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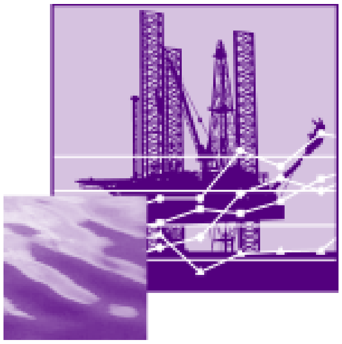

Gulf of Mexico newsletter

A weekly report covering Gulf of Mexico
oil and gas activities and support businesses

January 14, 2008
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Hornbeck expands newbuild program, purchases DSV

Hornbeck Offshore Services Inc. will expand its offshore support vessel (OSV) newbuild program. The company has contracted for the construction of two additional proprietary 240 ED class OSVs with Atlantic Marine of Jacksonville, Fla., which is the same shipyard that is building four identical sister vessels for Hornbeck. The two new vessels are expected to be delivered in 2010.

Hornbeck's fourth OSV newbuild program now consists of vessel construction contracts with three domestic shipyards to build 16 DP-2 vessels, comprised of six 240 ED OSVs, nine 250 EDF OSVs and one 285 class new generation OSV.

Hornbeck also agreed to purchase a leasehold interest in a parcel of improved real estate adjacent to HOS Port, the company's existing shore-base facility in Port Fourchon, La. The lease has nearly seven years remaining on its initial term, with four additional five-year renewal periods.

The company says the additional shore-base, currently known as the "Rowan Base," will support its rapidly expanding operations in the Gulf of Mexico's largest deepwater offshore port and will provide more lay-down area in support of its growing multi-purpose support vessel (MPSV) program. The combined acreage of the two adjoining properties will be approximately 60 acres.

The facility also increases Hornbeck's shore-base lifting capacity by two cranes and will extend its waterfront bulkhead by over 1,000 linear feet to nearly 3,000 total linear feet. The acquisition closing, which is subject to customary conditions, including third party consents, environmental testing and regulatory approvals, is expected to take place in mid-January.

Additionally, Hornbeck entered into a definitive asset purchase agreement with Superior Offshore International

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Gulf of Mexico Mobile Offshore Rig Count

Compiled from the ***Offshore Rig Locator's*** daily update.

	This Week	*Week Ago*	*Month Ago*	*Year Ago*	*5 Years Ago*
Total Fleet	125	125	130	137	186
Contracted	96	95	93	118	125
No Contract	29	30	37	19	61
GOM Util.	76.8%	76.0%	71.5%	86.1%	67.2%
World Util.	89.5%	89.6%	88.3%	92.8%	79.7%

This Week	*Jackup*	*Semi*	*Ship*	*Sub*	*Plat*
Fleet Total	80	30	6	7	56
Contracted	56	29	6	3	30
GOM Util.	70.0%	96.7%	100.0%	42.9%	53.6%

Gulf Coast Mid-Week Spot Prices

	This Week	*Week Ago*	*Month Ago*	*Year Ago*
WTI Crude	$93.74	$99.21	$92.28	$51.91
Natural Gas*	$7.51	$6.84	$7.13	$5.41

*Louisiana offshore delivered to pipeline
Source: Natural Gas Week & Dow Jones Telerate Systems Inc.

Senior News Editor: Karen Boman
Editor: Cinnamon Odell

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ODS-PETRODATA

www.ods-petrodata.com
3200 Wilcrest Dr., Suite 170, Houston TX 77042
Tel: 832-463-3000 ■ Fax: 832-463-3100
E-mail: kbroyles-boman@ods-petrodata.com

Drilling Plans & Permits

Period	Drilling Plans: No. of Plans	Drilling Plans: No. of Wells	Offshore Well Permits	Active Locations All Rig Types: Expl	Active Locations All Rig Types: Devl	Active Locations All Rig Types: WO
This Week	13	24	12	60	36	13
Year-to-Date	16	32	12	11	7	4
This Date 2007	20	47	25	16	10	5
2007 Total*	342	693	613	237	171	99

Drilling plans are compiled each week from data reported by the MMS, and include only plans filed for work on federal leases. Offshore well permit counts are compiled by ODS-Petrodata from data provided by the MMS and the State of Louisiana, and include approved permits for all offshore well and rig types. Active locations are compiled by ODS-Petrodata from data provided by operators and contractors. Active location year-to-date and total year counts represent a cumulative total.

