

From: Wright, Mike (Houston)
Sent: Tuesday, March 18, 2008 5:22 PM
To: Mesker, Keith (Houston); Roberts, Ray (Houston); Canducci, Jerry (Houston); McKaig, Scott (Houston); Richards, Jess (Houston); Williams, Tim; Shropshire, Glen
Subject: FW: Loss of Control Events

Importance: High

Guys,

Please see the memo below from Larry McMahan pointing out the number of significant events where loss of control barriers have not been in place or overlooked at some point. We need to ensure this gets passed on to our OIM's and discussed not only from a safety and environmental perspective but also from our reputation with the client and industry. Our challenges going forward in this market are only getting tougher. We need to make sure that we have proper controls in place for each and every task and hazard assessment is put as top priority. I see us coming into a time where we used to consider a job routine simply due to the experience of the people doing the work. We now have to look at our crews and understand that what might have been routine work a few years ago, might be the first time many of our people are doing an operation.

Mike

-----Original Message-----

From: McMahan, Larry

Sent: Tuesday, March 18, 2008 12:04 PM

To: Browning, Bobby; Clancy Cavanaugh; Dighe, Kaustubh; Dow, Peter; Dudgeon, Archie; Fullwood, Lindy (Aberdeen); Giesel, Ingo; Grieve, Brian (Gabon); Hall, Eric; Jaglar, Gordon; Mathias, Pedro; Matlock, David; McKay, Gerry (Qatar); Manager, S700; Munro, Don; Newman, John (Saudi); Pirtle, Donnie (Trinidad); Polderman, Johannes; Rutherford, Terry (Cairo); Saver, Lance (Bangkok); Schultz, Serge; Shoemaker, Brent; Snowling, Harvey; Teksum, Svein; Tyler, Joe (Cameroon); Wainwright, Bill; Walls, Dave (Aberdeen); Wink, Kevin; Winslow, Daun; Wright, Dave; Wright, Mike (Houston)

Cc: Rosa, Ricardo; Saltiel, Rob; Polhamus, Mac; Munganahalli, Deepak; Newman, Steven; Cabucio, Walter

Subject: Loss of Control Events

Importance: High

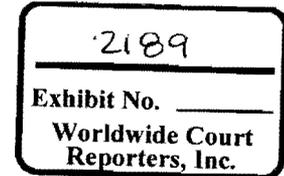
Gentlemen,

We have been a merged company now for just over 100 days. What we have accomplished in some areas is remarkable in terms of safe operations and well construction on a large portion of our units. I am very pleased and proud of these accomplishments.

On the other hand.....we cannot ignore what has happened in the area of Loss of Control. This is very concerning to me. I just wanted to take a few minutes of your time to point out to you what has happened fleet wide that you may or may not have known about;

Loss of Control of Traveling Blocks

- ⇒ JAB - Nov 27th While pulling riser and BOP - loss control of traveling blocks, dropped from upper limit, landed on gimbal
- ⇒ T02 - Dec 22nd The brake was chained down when the load descended
- ⇒ MGH - Jan 11th Pin vibrated out of brake band causing uncontrolled decent of traveling blocks
- ⇒ CES - Feb 2nd Sleeve hung up on joystick causing blocks to slack off set down on stand bending pipe handler and pipe
- ⇒ SER - Feb 2nd Still in the slips when the traveling block started to come down, stand in rotary bent



- ⇒ MPI - Feb 23rd TDS and blocks landed on stand in rotary and the blocks came to rest on DP in derrick
- ⇒ JTA - Mar 5th While rotating, traveling blocks fell just above the table causing elevators to contact rotary table and twist

Loss of Control of Equipment

- ⇒ MAR Dropped Riser
- ⇒ JAB Sling came out of stinger hook and dropped riser
- ⇒ RPL Dropped threaded bolt
- ⇒ HGR Dropped shackle pin
- ⇒ ARC Post pulled from floor
- ⇒ JRS Drill line dropped
- ⇒ LGD Electrical junction box dropped
- ⇒ DWF TDS guard dropped
- ⇒ RIC Dropped DP single
- ⇒ EPL Drill collar dropped
- ⇒ TND Acc/Oxy hose leaking in tank
- ⇒ AC2 Drill line came loose from anchor point in drum
- ⇒ DWH TDS solenoid dropped 38 ft

Loss of Control of Vessel Position

- ⇒ CRL - Dec 2nd Vessel had a drive off and flex jt exceeded 4.5 degrees - EDS was initiated - 525 bbls lost
- ⇒ DWN - Dec 14th High loads and power management system issues result in ultimate disconnect
- ⇒ 710 - Dec 25th Accidental initiation of surge control button resulted in disconnect
- ⇒ 709 - Mar 10th All online generators and thrusters are offline and stopped - disconnect

Loss of Control of Drilling Fluids

- ⇒ LGD 300 bbls WBM lost through an isolation gate on the shale shaker
- ⇒ CRL 56 bbls of SOBM was lost to sea via misaligned cement overflow valve
- ⇒ DWP 85 bbls of SOBM contaminated and dumped overboard, incorrect function of valves
- ⇒ AD2 25 bbl of SOBM lost due to corrosion in base fluid tank
- ⇒ RIC 85 bbls of OBM lost to sea due to open dump valve in bilge

Loss of Control of Well

- ⇒ KGB Complex well control event due to wire line, parted pipe and wellhead seal leak

Although some of these incidents are purely technical in nature and should not be confused with other events, most of our incidents are direct results of our actions or inactions in performing daily tasks. This list to me is very concerning and indicates that we are not focused on our business in some areas. I wanted to share these events with you so that you can understand the sheer magnitude of our mishaps and the potential severity of these events. The information above is lacking detail, but to overwhelm you with information is not the intent. This memo is for each of you to read and reflect upon, what can be done to cease these Loss of Control incidents. We talk about training, competency, roles and responsibility and clear communications, are we applying these principals? I believe that all of these topics have a place to play in prevention of incidents like

these. Traditionally we would engage in world wide conference calls to discuss the events and what lessons we have learned. The problem is that we are having events at a rate that is overwhelming. There are lessons to be learned from each of these incidents, for the most part the lessons are only reminders as the events are not completely unique.

We all spend a great amount of time following up with investigations and communicating with others how these incidents occurred. We would be better off investing that time in the prevention side and more effective risk assessment as well as adherence to procedure.

Please take this to issue heart and communicate with your respective Rig Managers and ask them to discuss with the OIMs onboard our vessels. My bottom line is that we are better that what these incidents reveal and if we do not change the way we operate we will continue to have these trainwrecks. Your help to prevent Loss of Control is greatly appreciated.

Challenge the THINK Plans and up the expectations on START Observations, this is the first step to effective risk assessment.

I am available anytime to discuss these or other issues with you at the below contact numbers.

Regards,

Larry McMahan
Vice President Performance
713 232 7975 office
713 493 9518 cell
lmcMahon@mail.deepwater.com

We will succeed through strong Leadership.....
with focus on:

People

Process

Perseverance