



# **FORM 10-K**

## **ATWOOD OCEANICS INC – ATW**

**Filed: December 23, 1996 (period: September 30, 1996)**

Annual report which provides a comprehensive overview of the company for the past year

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15 (D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR FISCAL YEAR ENDED SEPTEMBER 30, 1996  
COMMISSION FILE NUMBER 0-6352

ATWOOD OCEANICS, INC.  
(Exact name of registrant as specified in its charter)

TEXAS  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

74-1611874  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

15835 PARK TEN PLACE DRIVE  
HOUSTON, TEXAS  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

77084  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:  
281-492-2929

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:  
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:  
COMMON STOCK, \$1 PAR VALUE  
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 15 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days. Yes [ X ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation in S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrants as of November 30, 1996 is \$283,300,000.

The number of shares outstanding of the issuer's class of Common Stock, as of November 30, 1996: 6,704,938 shares of Common Stock, \$1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Annual Report to Shareholders for the fiscal year ended September 30, 1996 - Referenced in Parts I, II and IV of this report.
- (2) Proxy Statement for Annual Meeting of Shareholders to be held February 13, 1997 - Referenced in Part III of this report.

PART I

ITEM 1. BUSINESS

Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the "Company" or "Registrant", unless the context requires otherwise), a corporation organized in 1968 under the laws of the State of Texas, is engaged in contract drilling of exploratory and development oil and gas wells in offshore areas and related support, management and consulting services. The Company currently owns (i) three "third-generation" semisubmersibles, one "second-generation" semisubmersible, one jack-up, one "second-generation" semisubmersible tender-assist rig, one submersible, and one modular, self-contained platform rig, and (ii) a fifty percent interest in a new generation platform rig. The Company also provides labor, supervisory and consulting services to two operator owned platform rigs in Australia.

In recent times, activity in the contract drilling industry has significantly improved, especially for mobile drilling rigs that can operate in deep water. For the last three years, the Company has maintained 99 percent utilization of its drilling equipment, resulting in three consecutive years of improved profitability.

To date, most of the Company's drilling operations have been conducted outside United States waters. Approximately 92 to 93 percent of the Company's contract revenues were derived from foreign operations in each of the last three fiscal years. The Company is currently involved in active operations in the territorial waters of Australia, Malaysia, Equatorial Guinea, United States and the Malaysia/Thailand Joint Development Area. At the present time, the submersible "RICHMOND" is the Company's only drilling vessel located in United States waters; however, the "ATWOOD HUNTER", a "third-generation" semisubmersible, will be relocated to the United States Gulf of Mexico in mid-1997. For information relating to the revenues, profitability and identifiable assets attributable to specific geographic areas of operations, see Note 11 of Notes to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 1996, incorporated by reference herein.

OFFSHORE DRILLING EQUIPMENT

The Company's diversified fleet of owned or operated drilling rigs currently consists of four semisubmersibles, one jack-up, one semisubmersible tender assist vessel, one submersible, and four modular, self-contained platform rigs. Each type of drilling rig is designed for different purposes and applications, for operations in different water depths, bottom conditions, environments and geographical areas, and for different drilling and operating requirements. The following descriptions of the various types of drilling rigs owned or operated by the Company illustrate the diversified range of application of the rig fleet.

Each semisubmersible drilling unit has two hulls, the lower of which is capable of being flooded. Drilling equipment is mounted on the main hull. After the drilling unit is towed to location, the lower hull is flooded, lowering the entire drilling unit to its operating draft, and the drilling unit is anchored in place. On completion of operations, the lower hull is deballasted, raising the entire drilling unit to its towing draft. This type of drilling unit is designed to operate in greater water depths than a jack-up and in more severe sea conditions than a drillship. Semisubmersible units are generally more expensive to operate than jack-up rigs and, compared to a drillship, are often limited in the amount of supplies that can be stored on board.

The semisubmersible tender assist vessel operates like a semisubmersible except that its drilling equipment is temporarily installed on permanently constructed offshore support platforms. The semisubmersible vessel provides crew accommodations, storage facilities and other support for the drilling operations.

A jack-up drilling unit contains all of the drilling equipment on a single hull designed to be towed to the well site. Once on location, legs are lowered to the sea floor and the unit is raised out of the water by jacking up on these legs. On completion of the well, the unit is jacked down, and towed to the next location. A jack-up drilling unit can operate in more severe sea and weather conditions than a drillship and is less expensive to operate than a semisubmersible. However, because it must rest on the sea floor, a jack-up cannot operate in as deep water as other units.

The submersible drilling unit owned by the Company has two hulls, the lower being a mat which is capable of being flooded. Drilling equipment and crew accommodations are located on the main hull. After the drilling unit is towed to location, the lower hull is flooded, lowering the entire unit to its operating draft at which it rests on the sea floor. On completion of operations, the lower hull is deballasted, raising the entire unit to its towing draft. This type of drilling unit is designed to operate in shallow water depths ranging from 9 to 70 feet and can operate in moderately severe sea conditions. Although drilling units of this type are less expensive to operate, like the jack-up rig, they cannot operate in as deep water as other units.

A modular platform rig is similar to a land rig in its basic components. Modular platform rigs are temporarily installed on permanently constructed offshore support platforms in order to perform the drilling operations. After the drilling phase is completed, the modular rig is broken down into convenient packages and moved by work boats. A platform rig usually stays at a location for several months, if not years, since several wells are typically drilled from a support platform.

#### DRILLING CONTRACTS

The contracts under which the Company operates its vessels are obtained either through individual negotiations with the customer or by submitting proposals in competition with other contractors and vary in their terms and conditions. The initial term of contracts for the Company's owned and/or operated vessels has ranged from the length of time necessary to drill one well to several months and is generally subject to early termination in the event of a total loss of the drilling vessel, excessive equipment breakdown or failure to meet minimum performance criteria. It is not unusual for contracts to contain renewal provisions at the option of the customer. As a result of improved market conditions, contracts with a term of one year or longer are now being awarded. However, there is no guarantee that the current trend of awarding long-term contracts will continue.

The rate of compensation specified in each contract depends on the nature of the operation to be performed, the duration of the work, equipment and services provided, the areas involved, market conditions and other variables. Generally, contracts for drilling, management and support services specify a basic rate of compensation computed on a dayrate basis. Such agreements generally provide for a reduced dayrate payable when operations are interrupted by equipment failure and subsequent repairs, field moves, adverse weather conditions or other factors beyond the control of the Company. Some contracts also provide for revision of the specified dayrates in the event of material changes in certain items of cost. Any period during which a vessel is not earning a full operating dayrate because of the above conditions or because the vessel is idle and not on contract will have an adverse effect on operating profit. An over-supply of drilling rigs in any market area can adversely affect the Company's ability to employ its drilling vessels. In fiscal 1996, the Company maintained 100 percent utilization of its drilling equipment placed in service. Based upon current contract commitments, the Company should maintain a high level of equipment utilization in fiscal 1997; however, there is no guarantee that the Company will not experience some equipment idle time in fiscal 1997.

For long moves of drilling equipment, the Company attempts to obtain either a lump sum or a dayrate as mobilization compensation for expenses incurred during the period in transit. A surplus of certain types of units, either worldwide or in particular operating areas, can result in the Company's acceptance of a contract which provides only partial or no recovery of relocation costs. As a result of improved market conditions, in recent times, the Company has received full recovery of relocation costs; however, there is no guarantee that this trend will continue.

Operation of the Company's drilling equipment is subject to the offshore drilling requirements of petroleum exploration companies and agencies of foreign governments. These requirements are, in turn, subject to fluctuations in government policies, world demand and prices for petroleum products, proved reserves in relation to such demand and the extent to which such demand can be met from onshore sources.

The Company also contracts to provide various types of services to third party owners of drilling rigs. These contracts are normally for a stated term or until termination of operations or stages of operation at a particular facility or location. The services may include, as in the case of contracts entered into by the Company in connection with operations offshore Australia, the supply of personnel and rig design, fabrication, installation and operation. The contracts normally provide for reimbursement to the Company for all out-of-pocket expenses, plus a service or management fee for all of the services performed. In most instances, the amount charged for the services may be adjusted if there are changes in conditions, scope or costs of operations. The Company generally obtains insurance or a contractual indemnity from the owner for liabilities which could be incurred in operations.

#### OPERATIONAL RISKS AND INSURANCE

The Company's operations are subject to the usual hazards associated with the drilling of oil and gas wells, such as blowouts, explosions and fires. In addition, the Company's vessels are subject to those perils peculiar to marine operations, such as capsizing, grounding, collision and damage from severe weather conditions. Any of these risks could result in damage or destruction of drilling rigs and oil and gas wells, personal injury and property damage, and suspension of operations or environmental damage through oil spillage or extensive, uncontrolled fires. Although the Company believes that it is adequately insured against normal and foreseeable risks in its operations in accordance with industry standards, such insurance may not be adequate to protect the Company against liability from all consequences of well disasters, marine perils, extensive fire damage or damage to the environment. To date, the Company has not experienced difficulty in obtaining insurance coverage, although no assurance can be given as to the future availability of such insurance or cost thereof. The occurrence of a significant event against which the Company is not fully insured could have a material adverse effect on the Company's financial position.

#### ENVIRONMENTAL PROTECTION

Under the Federal Water Pollution Control Act, as amended by the Oil Pollution Act of 1990, operators of vessels in navigable United States waters and certain offshore areas are liable to the United States government for the costs of removing oil and certain other pollutants for which they may be held responsible, subject to certain limitations, and must establish financial responsibility to cover such liability. The Company has taken all steps necessary to comply with this law, and has received a Certificate of Financial Responsibility (Water Pollution) from the U.S. Coast Guard. The Company's operations in United States waters are also subject to various other environmental regulations regarding pollution and control thereof, and the Company has taken steps to ensure compliance therewith.

#### CUSTOMERS

During fiscal year 1996, the Company performed operations for 10 customers. Because of the relatively limited number of customers for which the Company can operate at any given time, sales to each of 3 different customers amounted to 10% or more of the Company's fiscal 1996 revenues. Esso Australia Limited/Esso Production Malaysia, Inc., Carigali-Triton Operating Company Sdn Bhd. and Mobil Equatorial Guinea Inc. accounted for 32%, 14% and 11%, respectively, of fiscal year 1996 revenues. The Company's business operations are subject to the risks associated with a business having a limited number of customers for its products or services, and a decrease in the drilling programs of these customers in the areas where they employ the Company may adversely affect the Company's revenues.

## COMPETITION

The Company competes with numerous other drilling contractors, most of which are substantially larger than the Company and possess appreciably greater financial and other resources. Although recent business combinations among drilling companies have resulted in a decrease in the total number of competitors, the drilling industry remains competitive, with no one drilling contractor being dominant. Thus, there continues to be competition in securing available drilling contracts.

Price competition is generally the most important factor in the drilling industry, but the technical capability of specialized drilling equipment and personnel at the time and place required by customers is also important. Other competitive factors include work force experience, rig suitability, efficiency, condition of equipment, reputation and customer relations. The Company believes that it competes favorably with respect to these factors. If demand for drilling rigs increases in the future, rig availability may also become a competitive factor. Competition usually occurs on a regional basis and, although drilling rigs are mobile and can be moved from one region to another in response to increased demand, an oversupply of rigs in any region may result. Demand for drilling equipment is also dependent on the exploration and development programs of oil and gas companies, which are in turn influenced by the financial condition of such companies, by general economic conditions, by prices of oil and gas, and from time to time by political considerations and policies.

## FOREIGN OPERATIONS

The operations of the Company are conducted primarily in foreign waters and are subject to certain political, economic and other uncertainties not encountered by purely domestic drilling contractors, including risks of expropriation, nationalization, foreign exchange restrictions, foreign taxation, changing conditions and foreign and domestic monetary policies. Generally, the Company purchases insurance to protect against some or all loss due to events of political risk such as nationalization, expropriation, war, confiscation and deprivation. Occasionally, customers will indemnify the Company against such losses. Moreover, offshore drilling activity is affected by government regulations and policies limiting the withdrawal of offshore oil and gas, regulations affecting production, regulations restricting the importation of foreign petroleum, environmental regulations and regulations which may limit operations in offshore areas by foreign companies and/or personnel. See Note 11 to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 1996, incorporated herein by reference, for a summary of contract revenues, operating income and identifiable assets by geographic region.

## EMPLOYEES

The Company currently employs approximately 650 persons in its domestic and worldwide operations. In connection with its foreign drilling operations, the Company has often been required by the host country to hire substantial portions of its work force in that country, and in some cases, these employees may be represented by foreign unions. To date, the Company has experienced little difficulty in complying with such requirements, and the Company's drilling operations have not been significantly interrupted by strikes or work stoppages.

## ITEM 2. PROPERTIES

Information regarding the location and general character of the Company's principal assets may be found in the schedule with the caption heading "Offshore Drilling Operations" in the Company's Annual Report to Shareholders for fiscal year 1996, which is incorporated by reference herein.

Effective December 31, 1994, the Company acquired the remaining 50 percent interest in the ATWOOD FALCON, ATWOOD HUNTER and ATWOOD EAGLE (third-generation semisubmersibles), resulting in the Company's sole ownership of these units. In fiscal year 1994, the Company also increased its rig fleet with the addition of the ATWOOD SOUTHERN CROSS, a

semisubmersible built in 1976. During fiscal year 1995, construction of RIG-200 (a new generation platform rig of which the Company has 50 percent ownership) was completed. For more information concerning these events, see Note 4 to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 1996, incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently involved in any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

During the fourth quarter of fiscal 1996, no matters were submitted to a vote of shareholders through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

As of September 30, 1996, there were over 400 beneficial owners of the Company's common stock.

The Company did not pay cash dividends in fiscal years 1995 or 1996 and the Company does not anticipate paying cash dividends in the foreseeable future because of the capital intensive nature of its business. To enable the company to maintain its high competitive profile in the industry, cash reserves will be utilized, at the appropriate time, to upgrade existing equipment or to acquire additional equipment.

Market information concerning the Company's common stock may be found under the caption heading "Stock Price Information" in the Company's Annual Report to Shareholders for fiscal 1996, which is incorporated by reference herein.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item may be found under the caption "Five Year Financial Review" in the Company's Annual Report to Shareholders for fiscal 1996, which is incorporated by reference herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item may be found in the Company's Annual Report to Shareholders for fiscal 1996, which is incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item may be found in the Company's Annual Report to Shareholders for fiscal 1996, which is incorporated by reference herein.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with the Company's accountants on accounting and financial disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 13, 1997, to be filed with the Securities and Exchange Commission (the Commission) not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 13, 1997, to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 13, 1997, to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 13, 1997, to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS AND EXHIBITS

1. FINANCIAL STATEMENTS

The following financial statements, together with the report of Arthur Andersen LLP dated November 15, 1996 appearing in the Company's Annual Report to Shareholders, are incorporated by reference herein:

Consolidated Balance Sheets dated September 30, 1996 and 1995

Consolidated Statements of Operations for each of the three years in the period ended September 30, 1996

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 1996

Consolidated Statements of Changes in Shareholders' Equity for each of the three years in the period ended September 30, 1996

Report of Independent Public Accountants

Notes to Consolidated Financial Statements

2. EXHIBITS

See the "EXHIBIT INDEX" for a listing of all of the Exhibits filed as part of this report.

3. EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan - See Exhibit 10.1 hereof.

Atwood Oceanics, Inc. 1990 Stock Option Plan - See Exhibit 10.2 hereof.

Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees dated effective as of May 8, 1996 - See Exhibit 10.8 hereof.

Executive Agreement dated as of May 8, 1996 between the Company and John R. Irwin - See Exhibit 10.9.1.

Executive Agreement dated as of May 8, 1996 between the Company and James M. Holland - See Exhibit 10.9.2.

Executive Agreement dated as of May 8, 1996 between the Company and Glen P. Kelley - See Exhibit 10.9.3.

Executive Agreement dated as of May 8, 1996 between the Company and Larry P. Till - See Exhibit 10.9.4.

(b) REPORTS ON FORM 8-K

During the last quarter of fiscal 1996, the Company filed with the Securities and Exchange Commission a report on Form 8-K dated June 24, 1996 concerning the award of a firm two year plus option contract from British-Borneo Petroleum, Inc. for use of the ATWOOD HUNTER.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATWOOD OCEANICS, INC.