*subject to year-end adjustment

Drilling Plans Reported by the Minerals Management Service Last Week

Operator	Location	Lease No.	Water Depth	Est. Start	No. of Wells/Type
Apache Corp	Ewing Bank #782	OCSG 31470	505	Feb-08	1/Dev
Apache Corp	Ewing Bank #826	OCSG 5800	505	Apr-08	2/Dev
Century Expl	West Cameron #369	OCSG 22544	73	Feb-08	1/Expl
Chevron Corp	South Marsh Isl #217	OCS 0310	10	Feb-08	1/Dev
ERT	Garden Banks #463	OCSG 26655	3085	Jan-08	3/Expl
LLOG Expl	High Island #138	OCSG 31040	53	Feb-08	3/Expl
Mariner Energy	Miss Canyon #881	OCSG 26276	2000	Jun-08	3/Expl
Mariner Energy	West Cameron #177	OCSG 27788	51	Mar-08	2/Expl
Petroquest	West Cameron #414	OCSG 24743	93	Mar-08	1/Expl
Shell	Alaminos Canyon #815	OCSG 19409	9356	Feb-08	2/Dev
Shell	Alaminos Canyon #859	OCSG 20871	9619	Jun-08	1/Dev
Shell	Miss Canyon #765	OCSG 12166	3850	Feb-08	3/Dev
Shell	Miss Canyon #810	OCSG 9873	3850	Jun-08	1/Dev

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Inc. to acquire for approximately $70 million in cash the deepwater construction and dive support vessel (DSV) Superior Achiever along with related owner-furnished equipment. Superior Offshore's signing of the letter of intent with the then-undisclosed purchaser, along with the terms of the transaction, were reported in the Dec. 31 issue of *Gulf of Mexico Newsletter.*

The purchase price reflects Superior Offshore's investment to date. The T-22 class, DP-3 vessel is under construction at Merwede Shipyard in the Netherlands and expected to be delivered in late 2008. Merwede Shipyard also is building the HOS Iron Horse, a T-22 class, DP-3 MPSV of the same design, for Hornbeck. Delivery is scheduled for the fourth quarter of 2009.

With the pending acquisition of the Superior Achiever, Hornbeck's MPSV program now consists of four vessels. The transaction is expected to close on or before Jan. 21.

Hornbeck intends to fund the incremental expected cost of these transactions of approximately $190 million in aggregate, along with its previously announced newbuild and conversion programs, from projected cash flows from operations and an expanded revolving credit facility.

Hornbeck is in the process of increasing its revolving credit facility with its existing bank group to a borrowing base of at least $200 million, up from the current $100 million. The credit facility, which is presently undrawn, has an accordion feature that allows for a maximum available borrowing base of $250 million.

Drilling & Marine News

ExxonMobil finds promise in Julia

ExxonMobil made an oil discovery at the Julia prospect on Walker Ridge Block 627. The well was drilled in 6,561 feet (2,000 m) in water to a total depth of 31,168 feet (9,500 m). Further appraisal drilling is planned this year to determine the extent of the discovery. Julia is the first well drilled under a 2005 exploration agreement between ExxonMobil and StatoilHydro in the deepwater U.S. Gulf.

StatoilHydro is participating in further developing two additional significant discoveries in the same area, Jack and St. Malo. Both are scheduled to come on stream after 2013.

