0%	-2.7%	7.0%	12.4%	11.5%	-1360	-678	-1174	971	535	-91
CFW	MS	19.9%	19.1%	13.7%	5.5%	1.5%	8.8%	12.0%	11.8%	-539	-816	-407	731	324	-16
	Consensus	19.9%	19.1%	13.7%	5.5%	1.5%	7.6%	12.4%	15.9%	-539	-816	-407	612	485	352
CRR	MS	35.6%	32.9%	30.5%	29.2%	30.6%	27.5%	29.9%	29.9%	-232	-132	135	-303	240	-1
	Consensus	35.6%	32.9%	30.5%	29.2%	30.6%	23.4%	25.9%	23.3%	-232	-132	135	-715	250	-266
Avg.	**MS**	**25.6%**	**26.8%**	**19.6%**	**14.4%**	**1.1%**	**12.6%**	**16.9%**	**16.8%**	**-720**	**-521**	**-1331**	**1156**	**424**	**-8**
	Consensus	**25.6%**	**26.8%**	**19.6%**	**14.4%**	**1.1%**	**8.6%**	**15.3%**	**17.4%**	**-720**	**-521**	**-1331**	**758**	**660**	**212**

Note: some consensus numbers might lack relevance due to the low number of estimates

Source: FactSet, Company data, Morgan Stanley Research.

Exhibit 59

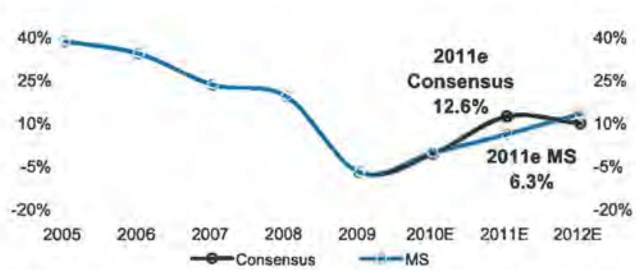
Equipment: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
NOV	MS	11,614	14,034	12,712	11,948	10,218	11,629	85.3%	49.2%	38.0%	20.8%	(9.4%)	(6.0%)	(14.5%)	13.8%
	Consensus	11,614	14,034	12,712	11,980	12,632	13,265	85.3%	49.2%	38.0%	20.8%	(9.4%)	(5.8%)	5.4%	5.0%
CAM	MS	4,666	5,849	5,223	6,053	6,681	7,351	20.3%	48.7%	24.7%	25.3%	(10.7%)	15.9%	10.4%	10.0%
	Consensus	4,666	5,849	5,223	6,006	6,689	7,584	20.3%	48.7%	24.7%	25.3%	(10.7%)	15.0%	11.4%	13.4%
FTI	MS	3,648	4,557	4,405	4,239	4,376	4,949	20.2%	28.0%	20.3%	24.9%	(3.3%)	(3.8%)	3.2%	13.1%
	Consensus	3,648	4,557	4,405	4,261	4,860	5,383	20.2%	28.0%	20.3%	24.9%	(3.3%)	(3.3%)	14.1%	10.8%
DRC	MS	1,665	2,195	2,290	2,102	2,419	2,903	31.9%	24.3%	10.9%	31.8%	4.3%	(8.2%)	15.1%	20.0%
	Consensus	1,665	2,195	2,290	2,019	2,346	2,733	31.9%	24.3%	10.9%	31.8%	4.3%	(11.8%)	16.2%	16.5%
OII	MS	1,743	1,977	1,822	1,853	2,099	2,325	28.0%	28.2%	36.2%	13.4%	(7.9%)	1.7%	13.3%	10.7%
	Consensus	1,743	1,977	1,822	1,895	2,097	2,371	28.0%	28.2%	36.2%	13.4%	(7.9%)	4.0%	10.7%	13.1%
DRQ	MS	496	543	540	602	631	732	53.8%	29.9%	11.9%	9.5%	(0.5%)	11.4%	4.8%	16.0%
	Consensus	496	543	540	570	657	706	53.8%	29.9%	11.9%	9.5%	(0.5%)	5.6%	15.2%	7.5%
GTLS	MS	666	744	592	519	581	643	31.9%	33.3%	24.0%	11.7%	(20.5%)	(12.3%)	12.0%	10.6%
	Consensus	666	744	592	551	634	667	31.9%	33.3%	24.0%	11.7%	(20.5%)	(6.9%)	15.1%	5.1%
Avg.	**MS**	**3,500**	**4,271**	**3,941**	**3,902**	**3,858**	**4,362**	**38.8%**	**34.5%**	**23.7%**	**19.7%**	**(6.9%)**	**(0.2%)**	**6.3%**	**13.5%**
	Consensus	**3,500**	**4,271**	**3,941**	**3,898**	**4,274**	**4,673**	**38.8%**	**34.5%**	**23.7%**	**19.7%**	**(6.9%)**	**(0.4%)**	**12.6%**	**10.2%**

Note: top line for NOV includes GRP for all periods, while FTI excludes foodtech & airport; some consensus numbers might lack relevance due to the low number of estimates

Exhibit 60

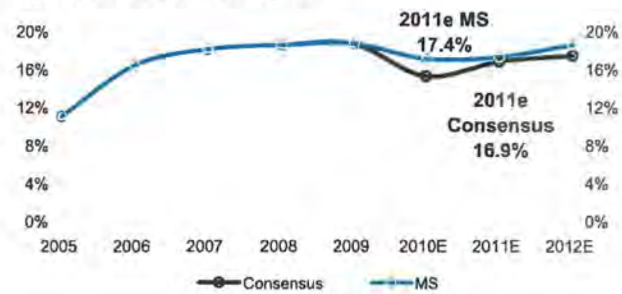
Equipment: Revenue Growth



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of NOV, CAM, FTI, TS, DRC, DRQ and GTLS

Exhibit 61

Equipment: EBIT Margins



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of NOV, CAM, FTI, TS, DRC, DRQ and GTLS

Exhibit 62

Equipment: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
NOV	MS	13.2%	18.3%	22.6%	21.5%	20.1%	19.2%	15.5%	18.4%	428	(116)	(140)	(84)	(372)	292
	Consensus	13.2%	18.3%	22.6%	21.5%	20.1%	17.3%	17.5%	17.9%	428	(116)	(140)	(280)	27	40
CAM	MS	10.4%	13.9%	15.8%	15.7%	15.5%	13.9%	14.7%	16.0%	188	(5)	(21)	(166)	82	130
	Consensus	10.4%	13.9%	15.8%	15.7%	15.5%	13.4%	14.7%	16.0%	188	(5)	(21)	(209)	123	130
FTI	MS	4.5%	9.3%	11.0%	12.1%	13.2%	13.6%	12.0%	13.2%	167	111	114	40	(159)	115
	Consensus	4.5%	9.3%	11.0%	12.1%	13.2%	11.4%	11.6%	11.9%	167	111	114	(188)	29	30
DRC	MS	9.6%	12.5%	14.5%	15.0%	15.5%	13.7%	15.9%	16.6%	197	56	45	(181)	225	62
	Consensus	9.6%	12.5%	14.5%	15.0%	15.5%	13.6%	14.6%	16.3%	197	56	45	(189)	94	172
OII		17.4%	21.5%	22.0%	22.1%	22.8%	23.3%	23.4%	24.6%	52	7	72	51	13	123
	Consensus	17.4%	21.5%	22.0%	22.1%	22.8%	15.6%	16.7%	17.8%	52	7	72	(718)	106	110
DRQ	MS	14.4%	27.6%	27.9%	26.8%	27.3%	26.0%	23.4%	24.7%	28	(115)	49	(124)	(257)	125
	Consensus	14.4%	27.6%	27.9%	26.8%	27.3%	27.6%	28.8%	27.1%	28	(115)	49	33	124	(169)
GTLS	MS	8.5%	12.4%	13.9%	17.7%	17.2%	10.8%	16.7%	17.1%	148	378	(46)	(641)	582	49
	Consensus	8.5%	12.4%	13.9%	17.7%	17.2%	8.9%	14.7%	16.0%	148	378	(46)	(837)	584	134
Avg.	**MS**	**11.1%**	**16.5%**	**18.2%**	**18.7%**	**18.8%**	**17.2%**	**17.4%**	**18.7%**	**172**	**45**	**10**	**(158)**	**16**	**128**
	Consensus	**11.1%**	**16.5%**	**18.2%**	**18.7%**	**18.8%**	**15.4%**	**16.9%**	**17.6%**	**172**	**45**	**10**	**(341)**	**155**	**64**

Note: figures for NOV include GRP for all periods, while FTI excludes foodtech & airport; some consensus numbers might lack relevance due to the low number of estimates

Source: FactSet, Company data, Morgan Stanley Research.

Exhibit 63

Offshore Construction, Tubulars, Seismic: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
Offshore Construction															
WG.L	MS	4,433	5,243	4,927	4,867	5,347	5,836	32.1%	25.6%	27.8%	18.3%	(6.0%)	(0.8%)	9.4%	9.1%
	Consensus	4,433	5,243	4,927	4,775	5,127	5,469	32.1%	25.6%	27.8%	18.3%	(6.0%)	(3.1%)	7.4%	6.7%
SBMO.AS	MS	2,871	3,037	2,957	2,837	2,885	2,883	(1.0%)	40.2%	44.3%	5.8%	(2.6%)	(4.0%)	1.7%	(0.1%)
	Consensus	2,871	3,037	2,957	2,871	2,994	3,107	(1.0%)	40.2%	44.3%	5.8%	(2.6%)	(2.9%)	4.3%	3.8%
ACY.OL	MS	2,663	2,489	2,209	2,220	2,690	2,836	5.0%	60.7%	18.7%	(6.5%)	(11.3%)	0.5%	21.2%	5.4%
	Consensus	2,663	2,489	2,209	2,309	2,555	2,822	5.0%	60.7%	18.7%	(6.5%)	(11.3%)	4.5%	10.6%	10.5%
SUB.OL	MS	2,187	2,373	2,439	2,228	2,568	2,798	NA	29.8%	31.0%	8.5%	2.8%	(8.7%)	15.2%	9.0%
	Consensus	2,187	2,373	2,439	2,174	2,438	2,702	NA	35.9%	31.0%	8.5%	2.8%	(10.9%)	12.1%	10.8%
TECF.PA	MS	11,465	10,420	9,593	8,264	9,441	10,159	(9.1%)	43.3%	26.0%	(9.1%)	(7.9%)	(13.9%)	14.2%	7.6%
	Consensus	11,465	10,420	9,593	8,283	9,066	9,896	(9.1%)	43.3%	26.0%	(9.1%)	(7.9%)	(13.7%)	9.5%	9.1%
SPMI.MI	MS	13,903	14,109	14,734	14,586	16,375	18,522	(8.3%)	85.2%	40.2%	1.5%	4.4%	(1.0%)	12.3%	13.1%
	Consensus	13,903	14,109	14,734	14,002	14,995	16,274	(8.3%)	85.2%	40.2%	1.5%	4.4%	(5.0%)	7.1%	8.5%
Avg.	MS	6,254	6,279	6,143	5,837	6,551	7,172	3.7%	47.4%	31.3%	3.1%	(3.4%)	(4.6%)	12.3%	7.4%
	Consensus	6,254	6,279	6,143	5,736	6,196	6,712	3.7%	48.5%	31.3%	3.1%	(3.4%)	(5.2%)	8.5%	8.2%
Tubulars															
TS	MS	10,180	12,132	8,165	7,808	11,728	14,072	67.0%	24.4%	31.7%	19.2%	(32.7%)	(4.4%)	50.2%	20.0%
	Consensus	10,180	12,132	8,165	9,339	11,690	13,217	67.0%	24.4%	31.7%	19.2%	(32.7%)	14.4%	25.2%	13.1%
VLLP.PA	MS	9,010	9,052	6,444	5,799	8,231	9,722	23.3%	43.5%	22.6%	0.5%	(28.8%)	(10.0%)	41.9%	18.1%
	Consensus	9,010	9,052	6,444	5,941	7,455	9,510	23.3%	43.5%	22.6%	0.5%	(28.8%)	(7.8%)	25.5%	27.6%
TRMKq.L	MS	4,179	5,690	3,444	5,214	6,616	7,803	NA	NA	NA	36.2%	(39.5%)	51.4%	26.9%	17.9%
	Consensus	4,179	5,690	3,444	5,101	6,141	7,034	NA	NA	NA	36.2%	(39.5%)	48.1%	20.4%	14.5%
Avg.	MS	7,790	8,958	6,017	6,273	8,858	10,532	45.2%	33.9%	27.2%	18.6%	(33.7%)	12.3%	39.7%	18.7%
	Consensus	7,790	8,958	6,017	6,794	8,429	9,920	45.2%	33.9%	27.2%	18.6%	(33.7%)	18.2%	23.7%	18.4%
Seismic															
GEPH.PA	MS	3,252	3,852	3,141	2,923	3,512	3,802	25.9%	54.4%	94.5%	18.4%	(18.5%)	(6.9%)	20.1%	8.3%
	Consensus	3,252	3,852	3,141	2,149	2,410	2,743	25.9%	54.4%	94.5%	18.4%	(18.5%)	(31.6%)	12.2%	13.8%
PGS.OL	MS	1,623	1,918	1,485	1,172	1,537	1,637	(9.0%)	16.9%	21.5%	18.2%	(22.5%)	(21.1%)	31.2%	6.5%
	Consensus	1,623	1,918	1,485	1,247	1,445	1,653	(9.0%)	16.9%	21.5%	18.2%	(22.5%)	(16.1%)	15.9%	14.4%
IO.N	MS	713	680	420	501	603	761	46.7%	38.8%	41.6%	(4.7%)	(38.2%)	19.3%	20.4%	26.2%
	Consensus	713	680	420	479	513	761	46.7%	38.8%	41.6%	(4.7%)	(38.2%)	14.0%	7.2%	48.4%
Avg.	MS	2,438	2,885	2,313	2,048	2,525	2,720	8.4%	35.6%	58.0%	18.3%	(20.5%)	(14.0%)	25.7%	7.4%
	Consensus	2,438	2,885	2,313	1,698	1,927	2,198	8.4%	35.6%	58.0%	18.3%	(20.5%)	(23.8%)	14.0%	14.1%