/s/ JOHN R. IRWIN  
JOHN R. IRWIN, President  
(Principal Executive Officer)

Date: 5 December 1996

/s/ JAMES M. HOLLAND  
JAMES M. HOLLAND,  
Senior Vice President  
(Principal Financial and  
Accounting Officer)

Date: 5 December 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

/s/ ROBERT W. BURGESS  
ROBERT W. BURGESS,  
Director

Date: 5 December 1996

/s/ GEORGE S. DOTSON  
GEORGE S. DOTSON,  
Director

Date: 5 December 1996

/s/ HANS HELMERICH  
HANS HELMERICH,  
Director

Date: 5 December 1996

/s/ WILLIAM J. MORRISSEY  
WILLIAM J. MORRISSEY,  
Director

Date: 5 December 1996

## EXHIBIT INDEX

- 3.1.1 Restated Articles of Incorporation dated January 1972 (Incorporated herein by reference to Exhibit 3.1.1 of the Company's Form 10-K for the year ended September 30, 1993).
- 3.1.2 Articles of Amendment dated March 1975 (Incorporated herein by reference to Exhibit 3.1.2 of the Company's Form 10-K for the year ended September 30, 1993).
- 3.1.3 Articles of Amendment dated March 1992 (Incorporated herein by reference to Exhibit 3.1.3 of the Company's Form 10-K for the year ended September 30, 1993).
- 3.2 Bylaws, as amended (Incorporated herein by reference to Exhibit 3.2 of the Company's Form 10-K for the year ended September 30, 1993).
- 10.1 Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan (Incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-K for the year ended September 30, 1993).
- 10.2 Atwood Oceanics, Inc. 1990 Stock Option Plan (Incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K for the year ended September 30, 1993).
- 10.3 Joint Venture Letter Agreement dated November 4, 1994 between the Company and Helmerich & Payne, Inc. (Incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-K for the year ended September 30, 1994).
- 10.4.1 Second Amended and Restated Master Loan Restructuring Agreement dated as of March 31, 1995 between Atwood Deep Seas, Ltd.; Texas Commerce Bank, National Association; CoMac Partners and Chemical Bank (Incorporated herein by reference to Exhibit 10.4.1 of the Company's Form 10-K for the year ended September 30, 1995).
- 10.4.2 First Amendment to Second Amended and Restated Master Loan Restructuring Agreement dated as of November 28, 1995 between Atwood Deep Seas, Ltd.; Texas Commerce Bank, National Association; CoMac Partners and Chemical Bank (Incorporated herein by reference to Exhibit 10.4.2 of the Company's Form 10-K for the year ended September 30, 1995).
- 10.5 Asset Purchase Agreement dated February 14, 1995, effective as of December 31, 1994 between Atwood Falcon I, Ltd. and Atwood Oceanics Pacific Limited (Incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-K for the year ended September 30, 1995).
- 10.6 Purchase and Sale Agreement dated February 14, 1995, effective as of December 31, 1994 among Philadelphia Investment Corporation of Delaware, Philadelphia Falcon Drilling Corporation, Philadelphia Drilling Company, Atwood Oceanics Drilling Company, the Company, Atwood Falcon Co., Atwood Hunter Co., Eagle Oceanics, Inc., Atwood Falcon I, Ltd. and Atwood Deep Seas, Ltd. (Incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-K for the year ended September 30, 1994).
- 10.7 Drilling Contract dated June 20, 1996 between the Company and British-Borneo Petroleum, Inc. for use of the ATWOOD HUNTER (Incorporated herein by reference to the Company's Form 8-K dated June 24, 1996).
- \*10.8 Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees dated effective as of May 8, 1996

- \*10.9.1 Executive Agreement dated as of May 8, 1996, between the Company and John R. Irwin
- \*10.9.2 Executive Agreement dated as of May 8, 1996 between the Company and James M. Holland
- \*10.9.3 Executive Agreement dated as of May 8, 1996 between the Company and Glen P. Kelley
- \*10.9.4 Executive Agreement dated as of May 8, 1996 between the Company and Larry P. Till
- \*13.1 Annual Report to Shareholders
- \*21.1 List of Subsidiaries
- \*23.1 Consent of Independent Public Accountants
- \*27.1 Financial Data Schedule

\*Filed herewith

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ATWOOD OCEANICS, INC.  
RETENTION PLAN  
FOR CERTAIN SALARIED EMPLOYEES  
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Effective as of May 8, 1996

This Plan will terminate automatically  
as of December 31, 1996 if there is no "Effective Date"  
(as defined in Plan Section 1.4) on or before that date.

ATWOOD OCEANICS, INC.  
RETENTION PLAN  
FOR CERTAIN SALARIED EMPLOYEES

Atwood Oceanics, Inc., a Texas corporation (the "COMPANY"), hereby adopts this Retention Plan for Certain Salaried Employees (the "PLAN"), effective as of the 8 day of May, 1996.

INTRODUCTION

The purpose of this Plan is to secure the interests of the Company's shareholders in the event of a change of control of the Company. In such an event, this Plan would provide an enhanced severance payment and other benefits to encourage certain valued employees to remain employed with the Company during that period of financial uncertainty preceding and following the change of control. If such an event does not occur on or before December 31, 1996, this Plan will terminate automatically, unless otherwise renewed by the Company's Board of Directors.

ARTICLE I  
DEFINITIONS

Terms defined above and initially capitalized shall have the respective meanings so ascribed. When used in this Plan and initially capitalized, the following words and phrases shall have the following respective meanings unless the context clearly requires otherwise:

1.1 "BASE SALARY" as to any Covered Employee for any period, shall mean the greater of such individual's base salary as of the Termination of Employment or as of the date immediately preceding the Effective Date, which is paid to such individual by the Company during employment for such period, before reduction because of an election between benefits or cash provided under a plan of the Company maintained pursuant to Section 125 or 401(k) of the Internal Revenue Code of 1986, as amended, and before reduction for any other amounts contributed by the Company on such individual's behalf to any other employee-benefit plan.

1.2 "COMPANY" shall mean Atwood Oceanics, Inc., a Texas corporation, or any entity that is a successor to it in ownership of substantially all its assets and their affiliates.

1.3 "COVERED EMPLOYEE" shall mean an employee described in Article II of the Plan.

1.4 "EFFECTIVE DATE" shall mean the date on or before December 31, 1996, on which any of the following is effective:

- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) (a "PERSON") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act)

of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

- (b) The Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or
- (c) Individuals who, as of the date hereof, constitute the Board (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

1.5 "EMPLOYMENT YEAR" shall mean a period which commences on the first date of employment or any anniversary of such date and ends one year from such date.

1.6 "GOOD CAUSE" shall mean a material violation of a Company policy or procedure applicable to employees in the same or similar job position, the willful disregard or failure to follow the reasonable instructions of a superior, the taking of any action, or the failure to take any action, which results in a damage or detriment to the Company, or the conviction of an employee of a felony involving moral turpitude.

1.7 "HEALTH AND LIFE BENEFITS" shall mean as to any employee, the group-health and life-insurance benefits sponsored by the Company for its full-time employees and provided to or elected by such individual as of the date immediately preceding the Effective Date.

1.8 "OTHER SEVERANCE" shall have the meaning set forth in Section 2.2 of the Plan.

1.9 "SEVERANCE PAY" shall mean the sum payable to a Covered Employee upon Termination of Employment as set forth in Section 3.1 of the Plan.

1.10 "TERMINATION OF EMPLOYMENT" shall mean a termination of employment with the Company at the option of the Company for any reason, except a termination of employment for Good Cause shall not mean a Termination of Employment.

1.11 "YEARS OF CONTINUOUS SERVICE" shall mean, as to any employee, all full or partial years during which he was employed on a full-time basis by Company or any of its subsidiaries or affiliates.

ARTICLE II.  
COVERED EMPLOYEES

2.1 WHO IS A COVERED EMPLOYEE. Any employee of the Company who upon the occurrence of an Effective Date, shall be listed in Schedule 3.1 hereto and who has a Termination of Employment during the term of this Plan shall be a Covered Employee and eligible to receive the benefits described in this Plan.

2.2 EXCLUSIONS. Any employee who otherwise is a Covered Employee but who, pursuant to a separate agreement signed on behalf of the Company, receives severance or other salary continuation benefits upon a Termination of Employment (other than payments or benefits under the Company's Executive Life Insurance Plan) shall not be a Covered Employee under this Plan. This Plan shall be in lieu of any plan, program, policy or practice of or contract or agreement with the Company relating to severance of employment ("OTHER SEVERANCE") and any and all benefits of payments arising out of or relating to Other Severance shall be fully offset against any benefits or payments due and owing hereunder.

ARTICLE III  
SEVERANCE PAY AND OTHER BENEFITS

3.1 AMOUNT OF SEVERANCE PAY. The Company shall pay Severance Pay to a Covered Employee upon a Termination of Employment in an amount equal to the greater of (a) or (b):

- (a) such individual's weekly Base Salary multiplied by such individual's Years of Continuous Service; or
- (b) a payment, depending upon the category of employee as identified in Schedule 3.1 hereto, as follows:

CATEGORY OF EMPLOYEE	PAYMENT
-----	-----
Houston Management A:	(i) Less than 4 Years of Continuous Service - 6 months' Base Salary; or
	(ii) 4 Years but less than 8 Years of Continuous Service - 12 months' Base Salary; or

- (iii) 8 or greater Years of Continuous Service - 18 months' Base Salary
- Houston Management B,  
Houston Technical,  
Rig Management and  
Other Administration:
- (i) Less than 4 Years of Continuous Service - 1 month Base Salary; or
  - (ii) 4 Years but less than 8 Years of Continuous Service - 4 months' Base Salary; or
  - (iii) 8 Years but less than 12 Years of Continuous Service - 8 months' Base Salary; or
  - (iv) 12 or greater Years of Continuous Service - 12 months' Base Salary
- Houston Accounting A,  
Houston Accounting B and  
Houston Staff:
- (i) Less than 4 Years of Continuous Service - 1 month Base Salary; or
  - (ii) 4 Years but less than 8 Years of Continuous Service - 3 months' Base Salary; or
  - (iii) 8 or greater Years of Continuous Service - 6 months' Base Salary

3.2 HEALTH AND LIFE BENEFITS. Upon a Termination of Employment, a Covered Individual's Health and Life Benefits shall be treated as follows:

- (a) Upon a Termination of Employment, the Company will notify each Covered Employee of the right to elect to continue any Company-provided health or disability benefits, all in accordance with and subject to the provisions of the Consolidated Omnibus Budget Reconciliation Act

("COBRA"). The Company shall charge the maximum allowable premium in connection with any COBRA benefits so provided. Other than the benefits provided under COBRA, the Company shall have no further obligation to provide health or disability insurance benefits to any Covered Individual following a Termination of Employment.

- (b) Upon written request by a Covered Individual within five (5) days of a Termination of Employment, the Company shall assign any life, salary continuation or travel insurance plans or policies to such Covered Individual which by their terms are so assignable, and such Covered Individual will thenceforth become responsible for the payment of any premiums required to maintain said plans or policies from and after the date of Termination of Employment; otherwise, the Company will cease to continue such life insurance plans or policies on behalf of any Covered Employee effective as of the date of Termination of Employment.

3.3 PAYMENT FOR UNUSED VACATION. Upon a Termination of Employment, the Company will pay a Covered Employee an amount equal to such individual's weekly Base Salary multiplied by each full and partial week of vacation, which was accrued but unused during the Employment Year in which occurred such individual's Termination of Employment. For purposes of determining payment under this Section 3.3, a full week of vacation consists of five (5) vacation days.

#### ARTICLE IV DISTRIBUTION OF CASH PAYMENTS

The Company shall pay a Covered Employee the amount to which he or she is entitled under (as applicable) Plan Section 3.1 (relating to Severance Pay) and Plan Section 3.3 (relating to Payment for Unused Vacation) in one lump sum within a reasonable time, but in no event greater than ten (10) business days, after such covered Individual's Termination of Employment.

#### ARTICLE V ADMINISTRATION OF PLAN

5.1 IN GENERAL. The Plan shall be administered by the Company, which shall be the named fiduciary under the Plan. The Company may delegate any of its administrative duties, including without limitation duties with respect to the processing, review, investigation, approval, and payment of benefits under in the Plan, to a named administrator or administrators.

5.2 REGULATIONS. The Company shall promulgate any rules and regulations that it deems necessary to carry out the purposes of the Plan, or to interpret the terms and conditions of the Plan; provided that no rule, regulation, or interpretation shall be contrary to the provisions of the Plan. The rules, regulations, and interpretations made by the Company shall, subject only to the claims procedure outlined in Section 5.3 hereof, be final and binding on any employee or former employee of the Company, or any successor in interest of either.

5.3 CLAIMS PROCEDURE. The Company shall determine the rights of any employee or former employee of the Company to any benefits hereunder. Any employee or former employee of the Company who believes that he is entitled to receive any benefits other than as initially determined by the Company, may file a claim in writing with the Company's President. The Company shall no later than ninety (90) days after the receipt of a claim either allow or deny the claim in writing.

A denial of a claim, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claim-review procedure.

A claimant whose claim is denied (or his duly authorized representative), may within 30 days after receipt of denial of his claim:

- (a) request a review upon written application to the Company's personnel administrator;
- (b) review pertinent documents; and
- (c) submit issues and comments in writing.

The Company shall notify the claimant of its decision on review within sixty (60) days after receipt of a request for review. Notice of the decision on review shall be in writing.

5.4 REVOCABILITY OF COMPANY ACTION. Any action taken by the Company with respect to the rights under the Plan of any employee or former employee shall be revocable by the Company as to payments or distributions not yet made to such person, and acceptance of any benefits under the Plan constitutes acceptance of and agreement to any appropriate adjustments made by the Company in future payments or distributions to such person to offset any excess of underpayment previously made to him with respect to any benefits.

#### ARTICLE VI AMENDMENT OR TERMINATION OF PLAN

6.1 RIGHT TO AMEND OR TERMINATE. The Company reserves the right at any time prior to the Effective Date, and without prior or other approval of any employee or former employee, to change, modify, amend, or terminate the Plan. All such changes, modifications, or amendments may be retroactive to any date up to and including the original effective date of the Plan, and shall be retroactive to that date unless other provision is specifically made; provided that no such change, modification, or amendment shall adversely affect any benefit under the Plan previously paid or provided to a Covered Employee (or his or her successor in interest).

6.2 AUTOMATIC TERMINATION. This Plan shall terminate automatically as of December 31, 1996, or such other extended termination date duly adopted in accordance with the provisions of Section 5.1 above, if there is no Effective Date on or before that date. Termination pursuant to this Plan Section 6.2 shall occur without any action on the part of the Company and shall be effective without prior notice to or approval of any employee or former employee of the Company.

ARTICLE VII  
METHOD OF FUNDING

The Company shall pay benefits under the Plan from current operating funds. No property of the Company is or shall be, by reason of this Plan, held in trust for any employee of the Company, nor shall any person have any interest in or any lien or prior claim upon any property of the Company by reason of the Plan or the Company's obligations to make payments hereunder.

ARTICLE VIII  
LEGAL FEES AND EXPENSES; ENFORCEMENT

It is the intent of the Company that no Covered Employee be required to incur the expenses associated with the enforcement of his rights under this Plan by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to a Covered Employee hereunder. Accordingly, if it should appear to a Covered Employee that the Company has failed to comply with any of its obligations under this Plan or in the event that the Company or any other person takes any action inconsistent with the terms of this Plan to declare this Plan void or unenforceable, or institutes any litigation designed to deny, or to recover from, the Covered Employee the benefits intended to be provided to such Covered Employee hereunder, the Company irrevocably authorizes such Covered Employee from time to time to retain counsel of his choice, at the expense of the Company as thereafter provided, to represent such Covered Employee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder, or other person affiliated with the Company in any jurisdiction. Notwithstanding any existing prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to such Covered employee's entering into an attorney-client relationship with such counsel, and in that connection the Company and such Covered Employee agree that a confidential relationship shall exist between such Covered Employee and such counsel. The Company shall pay and be solely responsible for any and all attorneys' and related fees and expenses incurred by such Covered Employee as a result of the Company's failure to perform under this Plan or any provision thereof; or as a result of the Company or any person contesting the validity or enforceability of this Plan or any provision thereof.

ARTICLE IX  
MISCELLANEOUS

9.1 LIMITATION ON RIGHTS. Participation in the Plan shall not give any employee the right to be retained in the service of the Company or any rights to any benefits whatsoever,

except to the extent specifically set forth herein. Unless otherwise agreed in writing, employment with the Company is "at will."

9.2 HEADINGS. Headings of Articles and Sections in this instrument are for convenience only, and do not constitute any part of the Plan.

