



From: Jackson, Curtis W (NAX)
Sent: Wed Sep 15 14:25:16 2004
To: Skelton, Jake; Robinson, Steve W (NAX); Westall, Karen
Cc: Ward, Martin D
Subject: FW: Deepwater Horizon - Test Ram
Importance: Normal
Attachments: 01-063NAR - Horizon Test Ram-Draft2.doc

Attached is the recommendation from Transocean for the installation and changes to the contract for Test Ram on the Horizon. Karen, please review and comment. The only question I have is on whether the downtime is mechanical downtime or Subsea downtime(may not be a difference in the Transocean contract) Jake, we need to prepare a recommendation for Barbara and Dave R.

I would like to complete prior to October 1st.

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

From: Young, Chris [mailto:CYoung@houston.deepwater.com]
Sent: Wednesday, September 15, 2004 8:55 AM
To: Jackson, Curtis W (NAX)
Cc: Rhoads, Jerry (Randy)
Subject: Deepwater Horizon - Test Ram

Curtis:

Attached is our latest draft of a letter agreement reflecting my understanding of your offer. Please give me your comments.

I apologize for the delay in getting this to you. I was out of town on Friday and the hurricane has dominated everyone's attention for the past few days.

Regards,

Chris Young

Transocean Offshore Deepwater Drilling, Inc.

Tel: 832 587 8506

Cell: 713 248 8862

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September 10, 2004

BP America Production Company
200 Westlake Park Blvd.
Houston, TX 77079

Attn: Mr. Randy Rhoads
Mail Code 1089 WL4

Re: Drilling Contract No. 980249 dated December 9, 1998 by and between **R&B Falcon Drilling Company** ("Contractor") and **Vastar Resources, Inc.** predecessor in interest to **BP America Production Company** ("Company"), as amended for RBS-8D (now known as the **Deepwater Horizon**)

Subject: Letter of Agreement for Conversion of VBR to a Test Ram
CONTRACTOR-5121-2002-011

Dear Randy,

This letter is to document our agreement for Contractor to convert an existing variable bore ram (VBR) into a "test ram" on the **Deepwater Horizon's** blowout preventer and for Company to reimburse Contractor per for all associated costs per Articles 5 and 7 of the Contract. The cost to convert one of the VBRs to a test ram is estimated to be _____ based on the attached quote/AFE including the 5% handling fee. If installation should require out-of-service time, Company agrees to pay Contractor at the Standby Rate until operations can be commenced. Reimbursement for the test ram conversion shall be in the form of a lump sum payment due and payable when the test ram has been installed.

The Horizon's BOP was designed with three VBRs for redundancy in deepwater. If one VBR did not "test" for any reason, the MMS would not require that we pull the BOP for repairs. We understand that converting one VBR to a test ram saves BP time and money testing the BOP in deepwater and we certainly want to help make the rig as efficient as possible. However, reducing the redundancy built into the BOP significantly increases our risk profile and corresponding cost structure. Therefore, in a spirit of compromise and cooperation we hereby agree to the following:

If one of the two remaining VBRs fails to "test" on any well for any mechanical reason (as opposed to abnormal wear or damage caused by operations) and the MMS requires that Contractor pull the BOP to replace the VBR, Company agrees to pay for pulling the BOP, replacing the ram, and re-running the BOP at the "Operating Rate". If one of the two remaining VBRs fails to "test" a subsequent time on the same well for any mechanical reason and the MMS requires that Contractor pull the BOP to replace the VBR, the time required to pull the BOP, replace the ram, and re-run the BOP shall be considered Mechanical Downtime.

Please indicate your agreement to the terms of this letter by signing in the space provided below and returning an executed copy to us for our files. If you have any further questions, please contact John Keeton at (832) 587-8533 or me at (832) 587-8506. Thank you for the opportunity to be of service.

Sincerely,

Christopher S. Young
Sr. Marketing Representative

AGREED AND ACCEPTED:
THIS _____ **DAY OF** _____, 2004
BP AMERICA PRODUCTION COMPANY

SIGNED _____
PRINTED _____ Transocean Holdings, Inc.

TITLE