Exhibit 64

Offshore Construction, Tubulars, Seismic: EBIT Margins and EPS Assumptions

		EBIT Margins								EPS					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
Offshore Construction															
WG.L	MS	5.4%	6.2%	7.2%	8.4%	7.3%	6.9%	8.0%	8.4%	$0.37	$0.52	$0.42	$0.39	$0.51	$0.62
	Consensus	5.4%	6.2%	7.2%	8.4%	7.3%	6.7%	7.4%	8.0%	$0.37	$0.52	$0.42	$0.37	$0.46	$0.55
SBMO.AS	MS	12.4%	12.8%	10.6%	8.4%	9.9%	11.7%	13.2%	15.1%	$1.82	$1.39	$1.46	$1.41	$1.50	$1.56
	Consensus	12.4%	12.8%	10.6%	8.4%	9.9%	11.0%	12.2%	13.3%	$1.82	$1.39	$1.46	$1.35	$1.58	$1.91
ACY.OL	MS	9.0%	14.4%	13.0%	17.2%	15.5%	10.2%	13.2%	13.2%	$0.63	$1.46	$1.16	$0.75	$1.30	$1.44
	Consensus	9.0%	14.4%	13.0%	17.2%	15.5%	11.0%	12.6%	13.3%	$0.63	$1.46	$1.16	$0.83	$1.09	$1.26
SUB.OL	MS	8.2%	11.8%	14.4%	17.9%	16.8%	10.6%	13.3%	14.0%	$1.38	$1.74	$1.72	$1.07	$1.51	$1.76
	Consensus	8.2%	11.8%	14.4%	17.9%	16.8%	11.1%	12.6%	13.7%	$1.38	$1.74	$1.72	$1.02	$1.35	$1.60
TECF.PA	MS	4.3%	4.8%	3.1%	8.5%	10.2%	9.1%	9.7%	10.1%	€ 1.03	€ 4.00	€ 3.90	€ 3.24	€ 3.99	€ 4.54
	Consensus	4.3%	4.8%	3.1%	8.5%	10.2%	9.3%	9.4%	9.5%	€ 1.03	€ 4.00	€ 3.90	€ 3.35	€ 3.79	€ 4.21
SPMI.MI	MS	8.1%	8.0%	9.1%	10.7%	11.2%	10.9%	12.0%	12.5%	€ 1.31	€ 1.64	€ 1.66	€ 1.67	€ 2.14	€ 2.63
	Consensus	8.1%	8.0%	9.1%	10.7%	11.2%	11.0%	11.3%	11.6%	€ 1.31	€ 1.64	€ 1.66	€ 1.59	€ 1.76	€ 2.01
Avg.	MS	7.9%	9.7%	9.6%	11.9%	11.8%	9.9%	11.6%	12.2%	15%	81%	(6%)	(16%)	34%	15%
	Consensus	7.9%	9.7%	9.6%	11.9%	11.8%	10.0%	10.9%	11.6%	15%	81%	(6%)	(18%)	22%	17%
Tubulars															
TS	MS	31.3%	36.1%	29.3%	29.1%	22.1%	19.7%	23.9%	25.3%	$3.16	$3.71	$2.00	$1.95	$3.40	$4.35
TS	Consensus	31.3%	36.1%	29.3%	29.1%	22.1%	22.4%	26.3%	26.5%	$3.16	$3.71	$2.00	$2.43	$3.51	$4.15
VLLP.PA	MS	22.2%	27.8%	26.4%	23.6%	17.6%	11.2%	18.7%	20.2%	€ 18.89	€ 18.30	€ 9.83	€ 5.67	€ 13.27	€ 17.10
	Consensus	22.2%	27.8%	26.4%	23.6%	17.6%	13.3%	19.3%	22.1%	€ 18.89	€ 18.30	€ 9.83	€ 6.70	€ 12.27	€ 17.76
TRMKq.L	MS	NA	NA	18.4%	13.3%	4.8%	14.4%	16.1%	18.7%	$2.23	$1.21	-$0.79	$1.10	$2.28	$3.82
	Consensus	NA	NA	18.4%	13.3%	4.8%	13.4%	15.6%	16.8%	$2.23	$1.21	-$0.79	$0.97	$2.12	$2.48
Avg.	MS	26.8%	32.0%	24.7%	22.0%	14.8%	15.1%	19.6%	21.4%	4%	(10%)	(86%)	(95%)	105%	41%
	Consensus	26.8%	32.0%	24.7%	22.0%	14.8%	16.4%	20.4%	21.8%	4%	(10%)	(86%)	(78%)	82%	27%
Seismic															
GEPH.PA	MS	8.8%	20.7%	20.8%	20.9%	7.6%	9.5%	17.2%	19.7%	$2.49	$3.51	$0.41	$0.65	$2.22	$2.99
	Consensus	8.8%	20.7%	20.8%	20.9%	7.6%	12.0%	19.9%	24.8%	$2.49	$3.51	$0.41	$0.60	$1.71	$2.71
PGS.OL	MS	19.6%	31.3%	32.6%	33.0%	25.7%	18.8%	31.3%	31.6%	$1.81	$2.71	$1.51	$0.63	$1.62	$1.82
	Consensus	19.6%	31.3%	32.6%	33.0%	25.7%	15.8%	23.6%	29.3%	$1.81	$2.71	$1.51	$0.66	$1.21	$1.76
IO.N	MS	7.2%	7.9%	8.7%	9.9%	(4.8%)	7.1%	14.0%	15.5%	$0.52	$0.50	-$0.36	$0.10	$0.40	$0.60
	Consensus	7.2%	7.9%	8.7%	9.9%	(4.8%)	6.8%	16.4%	15.5%	$1.81	$0.50	-$0.36	$0.09	$0.38	$0.60
Avg.	MS	14.2%	26.0%	26.7%	26.9%	16.6%	14.1%	24.2%	25.7%	24%	45%	(66%)	(1%)	200%	24%
	Consensus	14.2%	26.0%	26.7%	26.9%	16.6%	13.9%	21.7%	27.0%	24%	45%	(66%)	(6%)	135%	52%