9.3 GENDER AND NUMBER. Unless the context clearly indicates otherwise, the masculine gender when used in the Plan shall include the feminine, and the singular number shall include the plural and the plural number the singular.

EXECUTED as of the date first set forth above.

ATWOOD OCEANICS, INC.

By:/s/ JOHN R. IRWIN  
Name: John R. Irwin  
Title:President

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## EXECUTIVE AGREEMENT

THIS EXECUTIVE AGREEMENT (the "AGREEMENT") is entered into as of the 8 day of May, 1996 by and between ATWOOD OCEANICS, INC., a Texas corporation (the "COMPANY"), and JOHN R. IRWIN (the "EXECUTIVE").

## W I T N E S S E T H:

WHEREAS, it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 2 below) of the Company; and

WHEREAS, it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control; and

WHEREAS, it is imperative to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations.

NOW, THEREFORE, in order to accomplish these objectives, and in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. CERTAIN DEFINITIONS. The following terms shall have the indicated meanings:

(a) The "CHANGE OF CONTROL DATE" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "CHANGE OF CONTROL DATE" shall mean the date immediately prior to the date of such termination of employment.

(b) The "CHANGE OF CONTROL PERIOD" shall mean the period commencing on the date hereof and ending on December 31, 1996.

2. CHANGE OF CONTROL. For the purposes of this Agreement, a "CHANGE OF CONTROL" shall mean the occurrence of any one or more of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) (a "PERSON") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(b) The Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or

(c) Individuals who, as of the date hereof, constitute the Board (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

3. POST-CHANGE OF CONTROL EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, in accordance with the terms and provisions of this Agreement, for the period commencing on the Change of Control Date and ending on the expiration of two years and six months thereafter (the "POST-CHANGE OF CONTROL EMPLOYMENT PERIOD").

4. TERMS OF EMPLOYMENT. The following terms shall govern the Executive's employment during the Post-Change of Control Employment Period:

(a) POSITION AND DUTIES.

(i) During the Post-Change of Control Employment Period, the Executive shall be employed in a bona fide executive position with corresponding authority, duties and responsibilities, and the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control Date or any office which is the headquarters of the Company and is within the Greater Houston Statistical Metropolitan Area.

(ii) During the Post-Change of Control Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to

the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Post- Change of Control Employment Period, it shall not be a violation of this Agreement for the Executive to serve on corporate, civic or charitable boards or committees, deliver lectures, fulfill speaking engagements, teach at educational institutions, and manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Change of Control Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Change of Control Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) COMPENSATION. During the Post-Change of Control Employment Period, and prior to the termination of the Executive's employment as described in Section 5 hereof, the Executive shall be entitled to the following items of compensation:

(i) BASE SALARY. During the Post-Change of Control Employment Period, the Executive shall receive an annual base salary ("ANNUAL BASE SALARY"), which shall be paid in equal installments on a semi-monthly basis, at least equal to twelve times the highest monthly base salary paid or payable to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change of Control Date occurs. Any discretionary increase in Annual Base Salary during the Post-Change of Control Employment Period shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term "ANNUAL BASE SALARY" as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "AFFILIATED COMPANIES" shall include any company controlled by, controlling or under common control with the Company.

(ii) INCENTIVE, SAVINGS AND RETIREMENT PLANS. During the Post-Change of Control Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, including without limitation, the Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan, as may be amended from time to time (the "1981 INCENTIVE STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 1990 Stock Option Plan, as may be amended from time to time (the "1990 STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 401(k) Savings Plan, as amended and as may be further amended from time to time (the "401(K) PLAN"), and subject to Section 7 hereof, the Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees, as may be amended from time to time (the "RETENTION PLAN"), but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit

opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iii) WELFARE BENEFIT PLANS. During the Post-Change of Control Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, supplemental health, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iv) EXECUTIVE LIFE INSURANCE PLAN. During the Post-Change of Control Employment Period, the Company shall continue to maintain the Atwood Oceanics, Inc. Executive Life Insurance Plan, with its associated Salary Continuation Agreement, as may be amended from time to time, or pay to the Executive a lump sum representing the value of all benefits under such plan.

(v) INDEMNIFICATION ARRANGEMENTS. During the Post-Change of Control Employment Period, those certain Indemnification Agreements entered into between the Company and certain of its Executives shall remain in full force and effect and the Executive shall remain entitled to all of the benefits and protections afforded thereby.

(vi) EXPENSES. During the Post-Change of Control Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) VACATION. During the Post-Change of Control Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated

companies as in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Post-Change of Control Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Post-Change of Control Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(b) hereof of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "DISABILITY CHANGE OF CONTROL DATE"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "DISABILITY" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate the Executive's employment during the Post-Change of Control Employment Period for Cause. For purposes of this Agreement, "CAUSE" shall mean (i) a material breach by the Executive of the Executive's obligations under Section 4(a) (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Executive's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or (ii) the conviction of the Executive of a felony involving moral turpitude.

(c) VOLUNTARY TERMINATION BY EXECUTIVE FOR GOOD REASON. The Executive's employment may be terminated during the Post-Change of Control Employment Period by the Executive for Good Reason. For purposes of this Agreement, "GOOD REASON" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that described in Section 4(a)(i) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) hereof, provided that such successor has received at least ten days, prior written notice from the Company or the Executive of the requirements of Section 12(c) hereof.

For purposes of this Section 5(c), any good faith determination of "GOOD REASON" made by the Executive shall be conclusive.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). For purposes of this Agreement, a "NOTICE OF TERMINATION" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "DATE OF TERMINATION" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Change of Control Date, as the case may be.

#### 6. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

(a) TERMINATION FOR GOOD REASON OR OTHER THAN FOR CAUSE, DEATH OR DISABILITY. If, during the Post-Change of Control Employment Period, the Company shall

terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "ACCRUED OBLIGATIONS"); and

B. the amount (such amount shall be hereinafter referred to as the "SEVERANCE AMOUNT") equal to the Executive's Annual Base Salary, calculated from the Date of Termination through the remainder of the Post-Change of Control Employment Period; PROVIDED, HOWEVER, that such amount shall be reduced by the present value (determined as provided in Section 280G(d)(4) of the Internal Revenue Code of 1986, as amended (the "CODE")) of any other amount of severance relating to salary or bonus continuation, if any, to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company; and

(ii) any or all Stock Options awarded to the Executive under any plan not previously exercisable and vested shall become fully exercisable and vested; and

(iii) for the remainder of the Post-Change of Control Employment Period, or such longer period as any plan, program, practice or policy may provide, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility; and

(iv) subject to the provisions of Section 7, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which

the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally thereafter with respect to other peer executives of the Company and its affiliated companies and their families (such other amounts and benefits shall be hereinafter referred to as the "OTHER BENEFITS").

(b) DEATH. If the Executive's employment is terminated by reason of the Executive's death during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of death.

(c) DISABILITY. If the Executive's employment is terminated by reason of the Executive's Disability during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of a Disability.

(d) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination plus the amount of any compensation previously deferred by the Executive, in each case to the extent theretofore unpaid. If the Executive terminates employment during the Post-Change of Control Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. WAIVER OF RIGHTS UNDER RETENTION PLAN AND FOR OTHER SEVERANCE. The Executive hereby agrees any and all benefits or payments arising out of or relating to the Retention Plan, if any, or any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies relating to the severance of employment ("OTHER SEVERANCE"), shall be fully offset against any benefits or payments due and owing hereunder.

8. NON-EXCLUSIVITY OF RIGHTS. At any time prior to a Change of Control, and except as provided in Sections 6(a)(ii), 6(b) and 6(c), nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided after such Change of Control by the Company, its affiliated companies, or any successor thereof,

and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

9. FULL SETTLEMENT; RESOLUTION OF DISPUTES.

(a) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 6(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(b) If there shall be any dispute between the Company and the Executive (i) in the event of any termination of the Executive's employment by the Company, whether such termination was for Cause, or (ii) in the event of any termination of employment by the Executive, whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was for Cause or that the determination by the Executive of the existence of Good Reason was not made in good faith, as the case may be, the Company shall pay all amounts, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 6(a) as though such termination were by the Company without Cause or by the Executive with Good Reason; PROVIDED, HOWEVER, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph except upon receipt of an undertaking by or on behalf of the Executive and/or the Executive's family or other beneficiaries, as the case may be, to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

10. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this

Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "PAYMENT") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Executive shall be entitled to receive an additional payment (a "GROSS-UP PAYMENT") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "ACCOUNTING FIRM") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive

in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute and contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c) hereof, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 10(c) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of

an amount advanced by the Company pursuant to Section 10(c) hereof, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

12. SUCCESSORS AND ASSIGNS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "COMPANY" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: John R. Irwin  
c/o Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084

If to the Company: Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084  
Attention: Chairman of the Board of Directors

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as specifically provided herein or as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, prior to the Change of Control Date, may be terminated by either the Executive or the Company at any time, for any reason. Moreover, if prior to the Change of Control Date the Executive's employment with the Company terminates, then the Executive shall have no further rights under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Executive:

/s/ JOHN R. IRWIN  
JOHN R. IRWIN

Company:

ATWOOD OCEANICS, INC.

By: /s/ W. H. HELMERICH, III  
Name: W. H. Helmerich, III  
Title: Acting Chairman

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## EXECUTIVE AGREEMENT

THIS EXECUTIVE AGREEMENT (the "AGREEMENT") is entered into as of the 8 day of May, 1996 by and between ATWOOD OCEANICS, INC., a Texas corporation (the "COMPANY"), and JAMES M. HOLLAND (the "EXECUTIVE").

## W I T N E S S E T H:

WHEREAS, it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 2 below) of the Company; and

WHEREAS, it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control; and

WHEREAS, it is imperative to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations.

NOW, THEREFORE, in order to accomplish these objectives, and in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. CERTAIN DEFINITIONS. The following terms shall have the indicated meanings:

(a) The "CHANGE OF CONTROL DATE" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "CHANGE OF CONTROL DATE" shall mean the date immediately prior to the date of such termination of employment.

(b) The "CHANGE OF CONTROL PERIOD" shall mean the period commencing on the date hereof and ending on December 31, 1996.

2. CHANGE OF CONTROL. For the purposes of this Agreement, a "CHANGE OF CONTROL" shall mean the occurrence of any one or more of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) (a "PERSON") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(b) The Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or

(c) Individuals who, as of the date hereof, constitute the Board (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

3. POST-CHANGE OF CONTROL EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, in accordance with the terms and provisions of this Agreement, for the period commencing on the Change of Control Date and ending on the expiration of two years and six months thereafter (the "POST-CHANGE OF CONTROL EMPLOYMENT PERIOD").

4. TERMS OF EMPLOYMENT. The following terms shall govern the Executive's employment during the Post-Change of Control Employment Period:

(a) POSITION AND DUTIES.

(i) During the Post-Change of Control Employment Period, the Executive shall be employed in a bona fide executive position with corresponding authority, duties and responsibilities, and the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control Date or any office which is the headquarters of the Company and is within the Greater Houston Statistical Metropolitan Area.

(ii) During the Post-Change of Control Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours

to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Post- Change of Control Employment Period, it shall not be a violation of this Agreement for the Executive to serve on corporate, civic or charitable boards or committees, deliver lectures, fulfill speaking engagements, teach at educational institutions, and manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Change of Control Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Change of Control Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) COMPENSATION. During the Post-Change of Control Employment Period, and prior to the termination of the Executive's employment as described in Section 5 hereof, the Executive shall be entitled to the following items of compensation:

(i) BASE SALARY. During the Post-Change of Control Employment Period, the Executive shall receive an annual base salary ("ANNUAL BASE SALARY"), which shall be paid in equal installments on a semi-monthly basis, at least equal to twelve times the highest monthly base salary paid or payable to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change of Control Date occurs. Any discretionary increase in Annual Base Salary during the Post-Change of Control Employment Period shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term "ANNUAL BASE SALARY" as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "AFFILIATED COMPANIES" shall include any company controlled by, controlling or under common control with the Company.

(ii) INCENTIVE, SAVINGS AND RETIREMENT PLANS. During the Post-Change of Control Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, including without limitation, the Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan, as may be amended from time to time (the "1981 INCENTIVE STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 1990 Stock Option Plan, as may be amended from time to time (the "1990 STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 401(k) Savings Plan, as amended and as may be further amended from time to time (the "401(K) PLAN"), and subject to Section 7 hereof, the Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees, as may be amended from time to time (the "RETENTION PLAN"), but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit

opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iii) WELFARE BENEFIT PLANS. During the Post-Change of Control Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, supplemental health, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iv) EXECUTIVE LIFE INSURANCE PLAN. During the Post-Change of Control Employment Period, the Company shall continue to maintain the Atwood Oceanics, Inc. Executive Life Insurance Plan, with its associated Salary Continuation Agreement, as may be amended from time to time, or pay to the Executive a lump sum representing the value of all benefits under such plan.

(v) INDEMNIFICATION ARRANGEMENTS. During the Post-Change of Control Employment Period, those certain Indemnification Agreements entered into between the Company and certain of its Executives shall remain in full force and effect and the Executive shall remain entitled to all of the benefits and protections afforded thereby.

(vi) EXPENSES. During the Post-Change of Control Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) VACATION. During the Post-Change of Control Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated

companies as in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Post-Change of Control Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Post-Change of Control Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(b) hereof of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "DISABILITY CHANGE OF CONTROL DATE"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "DISABILITY" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate the Executive's employment during the Post-Change of Control Employment Period for Cause. For purposes of this Agreement, "CAUSE" shall mean (i) a material breach by the Executive of the Executive's obligations under Section 4(a) (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Executive's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or (ii) the conviction of the Executive of a felony involving moral turpitude.

(c) VOLUNTARY TERMINATION BY EXECUTIVE FOR GOOD REASON. The Executive's employment may be terminated during the Post-Change of Control Employment Period by the Executive for Good Reason. For purposes of this Agreement, "GOOD REASON" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that described in Section 4(a)(i) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) hereof, provided that such successor has received at least ten days, prior written notice from the Company or the Executive of the requirements of Section 12(c) hereof.

For purposes of this Section 5(c), any good faith determination of "GOOD REASON" made by the Executive shall be conclusive.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). For purposes of this Agreement, a "NOTICE OF TERMINATION" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "DATE OF TERMINATION" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Change of Control Date, as the case may be.

#### 6. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

(a) TERMINATION FOR GOOD REASON OR OTHER THAN FOR CAUSE, DEATH OR DISABILITY. If, during the Post-Change of Control Employment Period, the Company shall

terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "ACCRUED OBLIGATIONS"); and

B. the amount (such amount shall be hereinafter referred to as the "SEVERANCE AMOUNT") equal to the Executive's Annual Base Salary, calculated from the Date of Termination through the remainder of the Post-Change of Control Employment Period; PROVIDED, HOWEVER, that such amount shall be reduced by the present value (determined as provided in Section 280G(d)(4) of the Internal Revenue Code of 1986, as amended (the "CODE")) of any other amount of severance relating to salary or bonus continuation, if any, to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company; and

(ii) any or all Stock Options awarded to the Executive under any plan not previously exercisable and vested shall become fully exercisable and vested; and

(iii) for the remainder of the Post-Change of Control Employment Period, or such longer period as any plan, program, practice or policy may provide, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility; and

(iv) subject to the provisions of Section 7, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which

the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally thereafter with respect to other peer executives of the Company and its affiliated companies and their families (such other amounts and benefits shall be hereinafter referred to as the "OTHER BENEFITS").

(b) DEATH. If the Executive's employment is terminated by reason of the Executive's death during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of death.

(c) DISABILITY. If the Executive's employment is terminated by reason of the Executive's Disability during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of a Disability.

(d) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination plus the amount of any compensation previously deferred by the Executive, in each case to the extent theretofore unpaid. If the Executive terminates employment during the Post-Change of Control Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. WAIVER OF RIGHTS UNDER RETENTION PLAN AND FOR OTHER SEVERANCE. The Executive hereby agrees any and all benefits or payments arising out of or relating to the Retention Plan, if any, or any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies relating to the severance of employment ("OTHER SEVERANCE"), shall be fully offset against any benefits or payments due and owing hereunder.