W&T Offshore scores three out of four

W&T Offshore Inc. successfully drilled three exploration wells in the fourth quarter of 2007. The Green Canyon Block 82 No. 4 well on the Healey prospect was drilled by

Noble Drilling semi Noble Lorris Bouzigard in 2,420 feet of water. W&T Offshore is evaluating the findings of the Healey well and expects to make further announcements regarding the discovery next month. The other two successful wells, Ship Shoal Block 300 A-1ST and A-3ST, were both drilled by Nabors Drilling platform rig Super Sundowner XXI in 265 feet of water.

Additionally, the Houston-based company drilled one non-commercial well during the quarter. Hercules Offshore jackup Hercules 200 drilled the Main Pass Block 162 A-3 well in 95 feet of water.

Leed upbeat on Eugene Island results

Leed Petroleum Plc has penetrated the sandstone of the primary target at the Eugene Island Block 183 A-6 development well, which was spud on Sept. 16, 2007, using ENSCO International jackup ENSCO 98 in 88 feet of water. The well penetrated the primary target at a measured depth of 15,112 feet and continues to be drilled beyond the primary target, presently drilling a measured depth of 15,162 feet.

UK-based Leed completed gamma ray/resistivity logs on the primary target sand, which in conjunction with hydrocarbon shows from the primary target sand, provide the company with what it calls compelling evidence that the primary target sand will be commercially productive and should exceed pre-drill expectations.

In order to penetrate additional exploratory zones without risking the primary target sand's integrity, Leed is sidetracking and casing the well. Until full logging of the primary sand is finished, no final conclusions can be made.

Atwood's Richmond gets new contracts

Atwood Oceanics Inc. submersible Richmond is expected to return to work in mid-February after completing a $17 million life enhancement upgrade at Signal International's Pascagoula, Miss., shipyard. The rig is contracted to drill for Helis Oil & Gas and Contango Operations Inc. once the upgrade is complete; however, the commitment could be deferred until a later date in 2008.

Both Helis and Contango have engaged Applied Drilling Technology Inc. to manage their drilling operations. Helis will use the submersible to drill one well at a day rate of about $80,000 for the first 30 days and a day rate of $65,000 for any additional time required to complete the well. Contango chartered the rig for two firm wells plus one optional well at a day rate of $65,000. If Contango exercises its option for the additional well, Atwood expects the drilling commitments could run until September 2008.

Oceaneering chooses Power Innovations

Oceaneering International Inc. selected Lindon, Utah-based Power Innovations International Inc.'s Uninterruptible Power Quality (UPQ) technology to power its BOPs. The recently delivered, custom-built UPQ system exceeded Oceaneering's power quality requirements. The UPQ system is being used as an integrated subsystem of the BOP controls. Power Innovations says the system is extremely complex, with some of the electronics below the surface. Power is pumped through an umbilical to the subsea electronics module. Customizations for Oceaneering included power distribution units and break-before-make switches.

Oceaneering Project Engineer Joe Alcala commented, "The power delivered to us is dirty, unstable and unreliable. The UPQ system is the heart of the BOP. It pumps clean power that is critically needed to keep our control system functioning with precision throughout the drilling and subsea operations."

Power Innovations says its unique UPQ technology is an unprecedented new standard that began with traditional UPS technologies and moved forward to address critical modern power issues. While traditional UPS systems focus on backup power, UPQ technology focuses primarily on the critical issues of power quality and management, maintaining the ability to provide backup when power outages occur.

Field Development News

Subsea 7 wins Petrobras deepwater work

Subsea 7 Inc. was awarded a contract valued at $50 million by Petrobras America for installation work in the deepwater Cascade and Chinook fields. Subsea 7 will engineer and install 43 miles of power cables and control umbilicals and will fabricate and install 16 jumpers in the Walker Ridge Block 425 area in water depths ranging from 7,545 feet to 9,842 feet.

Work will commence immediately with the Project Management and Engineering team in Subsea 7's Houston offices. Fabrication of the jumpers will be carried out at Subsea 7's logistic base in Mobile, Ala. The offshore installation campaign will be carried out by one of Subsea 7's deepwater umbilical installation vessels in late 2009 and early 2010. The final vessel selection will depend on the size and weight of product to be installed following optimization by Petrobras and Subsea 7.