Source: FactSet, Company data, Morgan Stanley Research

Exhibit 65

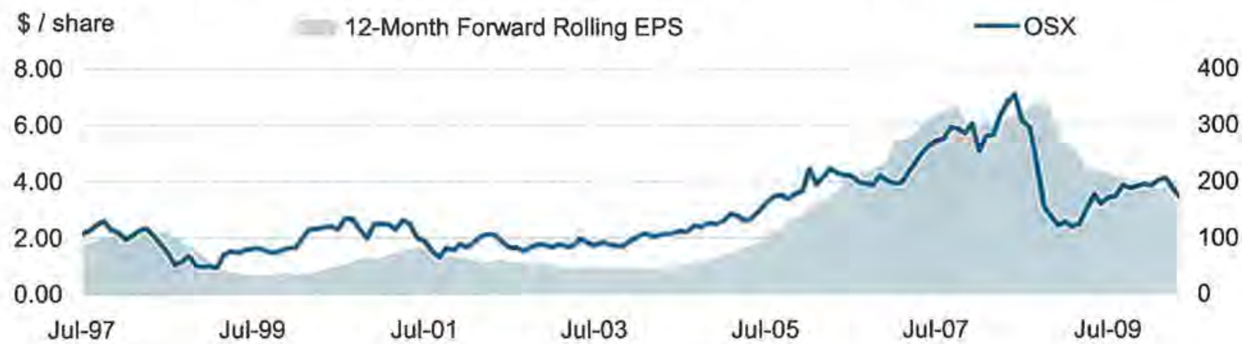
12-Month Forward Rolling Consensus EPS

			Consensus 12-Month Rolling		Price-to-12-Month Rolling EPS					Price-to-12-Month Rolling CEPS				
Company	Symbol	Recent Price	EPS	CEPS	High	Low	Avg	Std Dev	Current	High	Low	Avg	Std Dev	Current
Oil Services:														
Schlumberger	SLB	56.15	3.32	5.06	51.9	10.0	26.6	9.3	16.9	25.1	7.0	14.2	3.7	11.1
Halliburton	HAL	24.83	1.72	2.89	41.5	6.2	19.6	7.6	14.5	21.0	5.0	12.0	3.5	8.6
Baker Hughes	BHI	38.14	2.60	4.99	55.7	6.6	23.3	10.3	14.7	17.3	4.7	11.9	2.6	7.6
BJ Services	BJS	23.18	0.75	1.78	47.6	6.3	19.9	9.3	30.8	25.1	4.3	12.4	4.1	13.0
Weatherford	WFT	14.12	0.83	2.15	51.8	5.4	30.8	13.0	17.0	31.3	3.6	14.9	4.9	6.6
Smith International	SII	37.56	1.44	2.85	56.4	6.2	23.0	10.2	26.1	27.8	4.8	14.3	4.1	13.2
Calfrac Well Services	CFW-CA	18.58	1.04	1.61	48.7	7.5	17.3	10.1	17.9	49.3	3.7	17.6	14.8	11.6
Trican Well Services	TCW-CA	11.66	0.69	3.09	53.7	6.8	16.5	8.7	16.9	17.1	2.6	6.5	3.5	3.8
Superior Well Services	SWSI	15.11	(0.03)	1.61	33.8	3.1	14.4	7.1	NM	22.4	1.8	11.2	5.8	9.4
RPC, Inc.	RES	11.29	0.85	2.32	52.1	8.2	17.1	7.4	13.3	15.8	3.2	8.1	2.1	4.9
Carbo Ceramics	CRR	64.70	3.09	2.53	29.1	11.6	20.9	4.2	21.0	23.4	8.1	15.9	3.7	25.6
ION Geophysical	IO	5.43	0.21	0.88	57.9	4.5	27.3	10.8	26.3	49.6	1.3	18.2	11.4	6.2
Average (excludes IO, TCW, CFW)					*50.8*	*6.8*	*23.9*	*10.0*	*20.0*	*24.6*	*4.9*	*13.3*	*3.8*	*10.0*
Drillers:														
Atwood Oceanics	ATW	27.15	4.39	4.95	44.2	3.3	15.4	9.3	6.2	48.0	3.0	11.9	6.4	5.5
Diamond Offshore	DO	63.10	8.46	11.57	5.1	18.3	10.0	-	7.5	4.4	11.2	3.3	-	5.5
ENSCO International	ESV	37.40	4.37	5.98	43.1	3.4	16.1	9.4	8.6	30.0	2.9	11.5	6.0	6.2
Noble Corporation	NE	29.07	5.39	7.40	49.0	3.1	24.3	14.0	5.4	31.6	2.6	15.5	7.2	3.9
Pride International	PDE	24.77	2.42	3.49	48.8	4.9	18.4	10.9	10.2	12.4	2.2	7.2	2.0	7.1
Rowan Companies	RDC	24.76	2.36	3.91	50.0	3.3	18.1	12.8	10.5	27.7	2.5	11.5	5.6	6.3
Transocean	RIG	56.77	9.24	14.46	32.5	3.1	14.1	6.3	6.1	22.4	2.4	9.1	3.3	3.9
Hercules Offshore	HERO	3.12	(0.53)	1.16	15.4	3.6	8.8	3.0	NM	14.3	1.1	6.3	3.0	2.7
Nabors Industries	NBR	19.03	1.28	3.85	47.0	4.7	18.6	9.8	14.9	23.0	2.5	10.5	5.0	4.9
Helmerich & Payne	HP	37.68	2.48	4.95	40.1	5.5	18.1	9.6	15.2	11.6	3.7	7.7	1.6	7.6
Patterson-UTI	PTEN	14.03	0.31	2.50	54.2	5.3	19.1	12.0	45.1	18.2	3.8	9.4	3.5	5.6
Seadrill	SDRL	20.68	2.97	4.10	43.6	2.9	14.7	8.7	7.0	40.3	2.4	12.4	8.1	5.0
Average					*39.4*	*5.1*	*16.3*	*8.8*	*12.4*	*23.6*	*3.3*	*9.7*	*4.3*	*5.4*
Equipment:														
Tenaris	TS	37.12	2.72	3.44	23.1	4.5	12.6	3.5	13.6	15.5	3.8	9.4	2.7	10.8
National Oilwell Varco	NOV	38.13	3.51	4.68	50.7	4.9	28.1	13.1	10.9	42.9	4.1	21.3	9.3	8.1
Cameron International	CAM	36.20	2.51	3.04	48.9	7.2	31.2	13.2	14.4	31.4	6.2	18.2	5.2	11.9
FMC Technologies	FTI	58.15	3.01	3.86	25.0	8.5	19.5	3.3	19.3	23.3	7.0	13.4	3.0	15.1
Oceaneering International	OII	46.27	3.74	6.16	21.4	6.5	15.8	2.8	12.4	15.2	4.5	8.3	2.2	7.5
Dril-Quip	DRQ	48.71	3.17	3.34	45.9	6.5	22.7	7.7	15.4	37.4	5.8	16.3	5.1	14.6
Dresser-Rand	DRC	31.83	2.20	2.72	24.5	6.8	15.8	4.1	14.4	16.7	5.4	11.6	2.5	11.7
Chart Industries	GTLS	18.42	1.08	1.89	23.2	4.1	13.1	4.7	17.0	15.0	3.0	9.0	3.1	9.8
Average					*32.8*	*6.1*	*19.8*	*6.5*	*14.7*	*24.7*	*5.0*	*13.4*	*4.1*	*11.2*
Engineering & Construction:														
Helix Energy Solutions	HLX	10.89	1.05	3.48	34.9	2.2	15.4	7.0	10.3	18.4	1.1	8.2	3.8	3.1

CEPS = cash EPS is equal to net income + depreciation and amortization + convertible interest (where applicable)

Exhibit 66

OSX versus Weighted 12-Month Forward Rolling Consensus EPS of OSX Constituents



Source: FactSet, Morgan Stanley Research

Commodity Data

Exhibit 67
US Natural Gas Storage

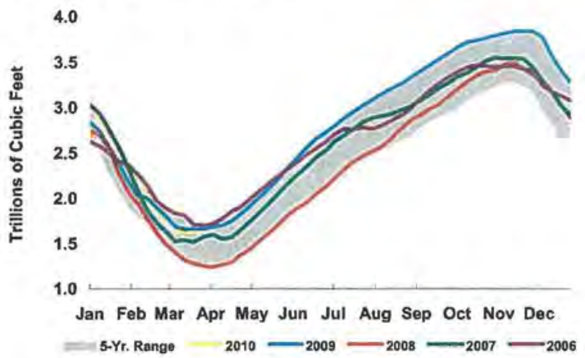


Exhibit 68
US LNG Monthly Imports (Bcf/d)

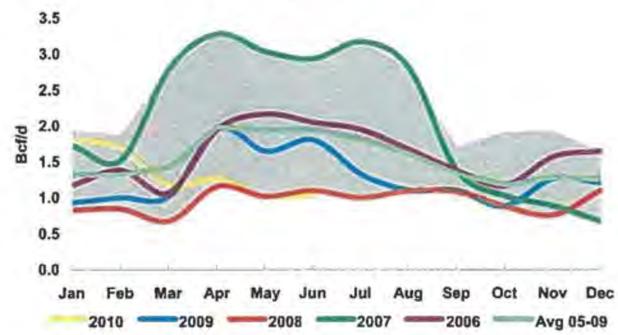


Exhibit 69
Natural Gas Injection Rate

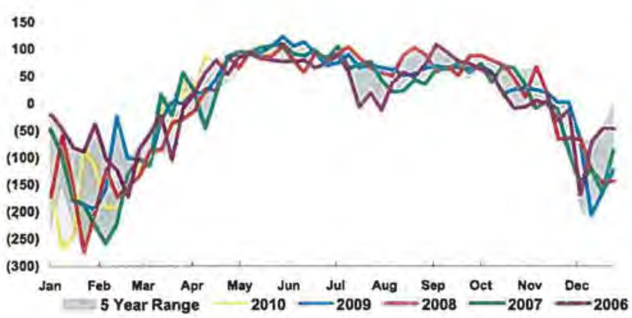


Exhibit 70
US Total Oil Inventories

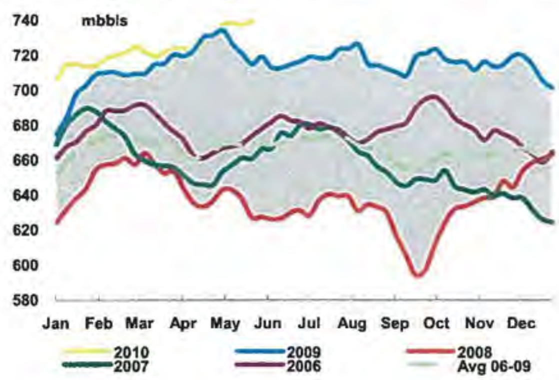


Exhibit 71
Weekly US Natural Gas Storage (Injection/(Withdrawal))

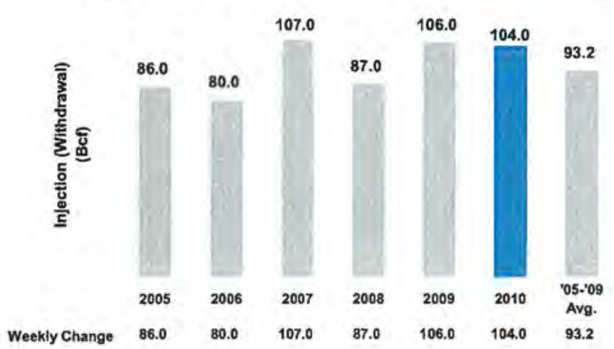


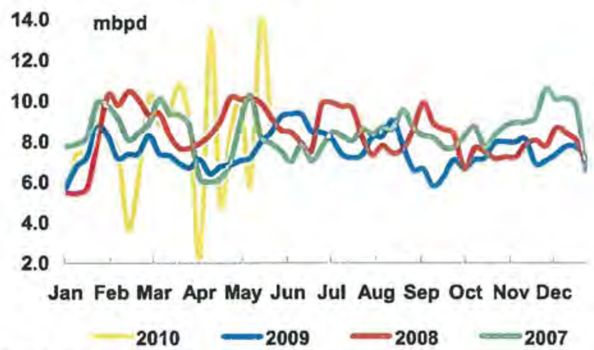
Exhibit 72
US Oil Inventory Data

	05/21/10	Prior Week	Weekly Change	Previous Year	5-Yr. Avg.
API					
Crude Oil	364.1	363.5	0.6	364.7	337.8
Motor Gasoline	218.2	221.4	(3.2)	205.4	210.0
Middle Distillates	192.4	190.2	2.2	187.4	164.2
Distillates	*148.2*	*146.6*	*1.5*	*147.2*	*123.8*
Kerosene	*44.2*	*43.6*	*0.7*	*40.2*	*40.3*
Naphtha	-	-	-	-	-
Residual	44.1	43.6	0.5	39.5	38.2
Unfinished	82.6	83.0	(0.4)	89.9	89.5
Total Oil	901.4	901.7	(0.3)	886.9	839.7
DOE					
Crude Oil	365.1	362.7	2.5	363.1	338.5
Motor Gasoline	221.6	221.8	(0.2)	203.4	208.2
Distillates	152.5	152.8	(0.3)	148.4	122.5
Total Oil	739.3	737.3	2.0	714.9	669.1

Source: Energy Information Administration (EIA), Department of Energy (DOE), Waterborne, American Petroleum Institute (API), Morgan Stanley Research

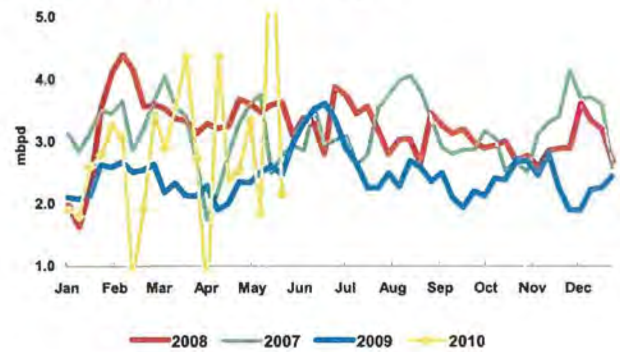
Commodity Data (continued)