8. NON-EXCLUSIVITY OF RIGHTS. At any time prior to a Change of Control, and except as provided in Sections 6(a)(ii), 6(b) and 6(c), nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided after such Change of Control by the Company, its affiliated companies, or any successor thereof,

and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

9. FULL SETTLEMENT; RESOLUTION OF DISPUTES.

(a) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 6(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(b) If there shall be any dispute between the Company and the Executive (i) in the event of any termination of the Executive's employment by the Company, whether such termination was for Cause, or (ii) in the event of any termination of employment by the Executive, whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was for Cause or that the determination by the Executive of the existence of Good Reason was not made in good faith, as the case may be, the Company shall pay all amounts, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 6(a) as though such termination were by the Company without Cause or by the Executive with Good Reason; PROVIDED, HOWEVER, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph except upon receipt of an undertaking by or on behalf of the Executive and/or the Executive's family or other beneficiaries, as the case may be, to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

10. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this

Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "PAYMENT") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Executive shall be entitled to receive an additional payment (a "GROSS-UP PAYMENT") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "ACCOUNTING FIRM") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive

in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute and contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c) hereof, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 10(c) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of

an amount advanced by the Company pursuant to Section 10(c) hereof, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

12. SUCCESSORS AND ASSIGNS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "COMPANY" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: James M. Holland  
c/o Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084

If to the Company: Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084  
Attention: Chairman of the Board of Directors

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as specifically provided herein or as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, prior to the Change of Control Date, may be terminated by either the Executive or the Company at any time, for any reason. Moreover, if prior to the Change of Control Date the Executive's employment with the Company terminates, then the Executive shall have no further rights under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Executive:

/s/ JAMES M. HOLLAND  
JAMES M. HOLLAND

Company:

ATWOOD OCEANICS, INC.

By: /s/ W. H. HELMERICH, III  
Name: W. H. Helmerich, III  
Title: Acting Chairman

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## EXECUTIVE AGREEMENT

THIS EXECUTIVE AGREEMENT (the "AGREEMENT") is entered into as of the 8 day of May, 1996 by and between ATWOOD OCEANICS, INC., a Texas corporation (the "COMPANY"), and GLEN P. KELLEY (the "EXECUTIVE").

## W I T N E S S E T H:

WHEREAS, it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 2 below) of the Company; and

WHEREAS, it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control; and

WHEREAS, it is imperative to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations.

NOW, THEREFORE, in order to accomplish these objectives, and in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. CERTAIN DEFINITIONS. The following terms shall have the indicated meanings:

(a) The "CHANGE OF CONTROL DATE" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "CHANGE OF CONTROL DATE" shall mean the date immediately prior to the date of such termination of employment.

(b) The "CHANGE OF CONTROL PERIOD" shall mean the period commencing on the date hereof and ending on December 31, 1996.

2. CHANGE OF CONTROL. For the purposes of this Agreement, a "CHANGE OF CONTROL" shall mean the occurrence of any one or more of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) (a "PERSON") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(b) The Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or

(c) Individuals who, as of the date hereof, constitute the Board (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

3. POST-CHANGE OF CONTROL EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, in accordance with the terms and provisions of this Agreement, for the period commencing on the Change of Control Date and ending on the expiration of one year and six months thereafter (the "POST-CHANGE OF CONTROL EMPLOYMENT PERIOD").

4. TERMS OF EMPLOYMENT. The following terms shall govern the Executive's employment during the Post-Change of Control Employment Period:

(a) POSITION AND DUTIES.

(i) During the Post-Change of Control Employment Period, the Executive shall be employed in a bona fide executive position with corresponding authority, duties and responsibilities, and the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control Date or any office which is the headquarters of the Company and is within the Greater Houston Statistical Metropolitan Area.

(ii) During the Post-Change of Control Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to

the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Post- Change of Control Employment Period, it shall not be a violation of this Agreement for the Executive to serve on corporate, civic or charitable boards or committees, deliver lectures, fulfill speaking engagements, teach at educational institutions, and manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Change of Control Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Change of Control Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) COMPENSATION. During the Post-Change of Control Employment Period, and prior to the termination of the Executive's employment as described in Section 5 hereof, the Executive shall be entitled to the following items of compensation:

(i) BASE SALARY. During the Post-Change of Control Employment Period, the Executive shall receive an annual base salary ("ANNUAL BASE SALARY"), which shall be paid in equal installments on a semi-monthly basis, at least equal to twelve times the highest monthly base salary paid or payable to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change of Control Date occurs. Any discretionary increase in Annual Base Salary during the Post-Change of Control Employment Period shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term "ANNUAL BASE SALARY" as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "AFFILIATED COMPANIES" shall include any company controlled by, controlling or under common control with the Company.

(ii) INCENTIVE, SAVINGS AND RETIREMENT PLANS. During the Post-Change of Control Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, including without limitation, the Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan, as may be amended from time to time (the "1981 INCENTIVE STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 1990 Stock Option Plan, as may be amended from time to time (the "1990 STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 401(k) Savings Plan, as amended and as may be further amended from time to time (the "401(K) PLAN"), and subject to Section 7 hereof, the Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees, as may be amended from time to time (the "RETENTION PLAN"), but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit

opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iii) WELFARE BENEFIT PLANS. During the Post-Change of Control Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, supplemental health, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iv) EXECUTIVE LIFE INSURANCE PLAN. During the Post-Change of Control Employment Period, the Company shall continue to maintain the Atwood Oceanics, Inc. Executive Life Insurance Plan, with its associated Salary Continuation Agreement, as may be amended from time to time, or pay to the Executive a lump sum representing the value of all benefits under such plan.

(v) INDEMNIFICATION ARRANGEMENTS. During the Post-Change of Control Employment Period, those certain Indemnification Agreements entered into between the Company and certain of its Executives shall remain in full force and effect and the Executive shall remain entitled to all of the benefits and protections afforded thereby.

(vi) EXPENSES. During the Post-Change of Control Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) VACATION. During the Post-Change of Control Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated

companies as in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Post-Change of Control Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Post-Change of Control Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(b) hereof of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "DISABILITY CHANGE OF CONTROL DATE"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "DISABILITY" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate the Executive's employment during the Post-Change of Control Employment Period for Cause. For purposes of this Agreement, "CAUSE" shall mean (i) a material breach by the Executive of the Executive's obligations under Section 4(a) (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Executive's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or (ii) the conviction of the Executive of a felony involving moral turpitude.

(c) VOLUNTARY TERMINATION BY EXECUTIVE FOR GOOD REASON. The Executive's employment may be terminated during the Post-Change of Control Employment Period by the Executive for Good Reason. For purposes of this Agreement, "GOOD REASON" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that described in Section 4(a)(i) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) hereof, provided that such successor has received at least ten days, prior written notice from the Company or the Executive of the requirements of Section 12(c) hereof.

For purposes of this Section 5(c), any good faith determination of "GOOD REASON" made by the Executive shall be conclusive.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). For purposes of this Agreement, a "NOTICE OF TERMINATION" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "DATE OF TERMINATION" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Change of Control Date, as the case may be.

#### 6. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

(a) TERMINATION FOR GOOD REASON OR OTHER THAN FOR CAUSE, DEATH OR DISABILITY. If, during the Post-Change of Control Employment Period, the Company shall

terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "ACCRUED OBLIGATIONS"); and

B. the amount (such amount shall be hereinafter referred to as the "SEVERANCE AMOUNT") equal to the Executive's Annual Base Salary, calculated from the Date of Termination through the remainder of the Post-Change of Control Employment Period; PROVIDED, HOWEVER, that such amount shall be reduced by the present value (determined as provided in Section 280G(d)(4) of the Internal Revenue Code of 1986, as amended (the "CODE")) of any other amount of severance relating to salary or bonus continuation, if any, to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company; and

(ii) any or all Stock Options awarded to the Executive under any plan not previously exercisable and vested shall become fully exercisable and vested; and

(iii) for the remainder of the Post-Change of Control Employment Period, or such longer period as any plan, program, practice or policy may provide, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility; and

(iv) subject to the provisions of Section 7, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided

or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally thereafter with respect to other peer executives of the Company and its affiliated companies and their families (such other amounts and benefits shall be hereinafter referred to as the "OTHER BENEFITS").

(b) DEATH. If the Executive's employment is terminated by reason of the Executive's death during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of death.

(c) DISABILITY. If the Executive's employment is terminated by reason of the Executive's Disability during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of a Disability.

(d) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination plus the amount of any compensation previously deferred by the Executive, in each case to the extent theretofore unpaid. If the Executive terminates employment during the Post-Change of Control Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. WAIVER OF RIGHTS UNDER RETENTION PLAN AND FOR OTHER SEVERANCE. The Executive hereby agrees any and all benefits or payments arising out of or relating to the Retention Plan, if any, or any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies relating to the severance of employment ("OTHER SEVERANCE"), shall be fully offset against any benefits or payments due and owing hereunder.

8. NON-EXCLUSIVITY OF RIGHTS. At any time prior to a Change of Control, and except as provided in Sections 6(a)(ii), 6(b) and 6(c), nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided after such Change of Control by the Company, its affiliated companies, or any successor thereof,

and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

9. FULL SETTLEMENT; RESOLUTION OF DISPUTES.

(a) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 6(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(b) If there shall be any dispute between the Company and the Executive (i) in the event of any termination of the Executive's employment by the Company, whether such termination was for Cause, or (ii) in the event of any termination of employment by the Executive, whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was for Cause or that the determination by the Executive of the existence of Good Reason was not made in good faith, as the case may be, the Company shall pay all amounts, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 6(a) as though such termination were by the Company without Cause or by the Executive with Good Reason; PROVIDED, HOWEVER, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph except upon receipt of an undertaking by or on behalf of the Executive and/or the Executive's family or other beneficiaries, as the case may be, to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

10. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this

Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "PAYMENT") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Executive shall be entitled to receive an additional payment (a "GROSS-UP PAYMENT") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "ACCOUNTING FIRM") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive

in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute and contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c) hereof, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 10(c) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of

an amount advanced by the Company pursuant to Section 10(c) hereof, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

12. SUCCESSORS AND ASSIGNS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "COMPANY" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Glen P. Kelley  
c/o Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084

If to the Company: Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084  
Attention: Chairman of the Board of Directors

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as specifically provided herein or as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, prior to the Change of Control Date, may be terminated by either the Executive or the Company at any time, for any reason. Moreover, if prior to the Change of Control Date the Executive's employment with the Company terminates, then the Executive shall have no further rights under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Executive:

/s/ GLEN P. KELLEY  
GLEN P. KELLEY

Company:

ATWOOD OCEANICS, INC.

By: /s/ W. H. HELMERICH, III  
Name: W. H. Helmerich, III  
Title: Acting Chairman

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## EXECUTIVE AGREEMENT

THIS EXECUTIVE AGREEMENT (the "AGREEMENT") is entered into as of the 8 day of May, 1996 by and between ATWOOD OCEANICS, INC., a Texas corporation (the "COMPANY"), and LARRY P. TILL (the "EXECUTIVE").

## W I T N E S S E T H:

WHEREAS, it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 2 below) of the Company; and

WHEREAS, it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control; and

WHEREAS, it is imperative to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations.

NOW, THEREFORE, in order to accomplish these objectives, and in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. CERTAIN DEFINITIONS. The following terms shall have the indicated meanings:

(a) The "CHANGE OF CONTROL DATE" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "CHANGE OF CONTROL DATE" shall mean the date immediately prior to the date of such termination of employment.

(b) The "CHANGE OF CONTROL PERIOD" shall mean the period commencing on the date hereof and ending on December 31, 1996.

2. CHANGE OF CONTROL. For the purposes of this Agreement, a "CHANGE OF CONTROL" shall mean the occurrence of any one or more of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) (a "PERSON") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(b) The Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or

(c) Individuals who, as of the date hereof, constitute the Board (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

3. POST-CHANGE OF CONTROL EMPLOYMENT PERIOD. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, in accordance with the terms and provisions of this Agreement, for the period commencing on the Change of Control Date and ending on the expiration of one year thereafter (the "POST-CHANGE OF CONTROL EMPLOYMENT PERIOD").

4. TERMS OF EMPLOYMENT. The following terms shall govern the Executive's employment during the Post-Change of Control Employment Period:

(a) POSITION AND DUTIES.

(i) During the Post-Change of Control Employment Period, the Executive shall be employed in a bona fide executive position with corresponding authority, duties and responsibilities, and the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control Date or any office which is the headquarters of the Company and is within the Greater Houston Statistical Metropolitan Area.

(ii) During the Post-Change of Control Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to

the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Post- Change of Control Employment Period, it shall not be a violation of this Agreement for the Executive to serve on corporate, civic or charitable boards or committees, deliver lectures, fulfill speaking engagements, teach at educational institutions, and manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Change of Control Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Change of Control Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) COMPENSATION. During the Post-Change of Control Employment Period, and prior to the termination of the Executive's employment as described in Section 5 hereof, the Executive shall be entitled to the following items of compensation:

(i) BASE SALARY. During the Post-Change of Control Employment Period, the Executive shall receive an annual base salary ("ANNUAL BASE SALARY"), which shall be paid in equal installments on a semi-monthly basis, at least equal to twelve times the highest monthly base salary paid or payable to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Change of Control Date occurs. Any discretionary increase in Annual Base Salary during the Post-Change of Control Employment Period shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term "ANNUAL BASE SALARY" as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "AFFILIATED COMPANIES" shall include any company controlled by, controlling or under common control with the Company.

(ii) INCENTIVE, SAVINGS AND RETIREMENT PLANS. During the Post-Change of Control Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, including without limitation, the Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan, as may be amended from time to time (the "1981 INCENTIVE STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 1990 Stock Option Plan, as may be amended from time to time (the "1990 STOCK OPTION PLAN"), the Atwood Oceanics, Inc. 401(k) Savings Plan, as amended and as may be further amended from time to time (the "401(K) PLAN"), and subject to Section 7 hereof, the Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees, as may be amended from time to time (the "RETENTION PLAN"), but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit

opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iii) WELFARE BENEFIT PLANS. During the Post-Change of Control Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, supplemental health, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, those provided generally at any time after the Change of Control Date to other peer executives of the Company and its affiliated companies.

(iv) EXECUTIVE LIFE INSURANCE PLAN. During the Post-Change of Control Employment Period, the Company shall continue to maintain the Atwood Oceanics, Inc. Executive Life Insurance Plan, with its associated Salary Continuation Agreement, as may be amended from time to time, or pay to the Executive a lump sum representing the value of all benefits under such plan.

(v) INDEMNIFICATION ARRANGEMENTS. During the Post-Change of Control Employment Period, those certain Indemnification Agreements entered into between the Company and certain of its Executives shall remain in full force and effect and the Executive shall remain entitled to all of the benefits and protections afforded thereby.

(vi) EXPENSES. During the Post-Change of Control Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) VACATION. During the Post-Change of Control Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated

companies as in effect for the Executive at any time during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Post-Change of Control Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Post-Change of Control Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(b) hereof of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "DISABILITY CHANGE OF CONTROL DATE"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "DISABILITY" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate the Executive's employment during the Post-Change of Control Employment Period for Cause. For purposes of this Agreement, "CAUSE" shall mean (i) a material breach by the Executive of the Executive's obligations under Section 4(a) (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Executive's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or (ii) the conviction of the Executive of a felony involving moral turpitude.

(c) VOLUNTARY TERMINATION BY EXECUTIVE FOR GOOD REASON. The Executive's employment may be terminated during the Post-Change of Control Employment Period by the Executive for Good Reason. For purposes of this Agreement, "GOOD REASON" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that described in Section 4(a)(i) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) hereof, provided that such successor has received at least ten days, prior written notice from the Company or the Executive of the requirements of Section 12(c) hereof.

For purposes of this Section 5(c), any good faith determination of "GOOD REASON" made by the Executive shall be conclusive.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). For purposes of this Agreement, a "NOTICE OF TERMINATION" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "DATE OF TERMINATION" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Change of Control Date, as the case may be.

#### 6. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

(a) TERMINATION FOR GOOD REASON OR OTHER THAN FOR CAUSE, DEATH OR DISABILITY. If, during the Post-Change of Control Employment Period, the Company shall

terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "ACCRUED OBLIGATIONS"); and

B. the amount (such amount shall be hereinafter referred to as the "SEVERANCE AMOUNT") equal to the Executive's Annual Base Salary, calculated from the Date of Termination through the remainder of the Post-Change of Control Employment Period; PROVIDED, HOWEVER, that such amount shall be reduced by the present value (determined as provided in Section 280G(d)(4) of the Internal Revenue Code of 1986, as amended (the "CODE")) of any other amount of severance relating to salary or bonus continuation, if any, to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company; and

(ii) any or all Stock Options awarded to the Executive under any plan not previously exercisable and vested shall become fully exercisable and vested; and

(iii) for the remainder of the Post-Change of Control Employment Period, or such longer period as any plan, program, practice or policy may provide, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility; and

(iv) subject to the provisions of Section 7, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which

the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies as in effect and applicable generally to other peer executives and their families during the 90-day period immediately preceding the Change of Control Date or, if more favorable to the Executive, as in effect generally thereafter with respect to other peer executives of the Company and its affiliated companies and their families (such other amounts and benefits shall be hereinafter referred to as the "OTHER BENEFITS").