Oil & Gas Business

Wavefield votes against TGS merger

Wavefield Inseis ASA's shareholders voted to block the merger with TGS-NOPEC Geophysical ASA. Wavefield shareholders voted 67,179,741 to 14,426,790 against allowing the move to go ahead, as a dispute over a claimed shortfall in TGS revenue continues to cast shadows over the deal. TGS says the vote does not change the agreed upon path forward for resolving any remaining disputes between the two parties.

TGS also says the agreed merger plan cannot be canceled without the consent of TGS, as the merger plan states that any disagreements between the parties are to be resolved through a Norwegian arbitration panel of judges. TGS said it will honor the merger plan and will continue the arbitration process to complete the merger as agreed. The company's position is that it has fulfilled its merger plan obligations and will prevail in the arbitration process. Therefore, it will not consider increasing the exchange ratio, a move that Wavefield has been pushing for since making the claim over the shortfall.

"Given our legal position, we will not be frustrated by Wavefield's efforts to extract extra value from TGS shareholders. To be clear, TGS will not ask its shareholders to compensate Wavefield for its negligence in understanding the risks it and its shareholders were undertaking when it signed the merger plan. TGS' earnings power is greater today than ever before," said TGS Chairman Claus Kampmann.

TGS said the two parties have affirmed that the business rationale for the merger remains valid. However, TGS believes Wavefield's extraordinary general meeting was not the right arena for resolving the outstanding disagreements.

"We look forward to a full and fair hearing of our case in arbitration and are confident that Wavefield's allegations will be proven false," said TGS CEO Hank Hamilton.

Contango ups Dutch, Mary Rose interests

Contango Oil & Gas Co. purchased from three different companies for $200 million an additional 8.33 percent working interest and 6.667 percent net revenue interest in the Eugene Island Block 10 Dutch discovery and an additional average 9.11 percent working interest and 6.667 percent net revenue interest in the five Louisiana state leases covering the Mary Rose discovery. The estimated proved reserves purchased were 29 Bcfe and the estimated proved plus probable reserves purchased were 38.2 Bcfe.

The purchase increases Contango's working interest in Dutch to 42.88 percent (with a net revenue interest of 34.3 percent) and increases the company's average working interest in Mary Rose to 48.65 percent (with an average net revenue interest of 35.68 percent), inclusive of its ownership interest in Republic Exploration LLC. The estimated proved reserves now owned by Contango in Dutch and Mary Rose are 152 Bcfe, and the estimated proved plus probable reserves now owned are 200 Bcfe.

The second Mary Rose well is being drilled, and the logging point is expected to be reached by late February to mid-March. A second rig has been secured to drill the third Mary Rose well by the end of February. Contango continues to work on the H platform to be set on Eugene Island Block 11 along with the pipeline that will be needed to commence production from four Mary Rose wells at an anticipated rate of about 250 MMcfe/d by mid-summer.

Bristow buys eight aircraft

Bristow Group Inc., a Houston-based provider of helicopter services to the offshore energy industry, acquired eight new aircraft. Bristow exercised options to acquire two S-92 and three S-76++ helicopters from Sikorsky Aircraft Corp. and three EC225 helicopters from Eurocopter. The combined value of the purchases is approximately $143 million, which will be funded with the proceeds of previously completed financings and future operating cash flows. Bristow still has multi-year options to purchase additional aircraft from Sikorsky and Eurocopter.

The S-92 and EC225 aircraft are larger helicopters capable of flying longer distances to serve oil and gas facilities in the most remote offshore locations. The S-76C++ helicopters are medium-size aircraft that provide versatility in terms of distance, passenger capacity and markets in which they can operate. Bristow expects to take delivery of all eight aircraft by the end of calendar year 2009 for deployment in various domestic and international markets.