Exhibit 73
Middle East Total Fixings



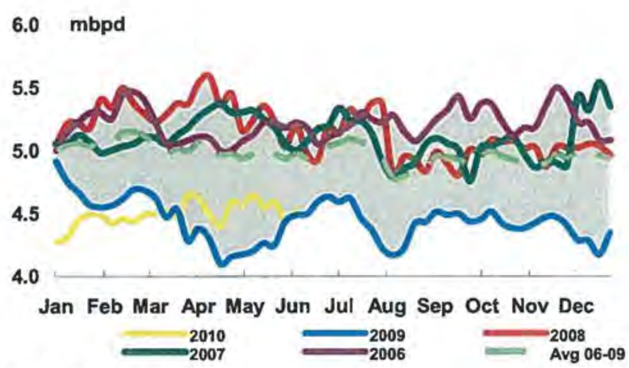
Note: 4-week average

Exhibit 74
Middle East Westbound Fixings



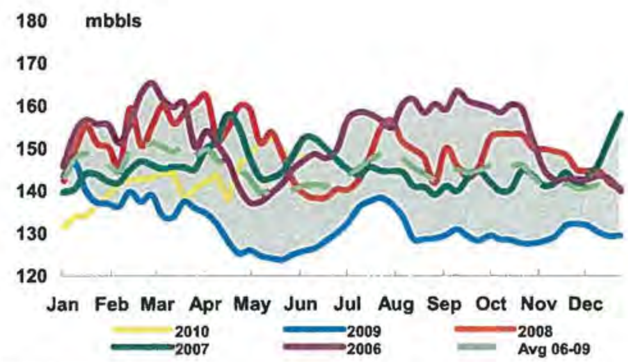
Note: 4-week average

Exhibit 75
Middle East Westbound Sailings



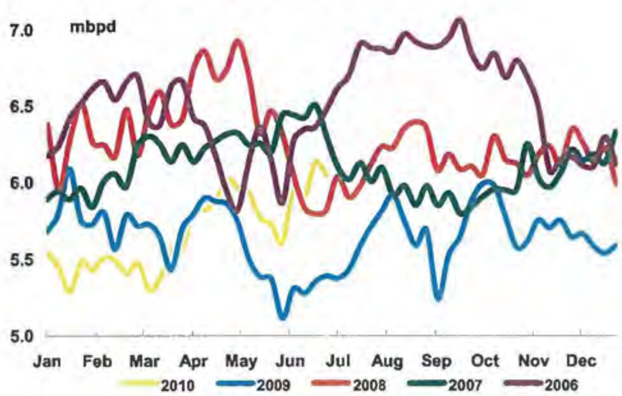
Note: 4-week average

Exhibit 76
Middle East Westbound Oil in Transit



Note: 4-week average

Exhibit 77
North American Long Haul Arrivals



Note: 4-week average
Source: Oil Movements, CRS, Morgan Stanley Research

Exhibit 78
VLCC Rates

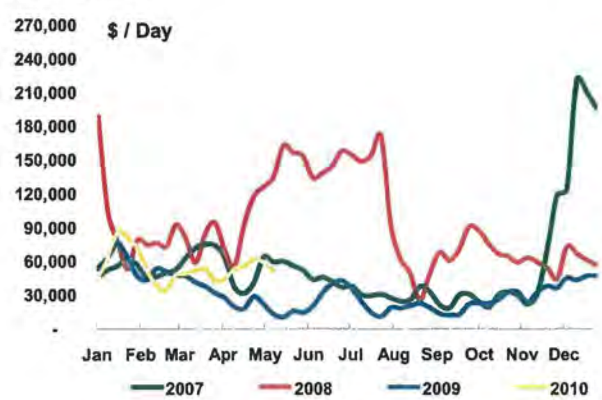


Exhibit 79

Future Deliveries of Newbuild Jackups

	Owner	Manager	Rig Name	Design	Water Depth (ft)	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract
1	COSL	COSL	COSL 921	Friede & Goldman L-780 MOD II	200	–	3Q10	Qingdao	China	2010	–
2	COSL	COSL	COSL 922	Friede & Goldman L-780 MOD II	200	–	4Q10	Tanggu	China	2010	–
3	COSL	COSL	COSL 923	Friede & Goldman L-780 MOD II	200	–	4Q10	Tanggu	China	2010	–
4	COSL	COSL	COSL 924	Friede & Goldman L-780 MOD II	200	–	4Q10	Tanggu	China	2010	–
5	CPTDC	CPTDC	Unnamed	CPLEC CP 300	200	–	3Q11	CPLEC	China	2011	CNPC
6	EDDC	EGAS	El Qaher I	Baker Marine Pacific Class 375	375	$213	4Q10	Jurong	Sing.	2010	–
7	EDDC	EGAS	El Qaher II	Baker Marine Pacific Class 375	375	$213	1Q11	Jurong	Sing.	2011	–
8	Egyptian Drilling	Egyptian Drilling	Sneferu	Baker Marine Pacific Class 375	375	$201	2Q10	Jurong	Sing.	2010	Maersk
9	Egyptian Drilling	Egyptian Drilling	Setty	Baker Marine Pacific Class 375	375	$220	3Q10	Jurong	Sing.	2010	–
10	Essar	Essar	Unnamed	F&G JU-2000-A	350	$229	2Q11	ABG Shipyard	India	2011	–
11	Essar	Essar	Unnamed	F&G JU-2000-A	350	$229	4Q11	ABG Shipyard	India	2011	–
12	Gazflot	Gazflot	Arkticheskaya	Corall SPBU 6500/10-100	328	$100	2Q10	Zvezdochka	Russia	2010	–
13	Great Offshore	Great Offshore	Great Offshore JU V351	LeTourneau Super 116E	350	$165	4Q10	Bharati Shipyard	India	2010	–
14	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	1Q12	ZPMC	China	2012	–
15	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	1Q12	ZPMC	China	2012	–
16	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	2Q12	ZPMC	China	2012	–
17	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	2Q12	ZPMC	China	2012	–
18	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	2Q12	ZPMC	China	2012	–
19	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	3Q12	ZPMC	China	2012	–
20	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	3Q12	ZPMC	China	2012	–
21	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	3Q12	ZPMC	China	2012	–
22	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	3Q12	ZPMC	China	2012	–
23	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	–	4Q12	ZPMC	China	2012	–
24	Jack-up Barge BV	Swift Drilling	Swift 10	GustoMSC SEA 2750 LD	147	–	4Q10	Drydocks World	Indonesia	2010	Shell
25	MENAdrill	Hercules Offshore	MENAdrill Hercules I	Friede & Goldman Super M2	300	$182	3Q10	MIS Shipyard	Sing.	2010	–
26	MENAdrill	Hercules Offshore	Unnamed	Friede & Goldman Super M2	300	$182	4Q10	MIS Shipyard	Sing.	2010	–
27	Mosvold ME Jackup	Mosvold ME Jackup	Mosvold 106	F&G Super M2	300	$184	1Q11	MIS Shipyard	M.E.	2011	–
28	Mosvold ME Jackup	Mosvold ME Jackup	Mosvold 108	F&G Super M2	300	$184	3Q11	MIS Shipyard	M.E.	2011	–
29	NIDC	NIDC	Unnamed	—	300	$117	3Q11	Khorramshahr	M.E.	2011	Pars Oil & Gas
30	NIDC	NIDC	Unnamed	—	300	$117	3Q11	Khorramshahr	M.E.	2011	Pars Oil & Gas
31	Perforadora Central	Perforadora Central	Tuxpan	LeTourneau Super 116E	350	$190	1Q10	AMFELS	USA	2010	–
32	Petrobras	Odebrecht	P-59	LeTourneau	350	–	1Q12	Bahia	Brazil	2012	Petrobras
33	Petrobras	Odebrecht	P-60	LeTourneau	350	–	2Q12	Bahia	Brazil	2012	Petrobras
34	PetroProd	Larsen Oil & Gas	Unnamed	GustoMSC CJ-70-X-150A	492	$607	1Q11	Jurong	Sing.	2011	–
35	PetroVietnam	PetroVietnam	Unnamed	LeTourneau Super 116E	377	$180	4Q12	PV Shipyard	Vietnam	2012	PetroVietnam
36	Rignvest	Rignvest	Unnamed	LeTourneau Super 116E	350	$186	4Q12	Lamprell	M.E.	2012	–
37	Rowan	Rowan	Rowan Fort Worth II	LeTourneau Super 116E	350	$175	2Q10	AMFELS	USA	2010	McMoRan
38	Rowan	Rowan	Rowan EXL 2	LeTourneau Super 116E	350	$175	3Q10	AMFELS	USA	2010	–
39	Rowan	Rowan	Rowan EXL 3	LeTourneau Super 116E	350	$175	1Q11	AMFELS	USA	2011	–
40	Rowan	Rowan	Rowan EXL 4	LeTourneau Super 116E	350	$175	1Q12	AMFELS	USA	2012	–
41	Rowan	Rowan	Joe Douglas	LeTourneau 240-C (HT/HP)	400	$200	4Q11	LeTourneau	USA	2011	–
42	Saipem	Saipem	Unnamed	GustoMSC CJ-46-X 100D	350	$154	2Q10	Drydocks World	Indonesia	2010	–
43	Saudi Aramco	Saudi Aramco	Unnamed	KFELS MOD V Super B Class	300	–	3Q12	Keppel FELS	Indonesia	2012	Saudi Aramco
44	Scorpion Offshore	Scorpion Offshore	Offshore Mischief	LeTourneau Super 116E	350	$201	2Q10	Lamprell	M.E.	2010	Anadarko
45	SeaDrill	SeaDrill	West Callisto	KFELS Mod V B	400	$213	3Q10	Keppel FELS	Sing.	2010	Premier
46	SeaDrill	SeaDrill	West Juno	KFELS Mod V B	400	$216	4Q10	Keppel FELS	Sing.	2010	–
47	SeaDrill	SeaDrill	West Leda	Baker Marine Pacific Class 375	375	$219	3Q10	Jurong	Sing.	2010	Pertalahan
48	Shanghai Offshore Petrole	Shanghai Offshore Petrole	Kan Tan VI	Baker Marine Pacific Class 375	375	$229	1Q11	Jurong	Sing.	2011	–
49	Shengli Offshore	Shengli Offshore	Shengli X	—	164	–	3Q10	Dalian	China	2010	Shengli Offshore
50	Sino Tharwa Drilling	Sino Tharwa	Bahari-1	Friede & Goldman JU-2000E	400	$250	4Q10	Dalian	China	2010	–
51	Skeie	Skeie	SKDP1	KFELS N Class	400	$506	3Q10	Keppel FELS	Sing.	2010	–
52	Skeie	Skeie	SKDP2	KFELS N Class	430	$528	4Q10	Keppel FELS	Sing.	2010	–
53	Skeie	Skeie	SKDP3	KFELS N Class	430	$582	2Q11	Keppel FELS	Sing.	2011	–
54	Swecomex	Swecomex	Unnamed	Friede & Goldman JU-2000E	400	$195	2Q11	Operadora Cicsa	Mexico	2011	–
55	Thule Drilling	Thule Drilling	Thule Energy	F&G Super M2	300	$160	2Q11	QGM Group	M.E.	2011	–
56	Thule Drilling	Thule Drilling	Thule Force	F&G Super M2	300	$160	3Q11	QGM Group	M.E.	2011	–
57	Thule Drilling	Royal Oyster Group	Thule Power	Baker Marine BMC-200-H	250	–	2Q10	QGM Group	M.E.	2010	–
58	UMW Standard Drilling	UMW Standard Drilling	Naga-3	MSC CJ46-X 100D	350	$154	2Q10	Drydocks World	Indonesia	2010	–
59	Vietsovpetro	Vietsovpetro	Tam Dao 02	Baker Marine Pacific Class 375	375	$226	4Q10	Jurong	Sing.	2010	Vietsovpetro
60	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	–	4Q10	Yantai Raffles	China	2010	–
61	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	–	2Q11	Yantai Raffles	China	2011	–
62	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	–	4Q11	Yantai Raffles	China	2011	–
63	Yantai Raffles	Momentum Engineering	Unnamed	Friede & Goldman Super M2	300	–	4Q11	Yantai Raffles	China	2011	Dragon Oil