(b) DEATH. If the Executive's employment is terminated by reason of the Executive's death during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of death.

(c) DISABILITY. If the Executive's employment is terminated by reason of the Executive's Disability during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination) and (ii) the timely payment or provision of any and all Other Benefits, which under their terms are available in the event of a Disability.

(d) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Post-Change of Control Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination plus the amount of any compensation previously deferred by the Executive, in each case to the extent theretofore unpaid. If the Executive terminates employment during the Post-Change of Control Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. WAIVER OF RIGHTS UNDER RETENTION PLAN AND FOR OTHER SEVERANCE. The Executive hereby agrees any and all benefits or payments arising out of or relating to the Retention Plan, if any, or any plan, program, policy or practice of or contract or agreement with the Company and its affiliated companies relating to the severance of employment ("OTHER SEVERANCE"), shall be fully offset against any benefits or payments due and owing hereunder.

8. NON-EXCLUSIVITY OF RIGHTS. At any time prior to a Change of Control, and except as provided in Sections 6(a)(ii), 6(b) and 6(c), nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided after such Change of Control by the Company, its affiliated companies, or any successor thereof,

and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

9. FULL SETTLEMENT; RESOLUTION OF DISPUTES.

(a) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 6(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(b) If there shall be any dispute between the Company and the Executive (i) in the event of any termination of the Executive's employment by the Company, whether such termination was for Cause, or (ii) in the event of any termination of employment by the Executive, whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was for Cause or that the determination by the Executive of the existence of Good Reason was not made in good faith, as the case may be, the Company shall pay all amounts, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 6(a) as though such termination were by the Company without Cause or by the Executive with Good Reason; PROVIDED, HOWEVER, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph except upon receipt of an undertaking by or on behalf of the Executive and/or the Executive's family or other beneficiaries, as the case may be, to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

10. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this

Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "PAYMENT") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Executive shall be entitled to receive an additional payment (a "GROSS-UP PAYMENT") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent certified public accountants (the "ACCOUNTING FIRM") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive

in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute and contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c) hereof, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 10(c) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of

an amount advanced by the Company pursuant to Section 10(c) hereof, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

12. SUCCESSORS AND ASSIGNS.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "COMPANY" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Larry P. Till  
c/o Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084

If to the Company: Atwood Oceanics, Inc.  
15835 Park Ten Place Drive  
Houston, Texas 77084  
Attention: Chairman of the Board of Directors

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as specifically provided herein or as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, prior to the Change of Control Date, may be terminated by either the Executive or the Company at any time, for any reason. Moreover, if prior to the Change of Control Date the Executive's employment with the Company terminates, then the Executive shall have no further rights under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Executive:

/s/ LARRY P. TILL  
LARRY P. TILL

Company:

ATWOOD OCEANICS, INC.

By: /s/ W. H. HELMERICH, III  
Name: W. H. Helmerich, III  
Title: Acting Chairman

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## 1996 ANNUAL REPORT TO SHAREHOLDERS

## THE COMPANY

Atwood Oceanics, Inc. is engaged in the business of international offshore drilling of exploratory and developmental oil and gas wells and related support, management and consulting services. Presently, the Company owns and operates a modern fleet of seven mobile offshore rigs and one modular platform rig, as well as manages the operations of two operator-owned platform rigs in Northwest Australia. The Company also owns a fifty percent interest in a new generation platform rig operating in Australia. The Company supports its operations from headquarters in Houston and affiliated offices in Australia, Malaysia, Indonesia and Equatorial Guinea.

## FINANCIAL HIGHLIGHTS

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(In thousands)  
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	FISCAL 1996 ----	FISCAL 1995 ----
FOR THE YEAR		
REVENUES FROM CONTRACT DRILLING AND MANAGEMENT .....	\$ 79,455	\$ 72,231
NET INCOME .....	11,368	7,060
CAPITAL EXPENDITURES (including investment in RIG-200 and acquisition of interest in ATWOOD HUNTER, ATWOOD FALCON AND ATWOOD EAGLE in 1995) .....		
	9,526	25,692
RIG UTILIZATION .....	100%	99%
AT YEAR END		
CASH AND SECURITIES HELD FOR INVESTMENT	\$ 40,492	\$ 37,922
NET PROPERTY AND EQUIPMENT .....	91,124	91,427
TOTAL ASSETS .....	159,309	152,853
TOTAL SHAREHOLDERS' EQUITY .....	105,554	94,892

TO OUR SHAREHOLDERS AND EMPLOYEES

The Company's improving trend in financial performance continued in 1996. Net income of \$11.4 million represents the Company's third consecutive year of increasing profitability and best financial performance since 1983. Contract revenues increased 10 percent from \$72.2 million in 1995 to \$79.5 million in 1996 while earnings before depreciation, interest and taxes increased by 22 percent from 1995.

Improved financial results in 1996 reflect the effect of continuing high equipment utilization coupled with significant rate increases on several of the Company's rigs, primarily during the second half of 1996. Operating dayrates and margins for the ATWOOD EAGLE ("EAGLE") and ATWOOD FALCON ("FALCON") increased significantly under a new contract and contract extension, respectively. RIG 200 commenced on a holding rate in January 1996 and the RICHMOND maintained steady quarterly dayrate increases during the year. The Company completed fiscal year 1996 with 100% utilization of its active fleet. Marketing of the ATWOOD SOUTHERN CROSS ("SOUTHERN CROSS"), the Company's only inactive rig, continues with increasing interest.

Market improvements for semisubmersibles have been sustained and the international jack-up market is now evidencing similar improvements. If this trend continues, the Company should have further opportunity for significant improvement in its financial performance. Besides the ATWOOD HUNTER ("HUNTER"), already committed for upgrade, and the SOUTHERN CROSS, the FALCON, EAGLE and VICKSBURG are candidates for upgrades or dayrate increases following the expiration of their current contract commitments. Additionally, the Company continues to seek new opportunities to further expand our activities and enhance our financial performance.

The HUNTER has a three-year firm contract in the Gulf of Mexico, which is expected to commence in mid-1997, following mobilization from Singapore and completion of upgrade. The FALCON, EAGLE, RIG 19 and RIG 200 should all remain employed under their current contracts through fiscal year 1997, with the RICHMOND and SEAHAWK presently having firm contract commitments until the third or fourth quarter of fiscal year 1997. The VICKSBURG could also remain employed under its current contract commitment through fiscal year 1997 unless the field in which it is operating as a production unit becomes uneconomical and is abandoned. Management contracts associated with GOODWYN 'A' and NORTH RANKIN 'A' are expected to continue into 1997, and perhaps longer, if drilling operations continue based on feasibility studies presently being undertaken.

We are pleased to report that all operations in which the Company was involved completed fiscal year 1996 without a losttime accident. Active progress was also made during the year in implementation of our improved, fleet-wide management systems.

We extend our thanks to our employees and shareholders for their efforts, contributions and support. Fiscal 1997 will present another opportunity for us to continue building on the progress and momentum of the last few years, and to continue striving to enhance the Company's value through increased profitability and growth.

/s/ JOHN R. IRWIN  
John R. Irwin

Atwood Oceanics, Inc. and Subsidiaries  
FIVE YEAR FINANCIAL REVIEW

At or For the Years Ended September 30,

(In thousands, except per share amounts, fleet data and ratios)	1996	1995	1994	1993	1992
<b>STATEMENTS OF OPERATIONS DATA:</b>					
Operating revenues .....	\$ 79,455	\$ 72,231	\$ 65,975	\$ 51,775	\$ 44,772
Drilling costs and general and administrative expenses .....	(56,653)	(55,311)	(48,652)	(41,797)	(40,144)
OPERATING MARGIN .....	22,802	16,920	17,323	9,978	4,628
Depreciation .....	(9,742)	(11,134)	(13,618)	(13,045)	(15,398)
OPERATING INCOME (LOSS) .....	13,060	5,786	3,705	(3,067)	(10,770)
Other income (expense) .....	2,783	2,238	(73)	(597)	(431)
Minority interest in loss of Partnerships .....	--	908	3,303	4,821	4,862
Write-down of drilling vessels and other assets .....	--	--	--	--	(17,000)
Tax benefit (provision) .....	(4,475)	(1,872)	(726)	(2,948)	2,402
NET INCOME (LOSS) .....	\$ 11,368	\$ 7,060	\$ 6,209	\$ (1,791)	\$ (20,937)
<b>PER SHARE DATA:</b>					
Net earnings (loss) .....	\$ 1.71	\$ 1.07	\$ .94	\$ (.27)	\$ (3.18)
Weighted average shares outstanding	6,664	6,591	6,582	6,582	6,582
<b>FLEET DATA:</b>					
Number of rigs owned or managed, at end of period .....	11	10	9	10	9
Utilization rate (in-service rigs).	100%	99%	99%	88%	75%
<b>BALANCE SHEETS DATA:</b>					
Cash and securities held for investment .....	\$ 40,492	\$ 37,922	\$ 41,047	\$ 35,044	\$ 33,877
Working capital .....	26,151	13,761	25,171	14,703	12,236
Net property and equipment .....	91,124	91,427	82,845	90,150	98,033
Total assets .....	159,309	152,853	153,460	149,853	165,942
Total long-term debt .....	34,473	39,319	53,294	58,409	63,016
Shareholders' equity .....	105,554	94,892	85,959	79,750	81,541
Ratio of current assets to current liabilities .....	2.45	1.67	2.89	2.24	1.68

(The Company has not paid any cash dividends on its common stock.)

## OFFSHORE DRILLING OPERATIONS

NAME OF RIG	TYPE OF RIG	PERCENTAGE OF 1996 REVENUES	YEAR BUILT	MAXIMUM WATER DEPTH	LOCATION	CUSTOMER	CONTRACT STATUS AT NOVEMBER 15, 1996
ATWOOD FALCON	THIRD-GENERATION SEMISUBMERSIBLE	14%	1983	2,500 FT	MALAYSIA/ THAILAND JOINT DEVELOPMENT AREA	CARIGALI- TRITON OPERATING COMPANY SDN BHD	Drilling the seventh of thirteen firm wells (estimated completion November 1997).
ATWOOD HUNTER	THIRD-GENERATION SEMISUBMERSIBLE	14%	1981	1,500 FT.	MALAYSIA	OCCIDENTAL PETROLEUM (MALAYSIA) LTD.	Drilling one firm well (estimated completion December 1996).
					UNITED STATES GULF OF MEXICO	BRITISH- BORNEO PETROLEUM INC.	Upon completion of current well, the rig will be moved to a shipyard in Singapore to commence upgrade to operate in up to 3,500 feet of water in the Gulf of Mexico. The upgrade and mobilization is estimated to take approximately six months with estimated commencement of drilling operations in July or August 1997 under a firm three year contract.
ATWOOD EAGLE	THIRD-GENERATION SEMISUBMERSIBLE	20%	1982	2,500 FT.	EQUATORIAL GUINEA	MOBIL EQUATORIAL GUINEA INC.	Under contract until May 1997 with two six-months options.
SEAHAWK	SECOND-GENERATION SEMISUBMERSIBLE TENDER ASSIST	14%	1974/1992	N/A	MALAYSIA	ESSO PRODUCTION MALAYSIA, INC.	Term contract (estimated completion September 1997).
VICKSBURG	JACK-UP	6%	1976	300 FT.	AUSTRALIA	WESTERN MINING CORPORATION LIMITED	Under contract until January 1998, subject to early termination under certain limited circumstances.
RIG-19	MODULAR PLATFORM	10%	1988	N/A	AUSTRALIA	ESSO AUSTRALIA LIMITED	Term contract (preparing to move to a new platform with estimated drilling work of between 12 and 18 months).
RICHMOND	SUBMERSIBLE	8%	1982	75 FT.	UNITED STATES	SHELL OFFSHORE, INC.	Term Contract (estimated completion December 1996).
					UNITED STATES	CHEVRON U.S.A., INC.	Upon completion of current well, the rig will commence drilling under a contract for three firm wells, plus three option wells (estimated term six months).
ATWOOD SOUTHERN CROSS	SECOND-GENERATION SEMISUBMERSIBLE	0%	1976	1,500 FT.	AUSTRALIA	(NOT PLACED IN SERVICE)	Idle while the Company pursues future contract opportunities.

NAME OF RIG	TYPE OF RIG	PERCENTAGE OF 1996 REVENUES	YEAR BUILT	MAXIMUM WATER DEPTH	LOCATION	CUSTOMER	CONTRACT STATUS AT NOVEMBER 15, 1996
RIG-200	MODULAR PLATFORM	3%	1995	N/A	AUSTRALIA	ESSO AUSTRALIA LIMITED	Drilling operations in Australia expected to commence in January 1997 under a two year firm contract with options.
=====							
MANAGEMENT/LABOR CONTRACTS							
GOODWYN 'A'	MODULAR PLATFORM	10%	N/A	N/A	AUSTRALIA	WOODSIDE OFFSHORE PETROLEUM PTY. LTD. ("WOODSIDE")	Term contract (estimated completion May 1997).
NORTH RANKIN 'A'	MODULAR PLATFORM	1%	N/A	N/A	AUSTRALIA	WOODSIDE	Term contract (estimated completion May 1997).
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report to Shareholders and the Form 10-K for the fiscal year ended September 30, 1996 includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this report and the related Form 10-K regarding the Company's financial position, business strategy, budgets and plans and objectives of management for future operations are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") are disclosed in "Liquidity and Capital Resources" and elsewhere in this report and the related Form 10-K. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the Cautionary Statements.

OUTLOOK

The current worldwide fleet utilization for mobile offshore drilling units is approximately 93 percent compared to approximately 86 percent a year ago. Activity in the offshore contract drilling industry is strong in virtually all worldwide market areas, especially for mobile rigs that can operate in deeper water. The improved market trends are particularly evident in the escalation of dayrates seen in 1996 and in the increase in equipment upgrade projects.

The Company's active fleet utilization was 100 percent for fiscal 1996 and was in excess of 99 percent for each of the past three fiscal years. During the second half of fiscal 1996, the Company realized higher dayrates on the ATWOOD FALCON, ATWOOD HUNTER, ATWOOD EAGLE and the RICHMOND. The Company also entered into a contract to operate the ATWOOD HUNTER in deep water in the Gulf of Mexico, commencing in mid-1997, at a significant increase in dayrate and operating margins. Based upon firm contract commitments for its active fleet, the Company should maintain a high level of equipment utilization during fiscal 1997.

RESULTS OF OPERATIONS

FISCAL YEAR 1996 VERSUS FISCAL YEAR 1995

Contract revenues in fiscal 1996 increased 10 percent to \$79.5 million from \$72.2 million. This increase was primarily attributable to commencement of contract revenues from Rig-200 in addition to general dayrate increases on the fleet. An analysis of contract revenues by rig for fiscal years 1996 and 1995 is as follows:

CONTRACT REVENUES			
-----			
(In millions)			
	FISCAL 1996	FISCAL 1995	VARIANCE
	-----	-----	-----
ATWOOD FALCON .....	\$11.5	\$10.9	\$ 0.6
ATWOOD HUNTER .....	11.3	10.2	1.1
ATWOOD EAGLE .....	15.6	15.1	0.5
RIG-200 .....	2.2	0.0	2.2
SEAHAWK .....	11.0	10.8	0.2
VICKSBURG .....	5.0	4.9	0.1
RIG-19 .....	8.2	7.1	1.1
RICHMOND .....	6.2	5.0	1.2
GOODWYN 'A' .....	7.6	7.3	0.3
NORTH RANKIN 'A' .....	0.9	0.9	0.0
	-----	-----	-----
	\$79.5	\$72.2	\$ 7.3
	=====	=====	=====

The increase in revenues for the ATWOOD FALCON was due to an increase of approximately 60 percent in the contract dayrate during the fourth quarter of fiscal 1996. The increase in revenues for the ATWOOD HUNTER was also due to higher dayrates in fiscal 1996 compared to fiscal 1995. During April and May 1996, the ATWOOD EAGLE was relocated from the territorial waters of Australia to the territorial waters of Equatorial Guinea with an approximate 25 percent increase in contract dayrate. The Company received dayrate revenues from RIG-200 during the period January 1996 through September 1996 while awaiting instructions for shipment to Australia. The rig was delivered to Australia in November 1996 and continues to earn a holding dayrate pending the anticipated commencement of drilling operations in January 1997. Relatively long-term, stable contracts for the SEAHAWK, VICKSBURG and RIG-19 continue to provide consistency to these operations. The \$1.1 million increase in RIG-19 revenues was due to an increase in the dayrates during fiscal 1996. As a result of improved market conditions, the RICHMOND, located in the United States Gulf of Mexico, also experienced an increase in dayrate revenues during fiscal 1996.