Steel Partners challenges Rowan

Steel Partners II nominated three candidates for election to the board of directors of Rowan Companies Inc., saying it believes Rowan is undervalued. Steel Partners, which owns 10,088,169 shares, or 9.1 percent of Rowan's outstanding shares of common stock, unveiled the decision at its 2008 annual stockholder meeting.

"Because Rowan owns and operates both a contract drilling service business and a significant manufacturing company, we believe the market continues to mistakenly apply a conglomerate discount to its stock," said Warren G. Lichtenstein, managing member of Steel Partners. "If elected, our nominees would work with the board and management of Rowan to implement a strategy to unlock that intrinsic value of the company."

The director nominees include Lichtenstein, who has served as chairman and CEO of Steel Partners since its founding in 1990; John J. Quicke, who has served as an operating partner of Steel Partners since September 2005 and as a managing director of Steel Partners since last month; and Robert H. Kanner, who serves as vice chairman of the Advisory Board of the Association for the Study of Peak Oil & Gas-USA.

Rowan responded by issuing a statement in which Chairman and CEO Daniel F. McNease stated, "We have always maintained an open dialogue with all of our stockholders and have listened to the views expressed by Steel Partners in our conversations with them. We are prepared to have a continuing and constructive dialogue with Steel Partners.

"The board of directors regularly reviews the value inherent in the company's business plan, and will continue to do so in a decisive and measured way. While a lengthy and disruptive proxy contest is not a preferable course of action, the company is prepared to do everything necessary to protect the interests of stockholders consistent with our goal of delivering high performance and long-term stockholder value."

W&T Offshore ups 2008 budget by 77 percent

W&T Offshore Inc.'s board of directors approved the company's $800 million budget for 2008. The budget represents a 77 percent increase over last year's revised budget of $453 million. Capital is included to drill 50 wells, comprised of 44 exploration and six development wells. Forty of the wells are on the conventional shelf and 10 are on the deep shelf or deep water. The company anticipates fully funding its budget with internally generated cash flow.

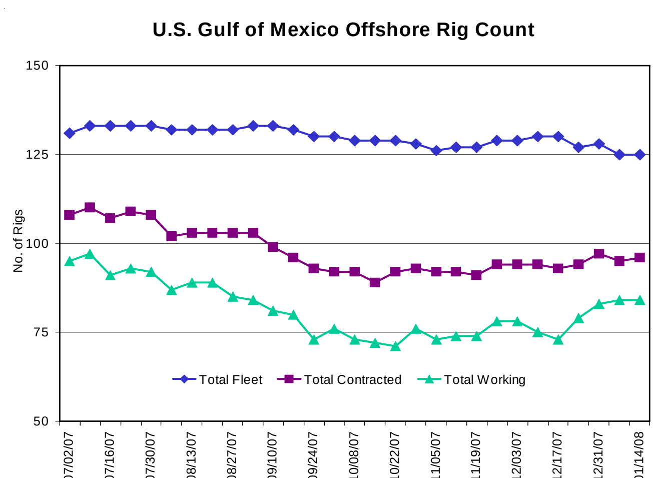
Bois d'Arc outlines 2008 budget

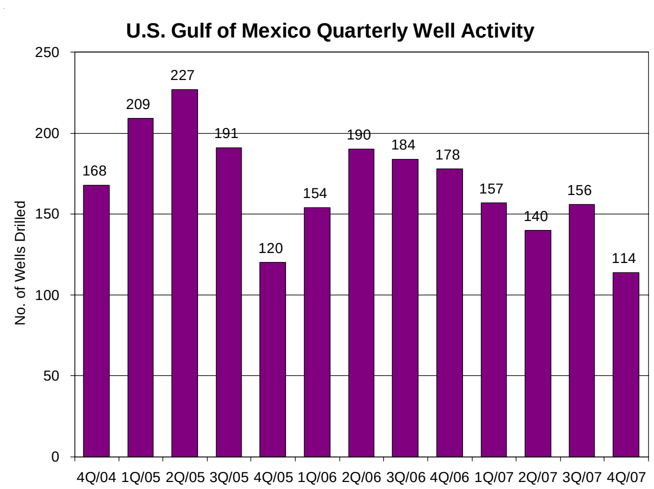
Bois d'Arc Energy Inc. plans to spend $250 million on exploration and development activities this year as it focuses on exploring its extensive U.S. Gulf shelf acreage. Bois d'Arc budgeted $139 million to drill 21 offshore wells in 2008. The drilling program includes 11 deep shelf wells to test high potential exploration prospects in shallow waters. Additionally, $19 million has been set aside to acquire seismic data and acreage. Bois d'Arc estimates $92 million will be spent on production facilities, recompletions and abandonment work. The first well in the 2008 exploratory program is being drilled by ENSCO International jackup ENSCO 99 on South Pelto Block 21 in 57 feet of water to a proposed depth of 18,500 feet. The Chinook prospect is currently drilling at 12,520 feet and is expected to reach total depth next month.