Source: Company data, ODS-Petrodata, Morgan Stanley Research

Exhibit 80

Future Deliveries of Newbuild Floaters

	Owner	Manager	Rig Name	Design	Water Depth (ft)	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract
Newbuilds:											
1	Atwood Oceanics	Atwood Oceanics	Atwood Osprey	Friede & Goldman Ex-D Millenium	6,000	$625	1Q11	Jurong	Sing.	2011	Chevron
2	Atwood Oceanics	Atwood Oceanics	Unnamed	Friede & Goldman Ex-D Millenium	10,000	$750	2Q12	Jurong	Sing.	2012	–
3	CNOOC	COSL	Hai Yang Shi You 981	Friede & Goldman ExD	7,500	$599	1Q11	Shanghai Waigaoqiao	China	2011	CNOOC
4	COSL	COSL	COSL Pioneer	GM-4000	2,460	$415	3Q10	Yantai Raffles	China	2010	–
5	COSL	COSL	COSL Innovator	GM-4000	2,460	$460	3Q11	Yantai Raffles	China	2011	Statoil
6	COSL	COSL	COSL Promoter	GM-4000	2,460	$460	3Q12	Yantai Raffles	China	2012	Statoil
7	Delba	Delba	Delba III	GustoMSC TDS 2500	7,874	$611	2Q11	IMAC	Abu Dhabi	2011	Petrobras
8	Delba	Delba	Delba IV	GustoMSC TDS-2500	7,874	–	3Q13	COSCO	China	2013	Petrobras
9	Delba	Delba	Delba V	Friede & Goldman ExD	8,000	–	3Q12	–	–	2012	Petrobras
10	Delba	Delba	Delba VI	—	8,000	–	3Q12	–	–	2012	Petrobras
11	Delba	Delba	Delba VII	Samsung Heavy Industries	10,000	$700	2Q12	Samsung Heavy	Korea	2012	Petrobras
12	Delba	Delba	Delba VIII	Samsung Heavy Industries	10,000	$740	2Q12	Samsung Heavy	Korea	2012	Petrobras
13	Dryships	Ocean Rig	Ocean Rig Olympic	Samsung Heavy Industries	10,000	$790	3Q11	Samsung Heavy	Korea	2011	–
14	Dryships	Ocean Rig	Ocean Rig Mykonos	Samsung Heavy Industries	10,000	$792	4Q11	Samsung Heavy	Korea	2011	–
15	Dryships	Ocean Rig	Ocean Rig Corcovado	Samsung Heavy Industries	10,000	$748	1Q11	Samsung Heavy	Korea	2011	–
16	Dryships	Ocean Rig	Ocean Rig Poseidon	Samsung Heavy Industries	10,000	$748	2Q11	Samsung Heavy	Korea	2011	–
17	ENSCO	ENSCO	ENSCO 8502	ENSCO 8500	8,500	$385	3Q10	Keppel FELS	Sing.	2010	Nexen
18	ENSCO	ENSCO	ENSCO 8503	ENSCO 8500	8,500	$427	4Q10	Keppel FELS	Sing.	2010	Cobalt
19	ENSCO	ENSCO	ENSCO 8504	ENSCO 8500	8,500	$515	3Q11	Keppel FELS	Sing.	2011	–
20	ENSCO	ENSCO	ENSCO 8505	ENSCO 8500	8,500	$537	1Q12	Keppel FELS	Sing.	2012	–
21	ENSCO	ENSCO	ENSCO 8506	ENSCO 8500	8,500	$560	3Q12	Keppel FELS	Sing.	2012	–
22	Etesco	Etesco	ET-VIII	Samsung Heavy Industries	10,000	$820	1Q12	Samsung Heavy	Korea	2012	Petrobras
23	Frontier/Shell	Frontier Drilling	Bully I	GustoMSC PRD12,000 (Harsh)	12,000	$610	3Q10	Keppel FELS	Sing.	2010	Frontier/Shell
24	Frontier/Shell	Frontier Drilling	Bully II	GustoMSC PRD12,000 (Harsh)	12,000	$632	4Q10	Keppel FELS	Sing.	2010	Frontier/Shell
25	Gazflot	Gazflot	Polyarnaya Zvezda	Moss Maritime CS-50	1,148	$573	4Q10	Samsung Heavy	Korea	2010	Gazflot
26	Gazflot	Gazflot	Severnoye Siyanie	Moss Maritime CS-50	1,148	$573	2Q11	Samsung Heavy	Korea	2011	Gazflot
27	Grupo R	IPC	La Muralla III	GVA 7500-N	10,000	$633	3Q10	Daewoo	Korea	2010	PEMEX
28	Grupo R	IPC	La Muralla IV	GVA 7500-N	10,000	$709	3Q11	Daewoo	Korea	2011	–
29	Grupo R	IPC	La Muralla V	F&G Ex-D	10,000	$627	3Q10	Jurong	Sing.	2010	PEMEX
30	Larsen Oil & Gas	Songa	Songa Eclipse	F&G Ex-D	10,000	$640	2Q11	Jurong	Sing.	2011	–
31	Maersk	Maersk Drilling	Unnamed	KFELS/MSC DSS 21	10,000	$416	3Q10	Keppel FELS	Sing.	2010	–
32	MARACC	Offshore Offshore	Island Innovator	Global Maritime GM-4000	2,460	$560	4Q11	COSCO	China	2011	–
33	Metrostar	Odfjell Drilling	Deepsea Metro I	GustoMSC P10000	10,000	$668	2Q11	Hyundai Heavy	Korea	2011	–
34	Metrostar	Odfjell Drilling	Deepsea Metro II	GustoMSC P10000	10,000	$668	4Q11	Hyundai Heavy	Korea	2011	–
32	Noble Corp.	Noble Corp.	Noble Jim Day	Bingo 9000	12,000	$550	2Q10	Jurong	Sing.	2010	Marathon
33	Noble Corp.	Noble Corp.	Unnamed	Huisman Globetrotter	10,000	$585	3Q11	Dalian	China	2011	–
34	Odebrecht	Odebrecht	Norbe VI	GustoMSC TDS-2000Plus	7,874	$550	4Q10	IMAC	Abu Dhabi	2010	Petrobras
35	Odebrecht	Odebrecht	Norbe VIII	DSME 10000	10,000	$690	2Q11	Daewoo	Korea	2011	Petrobras
36	Odebrecht	Odebrecht	Norbe IX	DSME 10000	10,000	$690	2Q11	Daewoo	Korea	2011	Petrobras
37	Odebrecht	Odebrecht	Norbe X	—	10,000	$579	1Q12	Daewoo	Korea	2012	–
38	Odebrecht	Odebrecht	Norbe XI	—	10,000	$579	1Q12	Daewoo	Korea	2012	–
39	Odfjell Drilling	Odfjell Drilling	Deepsea Stavanger	GVA 7500-N-E	10,000	$674	2Q10	Daewoo	Korea	2010	–
40	Petrobras	Schahin	Petrobras II 10000	Samsung 10000	10,000	$830	2Q10	Samsung Heavy	Korea	2010	Petrobras
41	Petroserv	Petroserv	Unnamed (drillship)	—	10,000	$755	4Q11	Daewoo	Korea	2011	Petrobras
42	Petroserv	Petroserv	Unnamed (semi)	GVA 7500-N	10,000	$526	4Q12	Daewoo	Korea	2011	–
43	Pride International	Pride International	Deep Ocean Ascension	Saipem 1000 (Harsh)	10,000	$750	3Q10	Samsung Heavy	Korea	2010	BP
44	Pride International	Pride International	Deep Ocean Clarion	Samsung Heavy Industries	12,000	$715	1Q11	Samsung Heavy	Korea	2011	BP
45	Pride International	Pride International	Deep Ocean Mendocino	Samsung Heavy Industries	12,000	$725	1Q11	Samsung Heavy	Korea	2011	Petrobras
46	Pride International	Pride International	Deep Ocean Molokai	Samsung Heavy Industries	12,000	$745	4Q11	Samsung Heavy	Korea	2011	–
47	Queiroz Galvao	Queiroz Galvao	Lone Star	GustoMSC TDS-2000Plus	7,874	$480	3Q10	IMAC	Abu Dhabi	2010	Petrobras
48	Queiroz Galvao	Queiroz Galvao	Alpha Star	KFELS/MSC DSS 38	9,000	–	1Q12	Keppel FELS	Sing.	2012	Petrobras
49	Rozneft	Rozneft	Bolshaya Medveditsa	—	6,562	$700	3Q14	Zvezda	Russia	2014	Rozneft
50	Saipem	Saipem	Scarabeo 8	Moss Maritime CS-50 Mkll (N)	9,843	$615	3Q10	Fincantieri	Italy	2010	Eni
51	Saipem	Saipem	Saipem 12000	Samsung/Saipem 12,000	12,000	$660	2Q10	Samsung Heavy	Korea	2010	Total
52	Saipem	Saipem	Scarabeo 9	D90 DRR DP3	12,000	$742	4Q10	Yantai Raffles	China	2010	Eni
53	Schahin	Schahin	Amazonia	Friede & Goldman ExD	7,875	$500	4Q10	Yantai Raffles	China	2010	Petrobras
54	Schahin	Schahin	Pantanal	Friede & Goldman ExD	6,560	$500	4Q10	Yantai Raffles	China	2010	Petrobras
55	Schahin	Schahin	Unnamed	Samsung Heavy Industries	10,000	$682	3Q11	Samsung Heavy	Korea	2011	Petrobras
56	Schahin	Schahin	Unnamed	Samsung Heavy Industries	10,000	$709	1Q12	Samsung Heavy	Korea	2012	Petrobras
57	SeaDragon Offshore	Vantage Drilling	SeaDragon I	Moss CS50 6G	10,000	$510	4Q10	Jurong	Sing.	2010	PEMEX
58	SeaDragon Offshore	Vantage Drilling	SeaDragon II	Moss CS50 6G	10,000	$510	3Q11	Jurong	Sing.	2011	–
59	SeaDrill	SeaDrill	West Orion	Friede & Goldman ExD	10,000	$558	3Q10	Jurong	Sing.	2010	Petrobras
60	SeaDrill	SeaDrill	West Gemini	Samsung/Saipem 10,000	10,000	$615	3Q10	Samsung Heavy	Korea	2010	Total
61	SeaDrill	SeaDrill	West Capricorn	Friede & Goldman ExD	10,000	$640	4Q11	Jurong	Sing	2011	–
62	Sevan	Sevan	Sevan Driller	SSP Drilling Unit	7,874	$590	2Q10	COSCO	China	2010	Petrobras
63	Sevan	Sevan	Sevan Brasil	Sevan Drilling Sevan 650	7,874	–	1Q12	COSCO	China	2012	Petrobras
64	Sevan	Sevan	Sevan ONGC	Sevan Drilling Sevan 650	10,000	–	1Q12	COSCO	China	2012	ONGC
65	Stena	Stena	Stena DrillMAX ICE	Stena/Samsung (Harsh)	10,000	$1,150	4Q11	Samsung Heavy	Korea	2011	–
66	Tanker Pacific	Pacific Drilling	Pacific Bora	Samsung 10000	10,000	$632	4Q10	Samsung Heavy	Korea	2010	–
67	Tanker Pacific	Pacific Drilling	Pacific Scirocco	Samsung 12000	10,000	$650	2Q11	Samsung Heavy	Korea	2011	–
68	Tanker Pacific	Pacific Drilling	Pacific Mistral	Samsung 10000	10,000	$650	2Q11	Samsung Heavy	Korea	2011	–
69	Tanker Pacific	Pacific Drilling	Pacific Santa Ana	Samsung 12000	10,000	$650	3Q11	Samsung Heavy	Korea	2011	Chevron
70	TMT	Vantage Drilling	DragonQuest	Daewoo Shipbuilding & Marine	12,000	$761	3Q11	Daewoo	Korea	2011	Petrobras
71	TMT	Vantage Drilling	Cobalt Explorer	Daewoo Shipbuilding & Marine	10,000	$672	3Q13	Daewoo	Korea	2013	–
72	Transocean	Transocean	Deepwater Champion	GustoMSC P10,000 (Harsh)	10,000	$796	3Q10	Hyundai Heavy	Korea	2010	ExxonMobil
73	Transocean	Transocean	Discoverer India	Enterprise-Class	10,000	$785	4Q10	Daewoo	Korea	2010	Reliance
74	Vantage Energy	Vantage Drilling	Platinum Explorer	Daewoo Shipbuilding & Marine	12,000	$761	4Q10	Daewoo	Korea	2010	ONGC