In contrast to a 10 percent increase in contract revenues, contract drilling and management costs increased only one percent in fiscal 1996 compared to fiscal 1995. An analysis of contract drilling and management costs by rig is as follows:

CONTRACT DRILLING AND  
MANAGEMENT COSTS

-----  
(In millions)

	FISCAL 1996	FISCAL 1995	VARIANCE
	-----	-----	-----
ATWOOD FALCON .....	\$ 6.9	\$ 6.4	\$ 0.5
ATWOOD HUNTER .....	7.2	7.2	0.0
ATWOOD EAGLE .....	9.1	12.7	(3.6)
RIG-200 .....	0.3	0.0	0.3
SEAHAWK .....	6.5	5.9	0.6
VICKSBURG .....	3.1	3.0	0.1
RIG-19 .....	6.4	5.1	1.3
RICHMOND .....	4.8	4.1	0.7
GOODWYN 'A' .....	5.9	5.2	0.7
NORTH RANKIN 'A' .....	0.6	0.6	0.0
OTHER .....	0.7	0.6	0.1
	-----	-----	-----
	\$51.5	\$50.8	\$ 0.7
	=====	=====	=====

The increases in operating costs for the ATWOOD FALCON, SEAHAWK and RICHMOND were due to increases in general maintenance and payroll related costs. The reduction in the ATWOOD EAGLE's costs was attributable to the rig being relocated from Australia to Equatorial Guinea where operating costs are lower, primarily due to reductions in local labor costs, and to the rig incurring costs in fiscal 1995 associated with certain required surveys and repairs that were not required in fiscal 1996. The increase in operating costs of RIG-19 was primarily due to higher payroll related costs as a result of certain labor union awards in Australia. The increase in operating costs of the GOODWYN 'A' was also attributable to higher labor costs in Australia.

An analysis of depreciation expense by rig is as follows:

DEPRECIATION EXPENSE		
(In millions)		
	FISCAL 1996	FISCAL 1995
ATWOOD FALCON .....	\$ 2.6	\$ 3.1
ATWOOD HUNTER .....	1.6	1.8
ATWOOD EAGLE .....	2.0	2.2
SEAHAWK .....	2.2	2.3
VICKSBURG .....	0.0	0.0
RIG-19 .....	0.6	1.2
RICHMOND .....	0.4	0.3
OTHER .....	0.3	0.2
	-----	-----
	\$ 9.7	\$11.1
	=====	=====

General and administrative expenses increased 14 percent in fiscal 1996 compared to fiscal 1995. This increase was attributable to increases in payroll related costs and professional fees. Investment income in fiscal years 1996 and 1995 of \$2.5 million and \$2.8 million, respectively, virtually offset interest expense for both years. In fiscal 1996, the Company sold its remaining 32,000 shares of Mobil Corporation common stock at a realized gain of \$2.8 million. Foreign tax expense increased from \$1.6 million in fiscal 1995 to \$2.6 million in fiscal 1996 and domestic taxes increased from \$300,000 in fiscal 1995 to \$1.9 million in fiscal 1996, which account for the increase in the provision for income taxes.

#### FISCAL YEAR 1995 VERSUS FISCAL YEAR 1994

Contract revenues in fiscal 1995 increased 9 percent to \$72.2 million from \$66.0 million. This increase was primarily attributable to increases in revenues from the ATWOOD EAGLE and GOODWYN 'A' of \$3.1 million and \$5.1 million, respectively, offset somewhat by a \$1.7 million decrease in revenues from NORTH RANKIN 'A'. An analysis of contract revenues by rig for fiscal years 1995 and 1994 is as follows:

CONTRACT REVENUES			
(In millions)			
	FISCAL 1995	FISCAL 1994	VARIANCE
ATWOOD FALCON .....	\$10.9	\$11.1	\$(0.2)
ATWOOD HUNTER .....	10.2	10.2	0.0
ATWOOD EAGLE .....	15.1	12.0	3.1
SEAHAWK .....	10.8	10.9	(0.1)
VICKSBURG .....	4.9	4.4	0.5
RIG-19 .....	7.1	6.9	0.2
RICHMOND .....	5.0	5.5	(0.5)
GOODWYN 'A' .....	7.3	2.2	5.1
NORTH RANKIN 'A' .....	0.9	2.6	(1.7)
OTHER .....	0.0	0.2	(0.2)
	-----	-----	-----
	\$72.2	\$66.0	\$ 6.2
	=====	=====	=====

The ATWOOD FALCON started fiscal year 1995 working in Korea; however, in the second quarter of the year, the rig was relocated to China, and during the last quarter, it was relocated to the Malaysia\Thailand Joint Development Area. The reduced revenues during the relocation periods account for the small decrease in revenues with respect to the ATWOOD FALCON. The ATWOOD HUNTER has worked continuously in Malaysia for the same customer since April 1993. During the first quarter of fiscal year 1994, the ATWOOD EAGLE was relocated from Malaysia to the Australia/Indonesia Zone of Cooperation, where the rig worked continuously until it was moved in the middle of September 1995 to sheltered water to undergo certain planned surveys and repairs. Even with four more days of idle time in fiscal 1995, revenues for the ATWOOD EAGLE

were higher due to the rig working at a higher dayrate level in fiscal 1995 compared to fiscal 1994. Relatively long-term, stable contracts for the SEAHAWK, VICKSBURG and RIG-19 continued to provide consistency to these operations during fiscal 1995. The \$500,000 increase in VICKSBURG revenues was due to an increase in the dayrate commencing in February 1995. In August 1995, the RICHMOND was moved to sheltered water to undergo certain planned surveys and repairs. This required downtime accounted for the RICHMOND's decrease in revenues. During fiscal 1994, the Company received a standby fee related to GOODWYN 'A' while awaiting commencement of drilling operations, which occurred during the first quarter of fiscal 1995. The Company receives substantially higher revenues from GOODWYN 'A' during drilling operations, resulting in an increase of revenues in fiscal 1995 over fiscal 1994. The reduction in revenues from NORTH RANKIN 'A' was due to the Company providing less labor services to this operation in fiscal 1995.

Contract drilling and management costs increased 15 percent from \$44.3 million in fiscal 1994 to \$50.8 million in fiscal 1995. This increase was primarily attributable to increased costs on the ATWOOD EAGLE and GOODWYN 'A'. An analysis of contract drilling and management costs by rig is as follows:

CONTRACT DRILLING AND  
MANAGEMENT COSTS

-----  
(In millions)

	FISCAL 1995	FISCAL 1994	VARIANCE
	-----	-----	-----
ATWOOD FALCON .....	\$ 6.4	\$ 7.0	\$(0.6)
ATWOOD HUNTER .....	7.2	7.0	0.2
ATWOOD EAGLE .....	12.7	9.9	2.8
SEAHAWK .....	5.9	6.1	(0.2)
VICKSBURG .....	3.0	2.2	0.8
RIG-19 .....	5.1	4.6	0.5
RICHMOND .....	4.1	3.6	0.5
GOODWYN 'A' .....	5.2	1.5	3.7
NORTH RANKIN 'A' .....	0.6	1.8	(1.2)
OTHER .....	0.6	0.6	0.0
	-----	-----	-----
	\$50.8	\$44.3	\$ 6.5
	=====	=====	=====

The reduction in ATWOOD FALCON costs in fiscal 1995 was due to the rig working a portion of fiscal 1994 in Australia where costs are significantly higher than in most countries of Southeast Asia. The ATWOOD HUNTER's costs have been relatively unchanged due to its stable contract status. Cost increases for the ATWOOD EAGLE were attributed to the rig working the entire year in the Australia/Indonesia Zone of Cooperation where costs are higher than in Malaysia and to costs incurred in performing certain required surveys and repairs during the last two weeks of September 1995. In fiscal 1994, the VICKSBURG and RIG-19 received some personnel tax refunds which accounted for the increase in costs as no such refunds were received in fiscal 1995. Like the ATWOOD EAGLE, the RICHMOND had to undergo certain surveys and repairs in August 1995 which accounted for its operating cost increases. The increase in GOODWYN 'A' operating costs related directly to the commencement of drilling operations. Even though the Company does not own this facility, the Company does provide personnel and other operating support services. The decline in NORTH RANKIN 'A' costs was due to a reduction in personnel services provided to this operation.

The Company acquired the remaining 50 percent interest in the ATWOOD FALCON, ATWOOD HUNTER and ATWOOD EAGLE on the basis that these facilities are "state-of-the-art" drilling rigs and will remain long-term productive assets. Effective January 1, 1995, management increased its estimated depreciable lives on these rigs by an additional five years. The effect of the change in depreciable lives was \$2.7 million

reduction in depreciation for the last nine months of fiscal 1995 compared to fiscal 1994 and a corresponding increase in net income in fiscal year 1995 of approximately \$1.8 million or \$.27 per share. An analysis of depreciation expense by rig is as follows:

DEPRECIATION EXPENSE		
-----		
(In millions)		
	FISCAL 1995	FISCAL 1994
	-----	-----
ATWOOD FALCON .....	\$ 3.1	\$ 4.5
ATWOOD HUNTER .....	1.8	2.5
ATWOOD EAGLE .....	2.2	2.9
SEAHAWK .....	2.3	2.2
VICKSBURG .....	0.0	0.0
RIG-19 .....	1.2	1.2
RICHMOND .....	0.3	0.0
OTHER .....	0.2	0.3
	-----	-----
	\$11.1	\$13.6
	=====	=====

At the time the Company acquired the remaining interest in the ATWOOD FALCON, ATWOOD HUNTER and ATWOOD EAGLE, effective as of December 31, 1994, these rigs were incurring net losses, 50 percent of which were allocated to the limited partner. As a result of this acquisition, for the last nine months of fiscal year 1995, there was no accounting for a minority interest.

In fiscal 1995, the Company sold 33,000 shares of Mobil Corporation common stock at a realized gain of \$2.4 million. Investment income in fiscal years 1995 and 1994 of \$2.8 million virtually offset interest expense for both years. Foreign tax expense increased from approximately \$500,000 in fiscal 1994 to \$1.6 million in fiscal 1995, which accounted for substantially all of the increase in the provision for income taxes.

#### LIQUIDITY AND CAPITAL RESOURCES

During fiscal 1996, operating cash flows (before changes in working capital and other assets and liabilities) increased 36 percent from \$14.9 million in fiscal 1995 to \$20.3 million, while working capital increased from \$13.8 million in fiscal 1995 to \$26.2 million. These increases were due to improved operating results. During fiscal 1996, the Company utilized internal funds to invest approximately \$3 million in completing the construction of RIG-200, to purchase approximately \$7 million in capital equipment for the ATWOOD HUNTER, ATWOOD SOUTHERN CROSS and other rigs, to repay approximately \$6 million of bank debt and to reduce accounts payable by approximately \$4 million. The Company ended fiscal 1996 with \$40.5 million in cash and securities compared to \$37.9 million at September 30, 1995.

In June 1996, the Company was awarded a contract for the ATWOOD HUNTER to work on a firm two-year plus a one-year option Gulf of Mexico deep water drilling program commencing in mid-1997. The option for the third year has subsequently been exercised. The rig will be enhanced to drill in 3,500 feet of water, and the Company will upgrade equipment and relocate the rig from Southeast Asia to the United States Gulf of Mexico in mid-1997 at an aggregate cost of approximately \$42 to \$45 million. The contract provides for a \$10 million mobilization fee which will offset a portion of the Company's costs.

The ATWOOD FALCON and ATWOOD EAGLE, with current contracts that could expire in November 1997, are also candidates for upgrade opportunities following completion of their current drilling programs. The Company will pursue profitable rig upgrade contract opportunities for both of these rigs which could require upgrade investments of approximately \$50 million per rig to achieve up to 3,500 feet water depth drilling capability. Any substantial upgrade project could take from six to seven months to complete.

The ATWOOD SOUTHERN CROSS, which was purchased by the Company in 1993, remains idle in Australia as the Company continues to pursue a future contract opportunity. The Company believes approximately \$25 million will be required to mobilize, refurbish and upgrade the rig to achieve 2,000 feet water

depth drilling capability. The Company has made commitments to purchase approximately \$5 million of long-lead time equipment for such an upgrade. The Company continues to actively market this rig and is optimistic that a profitable contract opportunity will be identified for the rig.

The VICKSBURG, a 300 foot jack-up currently working in production mode in Australia, is also a candidate for upgrade. Depending on market conditions and potential customer requirements, the Company's options upon completion of the current contract (which could extend to January 1998) range from returning this rig to drilling mode at costs of approximately \$1 to \$3 million or undertaking a substantial upgrade at costs of approximately \$10 to \$30 million. The Company currently estimates that expenditures of approximately \$30 million would enable the rig to be upgraded to provide for cantilevering for extended reach drilling, increasing leg lengths, adding a top drive and providing other enhanced drilling capabilities. The Company will evaluate the various utilization alternatives for the VICKSBURG during fiscal 1997 in light of market conditions and contract opportunities.

At September 30, 1996, the Company continued to have approximately \$22.6 million invested in United States treasury bonds with maturities in the years 2000 and 2001. The Company's portfolio of accounts receivable is comprised of major international corporate entities with stable payment experiences. The Company continues to experience no difficulties in receivable collections.

At September 30, 1996, long-term notes payable consisted of \$32.2 million payable to a bank group which is secured by preferred mortgages on the ATWOOD HUNTER and the ATWOOD EAGLE and an unsecured \$2.3 million note payable in three remaining annual \$750,000 installments. The Company has a \$10 million short-term line of credit with a bank that is secured by the pledge of a portion of the Company's United States treasury bonds, with no outstanding borrowings under this line of credit at September 30, 1996. The Company also has a \$3 million unsecured short-term line of credit with a bank to support the issuance of standby letters of guarantee, with approximately \$1 million in commitments under this facility at September 30, 1996.

In the past three years, the Company's capital requirements have been funded primarily from cash on hand and from operating cash flow. As the planned and possible rig upgrade opportunities are pursued, the Company expects to seek additional funding. A substantial portion of the planned ATWOOD HUNTER upgrade could be funded through cash on hand, operating cash flow and the Company's existing \$10 million line of credit. The Company would expect to finance additional upgrade expenditures through a combination of operating cash flow, equity or debt financing offerings or a sale of investment securities. The Company continues to periodically review and adjust its planned capital expenditures in light of current market conditions.