U.S. Gulf operators drilling fewer wells

During the fourth quarter of 2007, operators drilled 114 wells in the U.S. Gulf, according to information compiled by ODS-Petrodata. That figure compares to 156 wells in the third quarter of 2007 and 178 wells in the fourth quarter of 2006. The quarter with the next fewest wells drilled over the last several years was the fourth quarter of 2005, when only 120 wells were drilled. That quarter was heavily impacted by the aftermath of the 2005 hurricane season. The fourth quarter of 2007 was affected by soft natural gas prices and tighter rig regulations enacted after the 2005 hurricane season, along with the typical end-of-year issue of operators' budgets running low.

Activity Indicators





The New Lineup

Superior Energy Services Inc. appointed **Patrick Zuber** executive VP, international sales. **Charles Hardy** was named executive VP, marine services. Hardy has been with Superior since 2004, most recently as VP and general manager, marine services.

James C. Eckert will retire as president and CEO from **OMNI Energy Services Corp.** this year. Eckert plans to continue serving as the CEO for the time being and will assist the company with the appointment and transition of the next CEO. Following his retirement, Eckert agreed to serve as a consultant to the company.

SandRidge Energy Inc. promoted **Randall D. Cooley** to senior VP of accounting and **Robert M. Potts** to VP geology - western division. **Kevin R. White** was hired as senior VP - business development. Cooley was formerly VP of accounting, and Potts was previously geological manger - western division.

Jan Kees van Gaalen was appointed VP and treasurer for **Baker Hughes Inc.** Van Gaalen replaces **Douglas Doty,** who retired in July 2007. Van Gaalen previously served as CFO for Indonesia's **PT Inco Tbk**.

Planning Ahead

Jan 15 **OMSA General Business Meeting,** Hilton New Orleans, Riverside, New Orleans. http://www.offshoremarine.org

Jan 15 **Texas General Land Office Winter Sale,** Texas General Land Office, Austin, Texas.

Jan 16 **American Association of Professional Landmen's 2008 OCS Workshop,** Anadarko Building, The Woodlands, Texas. Call or e-mail Helen Mele, 713-296-6241 or helen.mele@apachecorp.com. Program will qualify for CPL/CLE certification and credits.

Jan 23 **AADE Houston Chapter Fluids Management Group,** "Wellbore Strengthening/Stress Cage," Marriott Houston Westchase, Houston. http://www.aade.org/houston

Jan 24 **MTS Houston Section Luncheon,** João C.A. Figueira, Petrobras America Inc., "Exploring frontiers around the world: from Brazilian deepwater to the Gulf of Mexico," Omni Palace, Houston. http://www.mtshouston.org

Jan 25-26 **1st Annual Sporting Clays Tournament to support Oilfield Helping Hands and Homes for Our Troops,** Baroid on the Brazos, Fulshear, Texas. http://www.homesforourtroops.org/OHH

Jan 26 **AADE Houston Chapter Las Vegas Night,** 13th Annual Casino Night, The Woodlands Waterway Marriott, The Woodlands, Texas. http://www.aade.org/houston/Events/CasinoNight2008Registration.pdf

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