Source: Company data, ODS-Petrodata, Morgan Stanley Research

Morgan Stanley

MORGAN STANLEY RESEARCH

June 1, 2010
Global Oil Services, Drilling & Equipment

Performance Review

Exhibit 81
Segment and Index Performance

	Last Week	Last Month	2010	2009	2008	2007
Services	0.1%	-15.1%	-1.0%	48.2%	-59.8%	35.5%
Offshore Construction	1.2%	-17.3%	-6.4%	113.1%	-70.7%	44.5%
Equipment	0.3%	-16.9%	-6.7%	120.4%	-62.3%	52.0%
Seismic	-3.3%	-23.2%	-7.7%	118.1%	-73.4%	33.4%
Land Drillers	9.1%	-12.2%	-11.3%	45.0%	-47.7%	-4.4%
Logistics	-4.3%	-18.9%	-16.6%	29.9%	-42.8%	22.1%
Offshore Drillers	-0.5%	-26.0%	-20.6%	84.4%	-65.8%	78.4%
S&P 500	0.2%	-8.6%	-2.3%	23.5%	-38.5%	3.5%
XNG	1.6%	-10.4%	-6.2%	43.7%	-34.5%	29.6%
WTI (Oil)	5.6%	-11.1%	-6.8%	77.9%	-53.5%	57.2%
XOI	-0.1%	-12.9%	-9.8%	9.0%	-37.2%	31.3%
OSX	-3.7%	-22.0%	-11.7%	60.6%	-59.8%	50.9%
Henry Hub (Gas)	7.6%	-0.2%	-21.5%	-2.2%	-24.4%	18.8%

Exhibit 82
Relative Performance of the OSX to S&P 500 (52-wk)

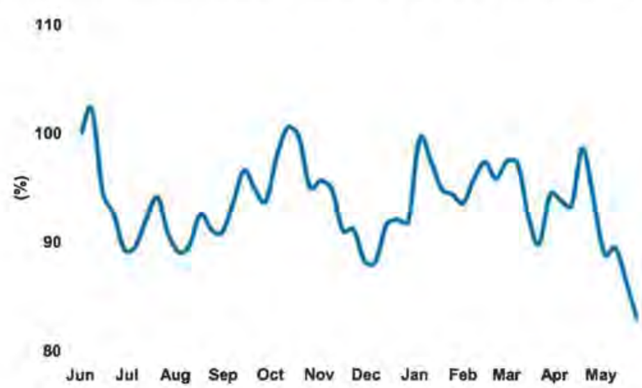
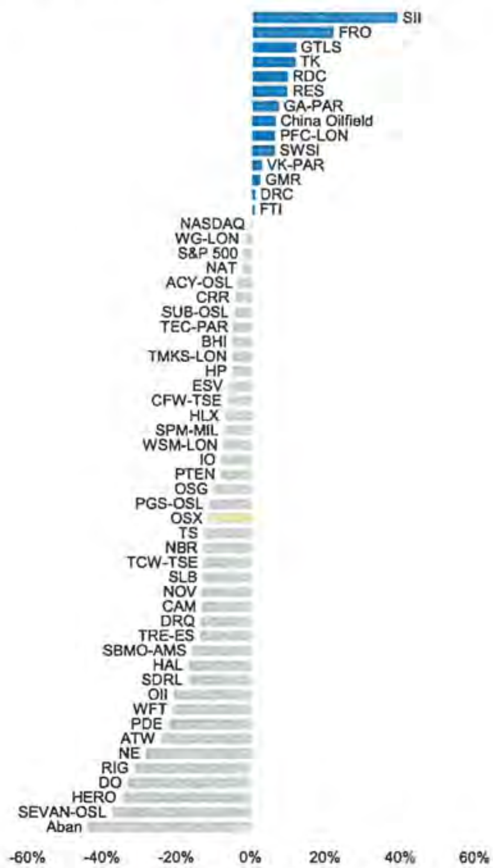
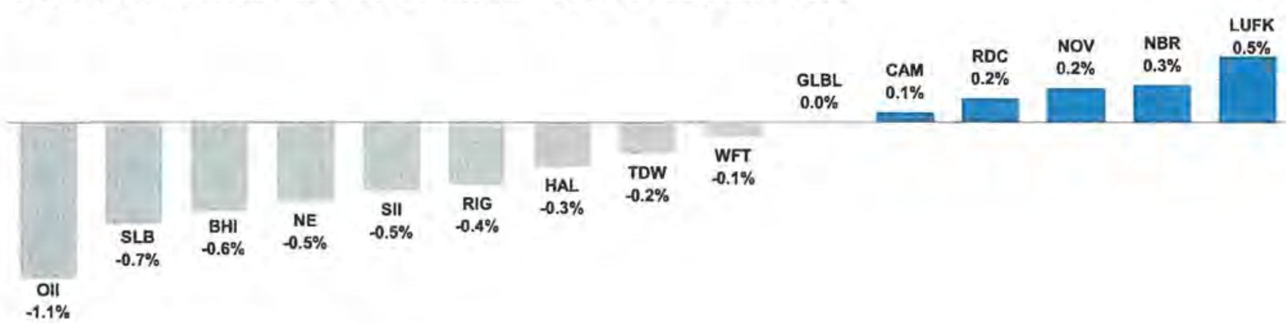


Exhibit 83
Stock Performance in 2010 (YTD)



Note: Graph is for total return for period.

Exhibit 84
Component Contribution to Overall Performance of the OSX Last Week



Source: FactSet; Company data, Morgan Stanley Research

Exhibit 85

Global Coverage Universe (US$) Performance Review

Company	Price USD	All-time High	52-wk High	52-wk Low	% Below All-time HI	% Below 52W-HI	% Above 52W-LO	Last Week	Last 4-Wks	Last 3-Mos	2008	2009	2010
Oil Services:													
Smith International	37.56	86.16	49.66	22.12	-56.4%	-24.4%	69.8%	-6.9%	-21.4%	-8.1%	-69.0%	18.7%	38.6%
BJ Services	23.18	42.75	24.53	12.00	-45.8%	-5.5%	93.2%	0.0%	0.0%	6.1%	-51.9%	59.4%	24.9%
RPC Inc.	11.29	23.70	14.66	7.10	-52.4%	-24.0%	59.0%	4.5%	-17.6%	-8.4%	-16.7%	6.6%	9.3%
Superior Well Services	15.11	37.01	18.75	4.96	-59.2%	-19.4%	204.6%	10.1%	-1.2%	-15.5%	-52.9%	42.6%	6.0%
Carbo Ceramics	64.70	77.86	78.98	31.52	-16.9%	-18.1%	105.3%	-1.1%	-14.9%	6.3%	-4.5%	91.9%	-4.6%
Baker Hughes	38.14	98.67	54.80	33.11	-61.3%	-30.4%	15.2%	-8.8%	-25.3%	-20.1%	-60.5%	26.2%	-5.2%
Calfrac Well Services	19.54	45.21	26.18	8.06	-56.8%	-25.4%	142.5%	10.7%	-12.4%	-17.7%	-60.5%	182.2%	-6.6%
Trican Well Services	12.26	26.61	15.27	6.80	-53.9%	-19.7%	80.2%	8.7%	-8.7%	-9.6%	-66.9%	108.0%	-13.1%
Schlumberger	56.15	112.09	73.99	48.13	-49.9%	-24.1%	16.7%	-6.8%	-20.6%	-7.8%	-57.0%	53.8%	-13.1%
Halliburton	24.83	53.91	35.22	18.11	-53.9%	-29.5%	37.1%	-6.8%	-25.3%	-17.4%	-52.0%	65.5%	-17.0%
Weatherford	14.12	49.59	23.75	13.08	-71.5%	-40.5%	8.0%	-3.9%	-22.5%	-15.4%	-68.5%	65.5%	-21.2%
Offshore Drillers:													
Rowan Companies	24.76	47.95	32.82	16.96	-48.4%	-24.6%	46.0%	3.6%	-22.0%	-4.8%	-59.7%	42.4%	9.4%
China Oilfield Services Ltd.	1.25	2.70	1.58	0.86	-53.7%	-20.8%	46.2%	11.6%	-9.1%	-7.5%	-64.7%	48.7%	6.1%
ENSCO International	37.40	82.22	52.32	32.26	-54.5%	-28.5%	15.9%	-3.5%	-25.1%	-15.3%	-52.4%	40.7%	-6.3%
Seadrill Limited	20.68	36.25	28.40	12.50	-43.0%	-27.2%	65.4%	-4.0%	-21.5%	-9.0%	-69.1%	235.7%	-17.0%
Pride International	24.77	44.61	34.67	20.81	-44.5%	-28.6%	19.0%	-1.5%	-22.4%	-11.5%	-52.9%	99.7%	-22.4%
Atwood Oceanics	27.15	62.17	40.58	21.40	-56.3%	-33.1%	26.9%	-1.9%	-26.3%	-18.9%	-69.5%	134.6%	-24.3%
Noble Corporation	29.07	67.98	45.60	27.52	-57.2%	-36.3%	5.6%	-10.3%	-31.1%	-31.1%	-60.9%	84.2%	-28.4%
Transocean	56.77	161.40	94.88	52.05	-64.8%	-40.2%	9.1%	-4.2%	-33.1%	-28.9%	-67.0%	75.2%	-31.4%
Diamond Offshore	63.10	148.51	108.78	63.00	-57.5%	-42.0%	0.2%	-10.6%	-25.2%	-26.4%	-58.5%	67.0%	-33.2%
Hercules Offshore	3.12	42.30	7.28	2.60	-92.6%	-57.1%	20.0%	8.3%	-29.3%	-14.8%	-80.0%	0.6%	-34.7%
Aban Offshore Ltd.	15.46	136.76	35.75	12.87	-88.7%	-56.8%	20.1%	6.6%	-41.2%	-39.6%	-89.0%	99.9%	-43.9%
Land Drillers:													
Helmerich & Payne	37.68	76.99	49.13	26.64	-51.1%	-23.3%	41.4%	9.1%	-11.5%	-6.9%	-43.2%	75.3%	-5.3%
Patterson-UTI	14.03	38.33	18.67	11.38	-63.4%	-24.9%	23.3%	8.2%	-7.0%	-8.8%	-41.0%	33.4%	-8.3%
Nabors Industries	19.03	49.77	27.05	13.78	-61.8%	-29.6%	38.1%	7.3%	-11.2%	-13.7%	-56.3%	82.9%	-13.1%
Equipment:													
Chart Industries	18.42	52.92	26.43	15.36	-65.2%	-30.3%	19.9%	4.2%	-25.8%	-9.5%	-65.6%	55.4%	11.5%
Vallourec	186.88	351.21	213.94	105.48	-46.8%	-12.6%	77.2%	1.9%	-2.8%	-2.4%	-58.4%	61.9%	2.5%
Dresser-Rand	31.83	43.48	35.90	22.87	-26.8%	-11.3%	39.2%	5.7%	-6.2%	3.0%	-55.8%	83.2%	0.7%
FMC Technologies	58.15	76.76	76.54	33.91	-24.2%	-24.0%	71.5%	-1.4%	-13.8%	3.5%	-58.0%	142.7%	0.5%
Wellstream Holdings	7.83	29.09	11.46	7.07	-73.1%	-31.7%	10.8%	1.4%	-20.2%	4.0%	-76.3%	68.0%	-7.7%
Tenaris S.A.	37.12	74.50	47.79	23.86	-50.2%	-22.3%	55.6%	1.2%	-8.9%	-10.4%	-53.1%	103.3%	-13.0%
National Oilwell Varco	38.13	91.55	50.17	28.76	-58.4%	-24.0%	32.6%	3.4%	-14.0%	-12.1%	-66.7%	80.4%	-13.3%
Cameron International	36.20	57.67	47.44	24.63	-37.2%	-23.7%	47.0%	1.0%	-18.6%	-12.0%	-57.4%	103.9%	-13.4%
Dril Quip	48.71	69.97	70.78	33.95	-30.4%	-31.2%	43.5%	-8.8%	-23.4%	-11.0%	-63.2%	175.4%	-13.8%
Oceaneering International	46.27	84.33	68.60	39.91	-45.1%	-32.6%	15.9%	-12.7%	-30.2%	-23.5%	-56.7%	100.8%	-20.9%
Engineering & Construction:													
Petrofac	16.28	19.54	19.54	8.74	-16.7%	-16.7%	86.2%	8.1%	-4.7%	14.2%	-54.6%	238.6%	6.0%
Wood Group	4.83	9.84	6.37	3.72	-50.9%	-24.2%	29.6%	-1.3%	-15.4%	-10.8%	-68.6%	84.2%	-2.0%
Acergy	15.28	30.85	20.66	8.59	-50.5%	-26.0%	77.8%	2.7%	-19.2%	-7.3%	-75.1%	184.8%	-3.7%
Subsea 7	15.86	30.42	22.39	8.42	-47.8%	-29.2%	88.4%	5.9%	-20.8%	-13.7%	-74.2%	187.6%	-4.6%
Technip	65.71	98.11	88.02	44.15	-33.0%	-25.3%	48.8%	0.4%	-12.6%	-5.7%	-62.0%	133.8%	-5.0%
Helix Energy Solutions	10.89	46.84	17.00	8.76	-76.8%	-35.9%	24.3%	-9.2%	-32.4%	-5.4%	-82.6%	62.3%	-7.3%
Saipem	31.33	48.51	41.05	21.91	-35.4%	-23.7%	43.0%	-1.7%	-12.2%	-3.4%	-59.0%	110.4%	-7.4%
Tecnicas Reunidas	48.96	90.52	65.64	41.68	-45.9%	-25.4%	17.5%	1.3%	-16.8%	-13.1%	-60.0%	125.0%	-13.9%
SBM Offshore	16.07	41.61	22.79	14.82	-61.4%	-29.5%	8.4%	-1.0%	-17.7%	-6.7%	-58.8%	56.5%	-16.1%
Sevan Marine	1.10	16.99	2.05	0.99	-93.5%	-46.3%	11.5%	0.1%	-27.0%	-21.6%	-93.0%	66.4%	-37.4%
Reservoir Information / Seismic:													
CGG Veritas	22.93	68.63	33.28	14.93	-66.6%	-31.1%	53.6%	-6.4%	-24.6%	-4.7%	-74.2%	45.4%	7.0%
ION Geophysical	5.43	40.38	6.95	1.88	-86.6%	-21.9%	188.8%	4.6%	-5.9%	18.6%	-78.3%	72.6%	-8.3%
Petroleum Geo-Services	10.19	100.07	16.13	4.78	-89.8%	-36.8%	113.3%	-2.0%	-32.0%	-19.5%	-86.4%	191.5%	-11.5%
Energy Shipping:													
Frontline	32.89	71.76	38.85	19.76	-54.2%	-15.3%	66.4%	7.2%	-3.5%	23.1%	-38.3%	-7.7%	21.5%
Teekay	25.23	62.66	27.45	14.00	-59.7%	-8.1%	80.2%	3.6%	-0.4%	1.6%	-63.1%	18.1%	11.4%
General Maritime	6.91	38.81	10.97	6.41	-82.2%	-37.0%	7.8%	0.3%	-13.3%	-1.3%	-40.8%	-35.3%	2.1%
Nordic American Tankers	28.40	56.05	34.68	26.92	-49.3%	-18.1%	5.5%	1.1%	-7.0%	-0.3%	2.8%	-11.1%	-2.6%
Overseas Shipholding	38.69	90.38	53.20	28.58	-57.2%	-27.3%	35.4%	1.5%	-18.5%	-12.2%	-43.4%	4.4%	-10.2%
Indices:													
0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
S&P 500	1,089.4	1,565.15	1,218.8	869.3	-30.4%	-10.6%	25.3%	0.2%	-8.6%	-1.4%	-38.5%	23.5%	-2.3%
XNG	506.4	761.11	584.9	372.4	-33.5%	-13.4%	36.0%	1.6%	-10.4%	-5.5%	-34.5%	43.7%	-6.2%
XOI	963.5	1,630.09	1,134.9	843.1	-40.9%	-15.1%	14.3%	-0.1%	-12.9%	-5.6%	-37.2%	9.0%	-9.8%
OSX	172.0	359.61	229.3	142.5	-52.2%	-25.0%	20.8%	-3.7%	-22.0%	-14.5%	-59.8%	60.6%	-11.7%