Atwood Oceanics, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS

(In thousands)	September 30,	
	1996	1995
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,565	\$ 11,984
Accounts receivable	16,687	13,425
Inventories of materials and supplies, at lower of average cost or market	5,454	4,904
Deferred tax assets	1,510	1,200
Prepaid expenses	2,954	2,753
	44,170	34,266
SECURITIES HELD FOR INVESTMENT:		
Held-to-maturity, at amortized cost	22,576	22,422
Available-for-sale, at fair value	351	3,516
	22,927	25,938
PROPERTY AND EQUIPMENT, at cost:		
Drilling vessels, equipment and drill pipe	191,801	183,171
Other	4,810	4,569
	196,611	187,740
Less - accumulated depreciation	105,487	96,313
	91,124	91,427
DEFERRED COSTS AND OTHER ASSETS	1,088	1,222
	\$159,309	\$152,853
	=====	=====

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

Atwood Oceanics, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS

September 30,

(In thousands, except share data)	1996	1995
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Estimated current maturities of long-term notes payable	\$ 7,933	\$ 3,750
Short-term note payable	---	1,500
Accounts payable	2,615	6,260
Accrued liabilities	7,471	8,995
	-----	-----
Total Current Liabilities	18,019	20,505
	-----	-----
LONG-TERM NOTES PAYABLE, net of estimated current maturities	26,540	35,569
	-----	-----
<b>DEFERRED CREDITS:</b>		
Income taxes	2,289	1,334
Other	6,907	553
	-----	-----
	9,196	1,887
	-----	-----
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, no par value; 1,000,000 shares authorized, none outstanding	---	---
Common stock, \$1 par value; 10,000,000 shares authorized with 6,691,000 and 6,629,000 issued and outstanding in 1996 and 1995, respectively	6,691	6,629
Paid-in capital	55,470	54,771
Net unrealized holding gain (loss) on available-for-sale securities	(139)	1,328
Retained earnings	43,532	32,164
	-----	-----
Total Shareholders' Equity	105,554	94,892
	-----	-----
	\$159,309	\$152,853
	=====	=====

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

Atwood Oceanics, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)	For Years Ended September 30,		
	1996	1995	1994
<b>REVENUES:</b>			
Contract drilling	\$78,555	\$70,715	\$63,640
Contract management	900	1,516	2,335
	-----	-----	-----
	79,455	72,231	65,975
	-----	-----	-----
<b>COSTS AND EXPENSES:</b>			
Contract drilling	50,912	50,241	42,799
Contract management	628	585	1,529
Depreciation	9,742	11,134	13,618
General and administrative	5,113	4,485	4,324
	-----	-----	-----
	66,395	66,445	62,270
	-----	-----	-----
<b>OPERATING INCOME</b>	<b>13,060</b>	<b>5,786</b>	<b>3,705</b>
	-----	-----	-----
<b>OTHER INCOME (EXPENSE):</b>			
Interest expense	(2,522)	(2,936)	(2,892)
Investment income	2,510	2,804	2,819
Realized gain on sale of securities	2,795	2,370	---
	-----	-----	-----
	2,783	2,238	(73)
	-----	-----	-----
<b>INCOME BEFORE MINORITY INTEREST AND INCOME TAXES</b>	<b>15,843</b>	<b>8,024</b>	<b>3,632</b>
<b>MINORITY INTEREST IN LOSS OF PARTNERSHIPS</b>	<b>---</b>	<b>908</b>	<b>3,303</b>
	-----	-----	-----
<b>INCOME BEFORE INCOME TAXES</b>	<b>15,843</b>	<b>8,932</b>	<b>6,935</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>4,475</b>	<b>1,872</b>	<b>726</b>
	-----	-----	-----
<b>NET INCOME</b>	<b>\$11,368</b>	<b>\$ 7,060</b>	<b>\$ 6,209</b>
	=====	=====	=====
<b>EARNINGS PER COMMON SHARE</b>	<b>\$ 1.71</b>	<b>\$ 1.07</b>	<b>\$ .94</b>
	=====	=====	=====
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>6,664</b>	<b>6,591</b>	<b>6,582</b>
	=====	=====	=====

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

Atwood Oceanics, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For Years Ended September 30,		
	1996	1995	1994
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 11,368	\$ 7,060	\$ 6,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation .....	9,742	11,134	13,618
Amortization of deferred items .....	604	429	531
Deferred federal income tax provision (benefit) .....	1,400	(400)	(150)
Gain on sale of securities .....	(2,795)	(2,370)	--
Gain on sale of equity in Indian joint venture .....	--	--	(201)
Minority interest in loss of partnerships .....	--	(908)	(3,303)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable .....	(3,412)	490	(3,147)
Increase (decrease) in accounts payable .....	(3,645)	2,532	670
Increase (decrease) in accrued liabilities .....	(1,524)	2,422	731
Prepayment of mobilization fees .....	3,000	--	--
Other .....	2,216	(1,192)	(358)
	5,586	12,137	8,391
Net Cash Provided by Operating Activities .....	16,954	19,197	14,600
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of securities .....	3,738	3,343	--
Capital expenditures .....	(6,660)	(4,545)	(6,412)
Investment in Rig-200 .....	(2,866)	(7,872)	(310)
Acquisition of interest in partnerships .....	--	(13,275)	--
Proceeds from sale of equity in Indian joint venture ...	--	--	1,300
Payments received on notes receivable .....	--	202	404
Net Cash Used by Investing Activities .....	(5,788)	(22,147)	(5,018)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from exercises of stock options .....	761	545	--
Principal payments on long-term notes .....	(4,846)	(3,130)	(3,000)
Net payments to limited partner .....	--	(100)	(550)
Proceeds (repayment) of short-term note payable .....	(1,500)	1,500	--
Net Cash Used by Financing Activities .....	(5,585)	(1,185)	(3,550)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	5,581	(4,135)	6,032
CASH AND CASH EQUIVALENTS, at beginning of period .....	11,984	16,119	10,087
CASH AND CASH EQUIVALENTS, at end of period .....	\$ 17,565	\$ 11,984	\$ 16,119
Supplemental disclosure of cash flow information:			
Cash paid during the year for domestic and foreign income taxes .....	\$ 2,660	\$ 1,558	\$ 1,657
Cash paid during the year for interest .....	\$ 2,478	\$ 2,552	\$ 2,380

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

Atwood Oceanics, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN  
SHAREHOLDERS' EQUITY

(In thousands)	Common Shares	Stock Amount	Paid-in Capital	Unrealized Holding Gain (Loss)	Retained Earnings
September 30, 1993 .....	6,582	\$6,582	\$54,273	\$ --	\$18,895
Net income .....	--	--	--	--	6,209
September 30, 1994 .....	6,582	6,582	54,273	--	25,104
Unrealized holding gain .....	--	--	--	1,328	--
Exercises of employee stock options .....	47	47	498	--	--
Net income .....	--	--	--	--	7,060
September 30, 1995 .....	6,629	6,629	54,771	1,328	32,164
Unrealized holding gain at September 30, 1995 realized upon sale of securities in 1996	--	--	--	(1,482)	--
Decrease in unrealized holding loss	--	--	--	15	--
Exercises of employee stock options .....	62	62	699	--	--
Net income .....	--	--	--	--	11,368
September 30, 1996 .....	6,691	\$6,691	\$55,470	\$ (139)	\$43,532

Preferred stock, no par value, of 1,000,000 shares was authorized in 1975 and no shares have been issued.

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Board of Directors of Atwood Oceanics, Inc.:

We have audited the accompanying consolidated balance sheets of Atwood Oceanics, Inc. (a Texas corporation) and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atwood Oceanics, Inc. and subsidiaries as of September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP  
ARTHUR ANDERSEN LLP

Houston, Texas  
November 15, 1996

Atwood Oceanics, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 - NATURE OF OPERATIONS

Atwood Oceanics, Inc. together with its wholly-owned subsidiaries (collectively referred to herein as the "Company"), is engaged in the business of international offshore drilling of exploratory and developmental oil and gas wells and related support, management and consulting services. Presently, the Company owns and operates a modern fleet of seven mobile offshore rigs and one modular platform rig, as well as manages the operations of two operator-owned platform rigs in Northwest Australia. The Company also owns a fifty percent interest in a new generation platform rig. Currently, the Company is involved in active operations in the territorial waters of Australia, Malaysia, Equatorial Guinea, United States and the Malaysian/Thailand Joint Development Area.

Demand for drilling equipment is dependent on the exploration and development programs of oil and gas companies, which is in turn influenced by the financial conditions of such companies, by general economic conditions, by prices of oil and gas, and from time to time, by political considerations and policies. The Company's business operations are subject to the risks associated with a business having a limited number of customers for which it can operate at any given time. A decrease in the drilling programs of customers in the areas where the Company is employed may adversely affect the Company's revenues. The contracts under which the Company operates its drilling rigs are obtained either through individual negotiations with the customer or by submitting proposals in competition with the other drilling contractors and vary in their terms and conditions. The Company competes with several other drilling contractors, most of which are substantially larger than the Company and possess appreciably greater financial and other resources. Price competition is generally the most important factor in the drilling industry, but the technical capability of specialized drilling equipment and personnel at the time and place required by customers is also important. Other competitive factors include work force experience, rig suitability, efficiency, condition of equipment, reputation and customer relations. The Company believes that it competes favorably with respect to these factors.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## CONSOLIDATION -

The consolidated financial statements include the accounts of Atwood Oceanics, Inc. ("AOI") and all of its wholly owned domestic and foreign subsidiaries. The Company's 50 percent undivided interest in RIG-200 is accounted for using the proportionate consolidation method (see Note 4). Prior to December 31, 1994, AOI owned a 50 percent interest in two Texas limited partnerships, Atwood Deep Seas, Ltd. ("Deep Seas") and Atwood Falcon I, Ltd. ("Falcon Ltd."), the accounts of which were included in the Company's consolidated financial statements. The limited partner's interest in the net assets and loss of the two partnerships was reflected in the Company's financial statements as "minority interest in partnerships". (See Note 4 - "Acquisition of Interest in ATWOOD HUNTER, ATWOOD EAGLE and ATWOOD FALCON"). All significant intercompany accounts and transactions have been eliminated in consolidation.

## FOREIGN EXCHANGE -

The U.S. dollar is the functional currency for all areas of operations of the Company. Accordingly, monetary assets and liabilities denominated in foreign currency are remeasured to U.S. dollars at the rate of exchange in effect at the end of the year, items of income and expense are remeasured at average monthly rates, and property and equipment and other nonmonetary amounts are remeasured at historical rates. Gains and losses on foreign currency transactions and remeasurements are included in drilling costs in the consolidated statements of operations. The Company realized a foreign exchange gain of \$240,000 in 1996, with foreign exchange losses of \$155,000 and \$417,000 incurred in 1995 and 1994, respectively.

## DEPRECIATION, MAINTENANCE AND RETIREMENT POLICIES -

Depreciation is provided on the straight-line method over the following estimated useful lives of the various classifications of assets:

	Years -----
Drilling vessels and related equipment	5-15
Drill pipe	3
Furniture and Other	3-10

Maintenance, repairs and minor replacements are charged against income as incurred; major replacements and upgrades are capitalized and depreciated over the remaining useful life of the asset as determined upon completion of the work. The cost and related accumulated depreciation of assets sold, retired or otherwise disposed are removed from the accounts at the time of disposition, and any resulting gain or loss is reflected in the consolidated statements of operations for the applicable period.

## DEFERRED COSTS -

The Company defers the costs of moving a drilling rig to a new area and amortizes such costs on a straight-line basis over the life of the applicable drilling contract. There were no unamortized mobilization costs at September 30, 1996 or 1995.

The Company defers the cost of scheduled drydocking and the cost is charged to expense over the period to the next scheduled drydocking (normally 30 months).

## FEDERAL INCOME TAXES -

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end given the provisions of enacted tax laws.

## REVENUE RECOGNITION -

The Company accounts for drilling and management contract revenues using the percentage of completion method of accounting, under which revenues are recognized on a daily basis as earned. Mobilization revenues are first used to cover the costs of mobilization with the excess revenues deferred and amortized on a straight-line basis over the life of the applicable drilling contract. At September 30, 1996, deferred revenues totaling \$3 million were included in other deferred credits on the accompanying consolidated balance sheet. There were no deferred revenues at September 30, 1995.

## CASH AND CASH EQUIVALENTS -

Cash and cash equivalents consist of cash in banks and certificates of deposit which mature within three months of the date of purchase.

## RECEIVABLES -

Based upon the Company's historical collection of accounts receivable, the Company has not established an allowance for doubtful accounts.

INVESTMENTS -

Investments in held-to-maturity securities are stated at the amortized cost at the balance sheet date. The Company has the ability and intent to hold such securities to maturity. At September 30, 1996 and 1995, investments in available-for-sale securities are carried at fair value with the unrealized holding gain or loss, net of deferred tax, included in shareholders' equity.

EARNINGS PER COMMON SHARE -

Earnings per common share was computed by dividing net income by the weighted average number of shares of common stock outstanding during each period. The dilutive effect of stock options is immaterial.

STOCK-BASED COMPENSATION -

The Company accounts for employee stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, the adoption of SFAS No. 123, "Accounting for Stock-Based Compensation" in fiscal 1996 had no effect on the Company's results of operations.

USE OF ESTIMATES -

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

RECLASSIFICATIONS -

Certain reclassifications have been made to fiscal 1995 and fiscal 1994 financial statements to conform to the fiscal 1996 classifications.

NOTE 3 - SECURITIES HELD FOR INVESTMENT

At the beginning of fiscal year 1995, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which had an immaterial effect on the consolidated balance sheet and had no effect on reported earnings. All of the Company's investments in equity securities are classified as "available-for-sale" and accordingly, are reflected in the September 30, 1996 and 1995 Consolidated Balance Sheets at fair value, with the aggregate unrealized gain or loss, net of related deferred tax liability or asset, included in shareholders' equity. All of the Company's investment in United States Treasury Bonds (which mature in 2000 and 2001) are classified as "held-to-maturity" and accordingly, are reflected in the September 30, 1996 and 1995 Consolidated Balance Sheets at amortized cost.

During fiscal 1996 and fiscal 1995, 32,000 shares and 33,000 shares of Mobil Corporation common stock were sold for \$3.7 million and \$3.3 million resulting in realized gains, using average cost, of \$2.8 million and \$2.4 million, respectively. An analysis of the Company's investment in marketable securities at September 30, 1996 and 1995 is as follows (in thousands):

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
	-----	-----	-----
1996 -			
Equity Securities	\$ 561	\$ (210)	\$ 351
United States			
Treasury Bonds	22,576	1,387	23,963
	-----	-----	-----
	\$23,137	\$ 1,177	\$24,314
	=====	=====	=====
1995 -			
Equity Securities	\$ 1,504	\$ 2,012	\$ 3,516
United States			
Treasury Bonds	22,422	2,204	24,626
	-----	-----	-----
	\$23,926	\$ 4,216	\$28,142
	=====	=====	=====

## NOTE 4 - PROPERTY AND EQUIPMENT

## RIG-200 -

In August 1994, Atwood Oceanics West Tuna Pty. Ltd. ("West Tuna"), an Australian Company owned 50 percent by the Company and 50 percent by Helmerich & Payne, Inc. ("H&P") (current owner of 24 percent of the Company's outstanding common stock), was awarded a term contract for the design, construction and operation of a new generation platform rig. The Company and H&P entered into a joint venture agreement to construct, install and operate the new rig. RIG-200 was constructed in the United States during calendar year 1995; however, due to project delays in Australia unrelated to the Company's and H&P's activities, West Tuna was advised to delay shipment of the rig to Australia until September 1996. Under terms of the contract, a holding dayrate has been received since January 1, 1996. In addition, West Tuna received a \$6 million partial prepayment of a \$10 million mobilization fee originally due upon commencement of operations in Australia. The Company's \$3 million portion of this prepayment is reflected in "Other Deferred Credits" in the September 30, 1996 Consolidated Balance Sheet.

Since the Company has a 50 percent undivided ownership interest in RIG-200 and is actively involved in its operations, the Company accounts for its investment in the rig on a proportionate consolidation method. Accordingly, the Company's \$11 million investment in RIG-200 at September 30, 1996, is reflected in "Drilling Vessels, Equipment and Drill Pipe" in the Consolidated Balance Sheet, with 50 percent of the rig's operating results for fiscal year 1996 reflected in the Company's Consolidated Statement of Operations.

## ACQUISITION OF INTEREST IN ATWOOD HUNTER, ATWOOD EAGLE AND ATWOOD FALCON -

Effective as of December 31, 1994, the Company acquired the remaining 50 percent interest in the ATWOOD HUNTER, ATWOOD EAGLE and the ATWOOD FALCON, at an aggregate purchase price of approximately \$36 million. This purchase price consisted of approximately \$13 million cash and the issuance or assumption of debt totaling approximately \$23 million. Combined with the Company's previous 50 percent ownership, the Company became the sole owner of these semisubmersible rigs. The transaction was accounted for using the purchase method of accounting.

When the Company acquired its initial interest in these rigs in fiscal 1990, their estimated useful lives for depreciation purposes were ten years. The Company acquired the remaining 50 percent interest in these rigs on the basis that they will remain long-term productive assets; therefore, effective January 1995 management increased the estimated useful lives of these rigs by an additional five years. The effect of the change in depreciable lives was a \$2.7

million reduction in depreciation for the last nine months of fiscal 1995 compared to fiscal 1994 and a corresponding increase in net income of \$1.8 million or \$.27 per share.

ATWOOD HUNTER -

In June 1996, the Company entered into a contract with British-Borneo Petroleum Inc. for the use of the ATWOOD HUNTER on a firm two year plus a one-year option Gulf of Mexico deep water drilling program commencing in mid-1997. The option for the third year has subsequently been exercised. To enable the ATWOOD HUNTER to perform this contract, the Company has committed to upgrade equipment and relocate the rig from Southeast Asia to the United States Gulf of Mexico at an aggregate cost of approximately \$42 to \$45 million. The contract also requires the payment of a \$10 million mobilization fee which will offset a portion of the Company's costs.