Source: FactSet; Morgan Stanley Research

Valuation Methodologies and Investment Risks

The valuation methodologies we use vary as the earnings cycle develops. At the (perceived) trough, we essentially want to answer the question, "how low could it go?" We favor an investment approach that has a bias towards value at this point, not momentum. We assess where the risk/reward is decidedly more attractive for accumulating longer-term positions using normalized earnings, price-to-book, price-to-sales, and for the offshore drillers, net asset value. We often concentrate more on the offshore drillers at this point of the cycle given the tangible asset valuation that is obtainable versus the uncertainties in earnings. Such a value approach however does carry the risk of being early.

As the earnings cycle begins to turn up, we use a two year forward earnings multiple, as well as a 12-month forward rolling multiple, price-to-book, price-to-sales, and a peak earnings analysis. The peak earnings analysis offers insight into what the stock could be worth once the EPS revision phase of the cycle really kicks in. For the offshore drillers, we continue to use a net asset value assessment, but also use an EV/EBITDA multiple, CEPS (cash EPS is equal to net income + depreciation and amortization + convertible interest (where applicable) and peak earnings.

Our two year forward earnings multiples are based upon prior cycle ranges (see "Trading and Valuation Summary" in this report). The average multiples achieved at the equity peaks of the previous two cycles were 19–23x with a range of 18–33x. The North American natural gas levered stocks typically achieve the higher-end of this range in the early stages of the cycle as the discounting mechanism is rather substantial in these stocks. The later cycle stocks typically include the equipment names, particularly subsea.

As the earnings cycle matures, momentum often overtakes value as the market digests an onslaught of upward earnings revisions. While the net asset value assessment for offshore drillers is still useful, it becomes more of a reality check. At this stage, the two year forward consensus earnings begin to narrow the gap with peak earnings assumptions, and a two-year forward multiple is placed on these "best case" pricing and utilization scenarios for the services and equipment.

Net Asset Value (NAV) is one of the more useful exercises in terms of identifying support levels for the asset intensive offshore drilling stocks. Depending on the mix of assets, a typical price/NAV support level has been 70–100%, while the upside is near two times NAV. The variance in the multiples on net asset value is largely a function of the fleet composition. Today the horsepower is in the deepwater, whereas in prior years, a bias toward jackups yielded a wider trading range. We calculate a NAV/share by applying a vendor published second-hand market value to each rig within a company's fleet, then grossing up to a fleet market value plus other assets, then adjusting for debt.

Investment Risks

The Oil Services and Equipment industry is one of the most volatile and unpredictable industries in the "old economy." The main investment risk is the overall health of the global economy, although with particular interim risk exposure to the fiscal and geopolitical uncertainties in areas including, but not limited to the Middle East, Latin America, Russia, Southeast Asia, and West Africa. In North America, E&P spending is highly susceptible to changes in oil and natural gas prices, more so in the short-run than any other region due to the dominance of the spot market and independents.

Main Investment Risks include:

- The health of the global economy and its impact on the global demand for oil and natural gas.
- Merger and acquisition activity among operators typically has a negative impact on spending budgets.
- Capacity expansion in long-lived assets such as marine seismic, pressure pumping equipment, and drilling rigs, particularly speculative newbuilding.
- Changes in fiscal terms (taxes) on oil and natural gas production in the major drilling basins including, but not limited to the Gulf of Mexico, Venezuela, Mexico, Brazil, Argentina, North Sea, West Africa, Southeast Asia, Russia, and the Middle East.

Adoption of new technology is often slow in the oilfield. There is meaningful risk to companies whose success is predominantly dependent upon a single new technology and the acceptance of that technology.

Exhibit 86

Oil Service: Price Target Methodology and Risks

Ticker	Price Target Methodology
Oil Service	
SLB	Based on 21x 2012E EPS, below historical 12-month forward average of 27x.
HAL	Based on 20x 2012E EPS, in-line with the historical 12-month forward average of 20x.
BHI	We derive our 12-month price target for BHI using a 18x P/E multiple on our 2012E BHI/BJS pro-forma EPS, below BHI's historical 12-month forward average of 24x.
WFT	Based on 18x 2012E EPS, below historical 12-month forward average of 31x.
RES	Based on 16.7x 2012e EPS, slightly above historical average, which is consistent with the current stage of the cycle.
SWSI	Based on 15x 2012e EPS, above historical 12-month forward average of 14x.
TCW.TO	Based on 23x 2012E EPS, above historical 12-month forward average of 16x. Multiple expansion due to anticipated 2011+ growth in Canadian shale.
CFW.TO	Based on 17x 2012E EPS, above historical forward average of 14x. Multiple expansion due to anticipated 2011+ growth in Canadian shale.
CRR	Based on 19x 2012E EPS, below historical 12-month forward average of 21x.
HLX	Based on 10.5x 2012E EPS, or below historical 12-month forward average of 26x. Multiple compresssion due to lingering concerns over the company's divestiture of non-core assets.
IO	Based on 16.5x P/E, approximately in-line with its trading range during 2007-2008, when earnings expectations were last normalized.

Exhibit 87

Oil Service Equipment: Price Target Methodology and Risks

Ticker	Price Target Methodology
Equipment	
TS	Based on 14x 2012E EADS. Risks to our target include deepening of the global recession negatively affecting commodity prices resulting in a further decline in drilling activity. Venezuela and Mexico drilling budgets, where the company has meaningful footprints, could also add short-term risk.
NOV	Based on 20x 2012E EPS, below historical 12-month forward average of 30x. Multiple compression due to risks of a slowdown in rig construction as the cycle matures.
CAM	Based on 18x 2012E EPS, below historical 12-month forward average of 33x. Multiple compression due to integration of Dresser Flow Control.
FTI	Based on 19x 2012E EPS, in line with historical 12-month forward average of 19x.
DRC	Based on 15x 2012E EPS, slightly below historical 12-month forward average of 16x.
DRQ	Based on 18x 2012E EPS, below historical 12-month forward average of 23x. Multiple compression due to risks associated with the introduction of new technologies including liner hangers and fully integrated subsea systems.
OII	Based on 18x 2012E EPS, slightly above historical 12-month forward average of 16x.
GTLS	Based on 17x 2012E EPS, slightly below production-oriented equipment peers (CAM and DRQ). Risks include the company's exposure to the industrial gas market, delays in sanctioning planned large-scale LNG projects and execution risks.

Source: Company data, Morgan Stanley Research

Exhibit 88

Offshore and Land Drillers: Price Target Methodology and Risks

Ticker	Price Target Methodology
Offshore Drillers	
RIG	Based on 15x 2012E EPS, above historical 12-month forward average of 14x. Multiple consistent with stage of cycle.
NE	Based on 12x 2012E EPS, consistent with stage of the cycle.
DO	Based on a dividend yield of 9%, similar to normalized yields within our shipping universe as well as the yield we use for SDRL.
ESV	Based on P/E of 12x 2012e EPS, consistent with stage in cycle.
PDE	Based on 16x 2012E EPS, below historical 12-month forward average of 19x. Multiple compression due to oversupply concerns based on the current new building cycle and execution on restructuring efforts.
SDRL	The commencement of work for its new builds should allow SDRL to grow its dividend, pushing shares higher. SDRL's high-quality fleet and high contract coverage will, in our view, bring the yield down to 9%, where DO has traded recently. Using an 9% yield on a $3 annual dividend provides upside to $38/share.
RDC	Based on 12x 2012E EPS, below historical 12-month forward average of 18x. Multiple compression due to oversupply concerns based on the current new building cycle.
HERO	Based on EV/EBITDA of 5x 2011E EBITDA, conservative relative to historical 12-month forward EV/EBITDA of 6x.
ATW	Based on 12x 2012E EPS, below historical 12-month forward average of 16x. Multiple compression due to oversupply concerns based on the current new building cycle.
Land Drillers	
NBR	Based on the local peak EV/EBITDA of 8x 2012e EBITDA, more conservative multiple reflects our expectations that earnings will not fall as sharply this cycle.
PTEN	EV/Rig of $10m/rig excluding rigs that did not work during last cyclical peak, as we expect shares to revert to the mean EV/Rig that we saw over the last three years when the company was upgrading its fleet.
HP	We value HP on a 2012e P/E of 24x, which is conservative compared to multiples we have seen in previous downturns, but is slightly above what we've seen in 2007.

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. Incorporated, and/or Morgan Stanley C.T.V.M. S.A. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. Incorporated, Morgan Stanley C.T.V.M. S.A. and their affiliates as necessary.
For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Ole Slorer.
Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictpolicies.

Important US Regulatory Disclosures on Subject Companies

The following analyst or strategist (or a household member) owns securities (or related derivatives) in a company that he or she covers or recommends in Morgan Stanley Research: Paulo Loureiro - Baker Hughes (common or preferred stock). Morgan Stanley policy prohibits research analysts, strategists and research associates from investing in securities in their sub industry as defined by the Global Industry Classification Standard ("GICS," which was developed by and is the exclusive property of MSCI and S&P). Analysts may nevertheless own such securities to the extent acquired under a prior policy or in a merger, fund distribution or other involuntary acquisition.
As of April 30, 2010, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Baker Hughes, Chart Industries, Halliburton Co., Helix Energy Solutions, Hercules Offshore, Nabors Industries Inc., Noble Corporation, Patterson-UTI Energy, Rowan Companies, Schlumberger, Smith International Inc., Superior Well Services, Transocean, Weatherford International.
As of April 30, 2010, Morgan Stanley held a net long or short position of US$1 million or more of the debt securities of the following issuers covered in Morgan Stanley Research (including where guarantor of the securities): Baker Hughes, Cameron International, Chart Industries, Diamond Offshore, FMC Technologies, Halliburton Co., Helix Energy Solutions, Nabors Industries Inc., Noble Corporation, Pride International Inc., Rowan Companies, Schlumberger, Seadrill, Smith International Inc., Transocean, Weatherford International.
Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Hercules Offshore, Schlumberger.
Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Baker Hughes, Chart Industries, Dresser-Rand, FMC Technologies, Halliburton Co., Hercules Offshore, Nabors Industries Inc., Schlumberger, Transocean, Weatherford International.
In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Baker Hughes, Calfrac Well Services, Cameron International, Chart Industries, Diamond Offshore, Dresser-Rand, ENSCO, FMC Technologies, Halliburton Co., Helmerich & Payne Inc, Hercules Offshore, National Oilwell Varco, Noble Corporation, Pride International Inc., Rowan Companies, Schlumberger, Smith International Inc., Superior Well Services, Tenaris S.A, Transocean, Trican Well Service, Weatherford International.
Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Dresser-Rand, Halliburton Co., Tenaris S.A, Transocean, Weatherford International.
Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Baker Hughes, Calfrac Well Services, Cameron International, Chart Industries, Diamond Offshore, Dresser-Rand, ENSCO, FMC Technologies, Halliburton Co., Helmerich & Payne Inc, Hercules Offshore, Nabors Industries Inc., National Oilwell Varco, Noble Corporation, Pride International Inc., Rowan Companies, Schlumberger, Smith International Inc., Superior Well Services, Tenaris S.A, Transocean, Trican Well Service, Weatherford International.
Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Baker Hughes, Cameron International, Diamond Offshore, Dresser-Rand, Dril Quip Inc., FMC Technologies, Halliburton Co., Helix Energy Solutions, Nabors Industries Inc., National Oilwell Varco, Schlumberger, Tenaris S.A, Transocean, Weatherford International.
An employee, director or consultant of Morgan Stanley is a director of Schlumberger.
Morgan Stanley & Co. Incorporated makes a market in the securities of Atwood Oceanics Inc, Baker Hughes, Cameron International, Carbo Ceramics, Chart Industries, Diamond Offshore, Dresser-Rand, Dril Quip Inc., ENSCO, FMC Technologies, Halliburton Co., Helix Energy Solutions, Helmerich & Payne Inc, Hercules Offshore, ION Geophysical, Nabors Industries Inc., National Oilwell Varco, Noble Corporation, Oceaneering International Inc, Patterson-UTI Energy, Pride International Inc., Rowan Companies, RPC, Schlumberger, Smith International Inc., Superior Well Services, Transocean, Weatherford International.
The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.
Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of May 31, 2010)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1079**	**42%**	**358**	**42%**	**33%**
Equal-weight/Hold	**1111**	**44%**	**397**	**47%**	**36%**
Not-Rated/Hold	**13**	**1%**	**3**	**0%**	**23%**
Underweight/Sell	**349**	**14%**	**95**	**11%**	**27%**
Total	**2,552**		**853**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Citi Investment Research & Analysis (CIRA) research reports may be available about the companies or topics that are the subject of Morgan Stanley Research. Ask your Financial Advisor or use Research Center to view any available CIRA research reports in addition to Morgan Stanley research reports.

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC, Morgan Stanley and Citigroup Global Markets Inc. or any of their affiliates, are available on the Morgan Stanley Smith Barney disclosure website at www.morganstanleysmithbarney.com/researchdisclosures.

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citigroupgeo.com/geopublic/Disclosures/index_a.html.

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at www.morganstanley.com.

For a discussion, if applicable, of the valuation methods and the risks related to any price targets, please refer to the latest relevant published research on these stocks.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

The fixed income research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index; or any securities/instruments issued by a company that is 30% or more directly- or indirectly-owned by the government of or a company incorporated in the PRC and traded on an exchange in Hong Kong or Macau, namely SEHK's Red Chip shares, including the component company of the SEHK's China-affiliated Corp Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Morgan Stanley Research is disseminated in Japan by Morgan Stanley MUFG Securities, Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Smith Barney Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by the Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Services Authority, also disseminates Morgan Stanley Research in the UK. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

Morgan Stanley

MORGAN STANLEY RESEARCH

The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008
Japan
Tel: +81 (0) 3 5424 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage:Oil Services, Drilling & Equipment

Company (Ticker)	Rating (as of)	Price* (05/28/2010)
Ole Slorer		
Atwood Oceanics Inc (ATW.N)	U (02/19/2010)	$27.15
Baker Hughes (BHI.N)	O (09/17/2009)	$38.14
Calfrac Well Services (CFW.TO)	U (02/17/2010)	C$19.69
Cameron International (CAM.N)	O (05/08/2009)	$36.2
Carbo Ceramics (CRR.N)	U (09/14/2009)	$64.7
Chart Industries (GTLS.O)	E (05/01/2009)	$18.42
Diamond Offshore (DO.N)	U (03/20/2009)	$63.1
Dresser-Rand (DRC.N)	E (09/25/2008)	$31.83
Dril Quip Inc. (DRQ.N)	E (05/11/2009)	$48.71
ENSCO (ESV.N)	O (02/19/2010)	$37.4
FMC Technologies (FTI.N)	E (02/09/2009)	$58.15
Halliburton Co. (HAL.N)	O (01/25/2008)	$24.83
Helix Energy Solutions (HLX.N)	E (04/16/2009)	$10.89
Helmerich & Payne Inc (HP.N)	U (10/14/2009)	$37.68
Hercules Offshore (HERO.O)	NR (02/19/2010)	$3.12
ION Geophysical (IO.N)	O (04/16/2010)	$5.43
Nabors Industries Inc. (NBR.N)	O (09/25/2008)	$19.03
National Oilwell Varco (NOV.N)	O (09/25/2008)	$38.13
Noble Corporation (NE.N)	O (07/29/2009)	$29.07
Oceaneering International Inc (OII.N)	E (02/09/2009)	$46.27
Patterson-UTI Energy (PTEN.O)	E (03/15/2010)	$14.03
Pride International Inc. (PDE.N)	E (04/14/2010)	$24.77
RPC (RES.N)	O (04/16/2009)	$11.29
Rowan Companies (RDC.N)	E (01/19/2006)	$24.76
Schlumberger (SLB.N)	O (04/21/2008)	$56.15
Seadrill (SDRL.N)	O (04/14/2010)	$20.68
Smith International Inc. (SII.N)	NR (02/25/2010)	$37.56
Superior Well Services (SWSI.O)	O (04/16/2009)	$15.11
Tenaris S.A (TS.N)	O (11/03/2009)	$37.12
Transocean (RIG.N)	O (02/19/2010)	$56.77
Trican Well Service (TCW.TO)	U (02/17/2010)	C$12.48
Weatherford International (WFT.N)	O (09/22/2003)	$14.12

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

Exhibit C

LexisNexis®

International Oil Daily

June 14, 2010 Monday

SECTION: FEATURE STORIES

LENGTH: 690 words

HEADLINE: US Senator Asks Obama to Lift Drilling Ban

BODY:

Louisiana's senior US senator has urged President Barack Obama to lift a six-month moratorium on deepwater drilling in the Gulf of Mexico, saying it will cause more damage to the state's economy than the huge oil spill from a BP well which prompted the measure.

In a letter sent to the president Friday, Sen. Mary Landrieu wrote that idling the 33 rigs that were scheduled to work on deepwater projects could lead to the loss of 38,000 jobs in Louisiana.

"That's like closing 12 large motor vehicle assembly plants in one state, all at once," the Democratic senator wrote. She noted that the energy industry directly employs about 15% of Louisiana's workforce.

Two industry bodies, the Offshore Marine Service Association and the National Ocean Industries Association, have separately calculated that a prolonged moratorium could put up to up 100,000 people out of work along the entire Gulf Coast.

Landrieu offered the president several alternatives, which included allowing the rigs to continue "drilling through dirt" -- letting them drill without penetrating oil-bearing reservoirs. This would give the companies sufficient time to demonstrate that their operations are safe, she said.

The effects of the moratorium are already being felt by companies like Louisiana-based Bollinger Shipyards, a long-established builder of offshore support vessels with 3,000 employees at yards along the Gulf Coast.

"In the 64 years of our existence, we have never been faced with such an uncertain future. This moratorium has created an environment leaving Bollinger Shipyards no choice but to downsize our company, thereby eliminating good paying jobs," the company said in a statement released Friday.

In a meeting on Thursday with the families of the 11 men killed by the Apr. 20 blowout at BP's Macondo well, President Obama indicated that he would keep the six-month moratorium in place.

Meanwhile, the London-based Financial Times reported on its website Friday that senior BP officials will tell President Obama this week that they will do everything possible to stop the leak, clean up the spill and pay compensation for the damage caused.

However, they will reject pressure from the Obama administration to pay compensation to workers who have been laid off because of the drilling moratorium, the newspaper reported. Interior Secretary Ken Salazar had raised that prospect in remarks he made at a hearing on Capitol Hill last week.

The Financial Times said BP Chief Executive Tony Hayward and Chairman Carl-Henric Svanberg will both meet Obama this week. The White House had already confirmed a meeting with Svanberg but had not mentioned a meeting with Hayward, although he is scheduled to testify before a congressional panel in Washington this week.

The UK newspaper said that the BP officials will likely offer the president a concession by agreeing to suspend payment of its dividend to ensure that the company has enough money to meet all legitimate compensation claims.

Efforts continue to contain the oil leaking out of the Macondo well and about 15,400 barrels of oil were collected on Thursday, according to Adm. Thad Allen of the US Coast Guard.

But Allen said researchers now estimate that the amount of oil flowing from the well is about 20,000 to 40,000 barrels per day. That equates to the same volume of oil as the 1989 Exxon Valdez spill gushing into the Gulf of Mexico every five days.

Allen said operations to gather up more of the oil are intensifying. He said there are now about 400 skimmers working in the Gulf and more than 25,000 people involved in the cleanup.

BP plans to use the floating production vessel Helix Producer and the drillship Discoverer Clear Leader to process the oil that it is capturing from the well.

The admiral said the Helix Producer will be paired with a shuttle tanker as part of a new production system that will be brought online toward the end of June or early July.

Allen said the Discoverer Clear Leader will be brought in more quickly to increase oil processing capacity, but he was unable to provide further details.

John A. Sullivan, Houston

LOAD-DATE: June 18, 2010