ATWOOD SOUTHERN CROSS -

In October 1993, the Company purchased the ATWOOD SOUTHERN CROSS, a second-generation semisubmersible which has been idle in Australia since the end of 1992, for \$1.5 million. The Company believes approximately \$25 million will be required to mobilize, refurbish and upgrade the rig to achieve 2,000 feet water depth drilling capability. The Company has incurred approximately \$1.8 million in capitalized costs to prepare the rig for various utilization alternatives and has made commitments to purchase approximately \$5 million of long-lead time upgrade equipment for such an upgrade. The Company continues to actively market the rig and remains optimistic that a profitable contract opportunity will be identified for the rig.

ADOPTION OF FASB STATEMENT NO. 121 -

In fiscal 1995, the Company adopted SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of". Since adoption, SFAS No. 121 has had no impact on the Company's financial statements.

NOTE 5 - NOTES PAYABLE

LONG-TERM NOTES PAYABLE -

A summary of long-term notes payable is as follows (in thousands):

	1996	1995
	----	----
Notes payable to bank group by Deep Seas, bearing interest (market adjustable) at approximately 7 percent per annum at September 30, 1996 .....	\$32,223	\$36,319
Term note, bearing interest at 6 percent per annum .....	2,250	3,000
	-----	-----
	34,473	39,319
Less - estimated current maturities .....	7,933	3,750
	-----	-----
	\$26,540	\$35,569
	=====	=====

Required principal payments on the bank group debt are \$750,000 per quarter through December 31, 1997, with a final balloon payment of the remaining balance payable in March 1998. The loan documents with the bank group require that additional principal payments be made each quarter if quarterly cash flow exceeds a defined level. Due to a significant improvement in Deep Seas' operating results, Deep Seas made additional principal payments to the bank group of approximately \$1.1 million and \$2.2 million in July 1996 and October 1996, respectively. The October 1996 payment is reflected in year-end estimated current maturities. Estimated additional principal payments of approximately \$2 million will be required based on the estimated excess cash flow of Deep Seas during the first quarter of fiscal year 1997 (included in estimated current maturities of long-term debt). The bank group's collateral for the long-term notes consists principally of preferred mortgages on the ATWOOD HUNTER and ATWOOD EAGLE. The loan documents also prohibit the cash payment of management fees, profits and certain other cash disbursements by Deep Seas prior to the time the notes are paid in full. There is also an annual limit on the amount of capital expenditures that can be made by Deep Seas. In fiscal 1995, Deep Seas obtained a waiver from the Bank Group with respect to expenditures which exceeded the capital expenditures limit, and it is anticipated that a similar waiver will be required in fiscal 1997 in connection with the upgrade of the ATWOOD HUNTER (see Note 4).

A portion of the purchase price of the limited partner's interest is the ATWOOD HUNTER, ATWOOD FALCON and ATWOOD EAGLE (see Note 4) included the issuance of a \$3 million unsecured note payable in four annual \$750,000 installments.

The estimated maturities of long-term debt are as follows (in thousands):

FISCAL YEAR	AMOUNT
-----	-----
1997	\$ 7,933
1998	25,790
1999	750
	-----
	\$ 34,473
	=====

#### LINES OF CREDIT -

The Company has a \$10 million short-term line of credit with a bank that is secured by the pledge of a portion of the Company's United States treasury bonds. This line of credit is used to satisfy short-term working capital requirements. At September 30, 1996, there were no outstanding borrowings under this line of credit. At September 30, 1995, \$1.5 million bearing interest of 6 percent was borrowed under this line of credit.

The Company also has a \$3 million unsecured short-term line of credit with a bank to support issuance, when required, of standby letters of guarantee and the Indian tax guarantee (see Note 6). At September 30, 1996, standby letters of guarantee in the aggregate amount of approximately \$1 million were outstanding under this facility.

#### NOTE 6 - INCOME TAXES

Domestic and foreign income (loss) before income taxes and minority interest for the three years ended September 30, 1996 are as follows (in thousands):

	1996	1995	1994
	-----	-----	-----
Domestic income (loss)	\$ 17,508	\$ 6,237	\$ (2,869)
Foreign income (loss)	(1,665)	1,787	6,501
	-----	-----	-----
	\$ 15,843	\$ 8,024	\$ 3,632
	=====	=====	=====

The provision (benefit) for domestic and foreign taxes on income consists of the following (in thousands):

	Fiscal 1996	Fiscal 1995	Fiscal 1994
Current domestic provision .....	\$ 452	\$ 700	\$ 400
Deferred domestic provision (benefit)	1,400	(400)	(150)
Current foreign provision .....	2,623	1,572	476
	-----	-----	-----
	\$4,475	\$ 1,872	\$ 726
	=====	=====	=====

Effective October 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes". As of October 1, 1993, there was no cumulative effect of the accounting change for income taxes reflected in the Company's statement of operations. The components of the deferred income tax assets (liabilities) as of September 30, 1996 and 1995 are summarized as follows (in thousands):

	September 30,	
	1996	1995
	-----	-----
Deferred tax assets -		
Net operating loss carryforwards .....	\$ 2,950	\$ 4,570
Investment tax credit carryforwards .....	2,460	3,620
Book reserves .....	1,530	1,730
Difference in book and tax basis of equipment	2,980	5,590
	-----	-----
	9,920	15,510
	-----	-----
Deferred tax liabilities -		
Income recognized for tax in excess of book .	5,970	7,870
Deferred charges .....	450	430
Unrealized holding gain (loss) on available-for-sale securities .....	(71)	684
	-----	-----
	6,349	8,984
	-----	-----
Net deferred tax assets before valuation allowance .....	3,571	6,526
Valuation allowances .....	(4,350)	(6,660)
	-----	-----
Net deferred tax asset (liability) .....	\$ (779)	\$ (134)
	=====	=====
Net current deferred tax assets .....	\$ 1,510	\$ 1,200
Net noncurrent deferred tax liabilities .....	(2,289)	(1,334)
	-----	-----
Net deferred tax asset (liability) .....	\$ (779)	\$ (134)
	=====	=====

U.S. deferred taxes have not been provided on foreign earnings totaling approximately \$3.8 million which are permanently invested abroad. Foreign tax credits totaling approximately \$600,000 are available to reduce the U.S. taxes on such amounts.

The differences between the statutory and the effective income tax rate are as follows:

	Fiscal 1996	Fiscal 1995	Fiscal 1994
	----	----	----
Statutory income tax rate .....	34%	34%	34%
Increase (decrease) in tax rate resulting from -			
Foreign tax rate differentials, net of Foreign			
tax credit utilization.....	12	1	(18)
Book depreciation on partnerships'			
assets with no tax basis .....	-	-	19
Investment tax credits .....	-	-	(14)
Change in valuation allowance .....	(15)	(10)	-
Financial income not subject to domestic			
income taxes .....	-	(1)	(2)
Other, net .....	(3)	(3)	(9)
	----	----	----
Effective income tax rate .....	28%	21%	10%
	===	===	===

The Company has United States net operating loss carryforwards totaling \$8.7 million which expire in the fiscal years 2001 through 2003 and investment tax credit carryforwards totaling \$2.5 million which expire in the fiscal years 1997 through 2001. Due to various utilization limitations, management estimates that a significant portion of these tax attributes will not be available to reduce future tax obligations; accordingly, a \$4.4 million valuation allowance is recorded as of September 30, 1996

For several years, the Company has pursued legal action to collect certain tax refund claims in India. As a result of favorable court decisions in India, and upon the Company providing a letter of guarantee, the Company received a tax refund in 1994 of \$639,000 (net of taxes on interest and other related expense), which is reflected in the balance sheet as other deferred credits, pending ultimate resolution of the issue by the Indian High Court.

#### NOTE 7 - CAPITAL STOCK

The Company has a stock option plan ("Stock Plan") under which non-qualified and incentive stock options may be granted to officers and key employees through December 5, 2000. The maximum number of shares of common stock that may be granted under the Stock Plan is 330,000. The Company also has options outstanding to purchase 23,100 shares under an incentive stock option plan ("Incentive Plan") which expired for future grant purposes on November 17, 1991. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant, and all outstanding options have a maximum term of 10 years. Under the Incentive Plan, options vest over a period from the fifth to the tenth year from the date of grant and under the Stock Plan, options vest over a period from the second to the fifth year from the date of grant.

A summary of the status of the Company's plans as of September 30, 1996, 1995 and 1994, and changes during the years ended on those dates is presented below:

	1996		1995		1994	
	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
Outstanding at beginning of year	240,100	\$12.29	254,500	\$12.19	258,800	\$12.44
Granted	75,500	34.49	32,000	13.13	44,000	13.38
Exercised	(62,200)	12.23	(46,400)	11.75	---	---
Forfeited	---	---	---	---	(18,000)	12.79
Expired	---	---	---	---	(30,300)	16.25
Outstanding at end of year	253,400	\$18.92	240,100	\$12.29	254,500	\$12.19
Exercisable at end of year	82,338	\$12.04	79,987	\$12.12	58,300	\$12.48
Available for grant at end of year	---	---	75,500	---	107,500	---
Weighted-average fair value of options granted during the year	\$ 13.35	---	---	---	---	---

The following table summarizes information about stock options outstanding at September 30, 1996:

RANGE OF EXERCISE PRICES	Options Outstanding			Options Exercisable	
	NUMBER OUTSTANDING AT 9/30/96	WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 9/30/96	WEIGHTED-AVERAGE EXERCISE PRICE
\$9.75 to 12.25	69,125	4.8 years	\$ 10.81	36,402	\$ 10.53
13.00 to 14.75	108,775	6.4 years	13.28	45,936	13.24
33.25 to 37.94	75,500	9.5 years	34.49	---	---
9.75 to 37.94	253,400	6.9 years	\$ 18.92	82,338	\$ 12.04

As permitted by SFAS No. 123, the Company applies APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans. Had compensation costs been determined based on the fair value at the grant dates for awards made in fiscal 1996 consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except for per share amounts):

Net Income	As reported	\$11,368
	Pro forma	11,291
Earnings per share	As reported	\$ 1.71
	Pro forma	1.69

The fair value of grants made in fiscal 1996 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used: risk-free interest rate of 5.8 percent, expected volatility of 33.7 percent, expected lives of 5 years and no dividend yield.

## NOTE 8 - RETIREMENT PLAN

The Company has a contributory retirement plan (the "Plan") under which qualified participants may make contributions of up to 5% of their compensation, as defined (the basic contribution). The Company makes a contribution to the Plan equal to twice the basic contribution. Company contributions vest 100 percent to each participant beginning with the fourth year of participation. If a participant terminates employment before becoming fully vested, the unvested portion is credited to the Company's account and can be used only to offset Company contribution requirements. The Company used \$58,000 of forfeitures in fiscal 1996 and \$112,000 of forfeitures in fiscal 1995 to reduce its cash contribution requirements, which resulted in actual contributions of \$738,000 in fiscal 1996 and \$637,000 in fiscal 1995. In fiscal 1994, the Company made cash contributions of \$702,000 and did not utilize any forfeitures to reduce its contribution requirements. As of September 30, 1996, there remains approximately \$74,000 of contribution forfeitures which can be utilized to reduce future Company cash contribution requirements.

## NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities included in the accompanying Consolidated Balance Sheets approximated fair value due to the short maturity of these instruments. Since the \$32.2 million note payable to the bank group has a market adjustable interest rate and a short maturity, the carrying value of this instrument approximates fair value. Although the \$2.25 million term note has a fixed 6 percent interest rate at September 30, 1996, it also approximates fair value. The Company's only financial instruments at September 30, 1996 with a fair value different from carrying value are marketable securities; the difference of which is shown in Note 3.

## NOTE 10 - CONCENTRATION OF MARKET AND CREDIT RISK

All of the Company's customers are in the oil and gas offshore exploration and production industry. This industry concentration has the potential to impact the Company's overall exposure to market and credit risks, either positively or negatively, in that the Company's customers could be affected by similar changes in economic, industry or other conditions. However, the Company believes that the credit risk posed by this industry concentration is offset by the creditworthiness of the Company's customer base. The Company's portfolio of accounts receivable is comprised of major international corporate entities and government organizations with stable payment experience. Historically, the Company's uncollectible accounts receivable have been immaterial, and typically, the Company does not require collateral for its receivables.

Drilling revenues for fiscal 1996 include \$25.6 million, \$11.5 million and \$8.4 million in revenues received from Esso Australia Limited/Esso Production Malaysia, Inc., Carigali-Triton Operating Company Sdn. Bhd. and Mobil Equatorial Guinea Inc., respectively. Drilling revenues for fiscal 1995 include \$24.8 million, \$16.0 million and \$7.5 million in revenues from Esso Australia Limited/Esso Production Malaysia, Inc., BHP Petroleum Pty. Ltd. and Woodside Offshore Petroleum Pty. Ltd., respectively. Drilling revenues for fiscal 1994 included \$24.8 million and \$6.7 million in revenues received from Esso Australia Limited/Esso Production Malaysia, Inc. and Western Mining Corporation Limited, respectively.

## NOTE 11 - OPERATIONS BY GEOGRAPHIC AREAS

The Company is engaged in offshore contract drilling. The contract drilling operations consist of contracting Company owned or managed offshore drilling equipment primarily to major oil and gas exploration companies. Operating income (loss) is contract revenues less operating expenses. In computing operating income (loss) for each geographic area, none of the following items were considered: investment income or gains on sale of securities, general corporate expenses, interest expense, minority interest in loss of partnerships and domestic and foreign income taxes. Identifiable assets are those assets that are used by the Company in operations in each geographic area. General corporate assets are principally investments in marketable securities.

A summary of revenues, operating income and identifiable assets by geographic areas is as follows (in thousands):

	Fiscal 1996 -----	Fiscal 1995 -----	Fiscal 1994 -----
CONTRACT REVENUES:			
United States	\$ 6,208	\$ 4,981	\$ 5,483
Australia	31,043	35,314	31,192
Southeast Asia	33,774	31,936	28,935
Africa	8,430	---	---
India/Middle East	---	---	365
	-----	-----	-----
	\$ 79,455	\$ 72,231	\$ 65,975
	=====	=====	=====
OPERATING INCOME			
United States	\$ 42	\$ (603)	\$ 1,160
Australia	8,018	6,562	6,013
Southeast Asia	6,316	4,318	902
Africa	3,831	---	---
India/Middle East	(34)	(6)	(46)
General corporate expense	(5,113)	(4,485)	(4,324)
	-----	-----	-----
	\$ 13,060	\$ 5,786	\$ 3,705
	=====	=====	=====
IDENTIFIABLE ASSETS:			
United States	\$ 31,071	\$ 22,599	\$ 19,132
Australia	19,365	42,143	39,182
Southeast Asia	64,163	62,166	63,024
Africa	21,780	---	---
India/Middle East	3	7	9
General corporate	22,927	25,938	32,113
	-----	-----	-----
	\$159,309	\$152,853	\$ 153,460
	=====	=====	=====

## NOTE 12 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly results for fiscal years 1996 and 1995 are as follows:

	QUARTERS ENDED			
	DECEMBER 31,	MARCH 31,	JUNE 30,	SEPTEMBER 30,
	(In thousands, except per share amounts)			
1996				
Revenues .....	\$18,138	\$19,086	\$19,127	\$23,104
Income before income taxes	1,308	2,281	3,638	8,616(a)
Net income .....	662	1,331	2,379	6,996
Earnings per common share	.10	.20	.36	1.05
1995				
Revenues .....	\$18,306	\$18,314	\$18,548	\$17,063
Income before income taxes	1,933	2,132	3,912(b)	955
Net income .....	1,743	1,287	3,191	839
Earnings per common share	.26	.20	.48	.13

(a)The Company sold 32,000 shares of Mobil Corporation common stock which resulted in a \$2.8 million positive effect on fiscal 1996 fourth quarter results.

(b)The Company sold 33,000 shares of Mobil Corporation common stock which resulted in a \$2.4 million positive effect on fiscal 1995 third quarter results.

DIRECTORS

ROBERT W. BURGESS (3)  
Senior Vice President  
CIGNA Investment Division  
CIGNA Companies  
Bloomfield, Connecticut

GEORGE S. DOTSON (1, 2, 3)  
Vice President  
Helmerich & Payne, Inc.  
President  
Helmerich & Payne International  
Drilling Co.  
Tulsa, Oklahoma

W. H. HELMERICH, III  
Chairman  
Helmerich & Payne, Inc.  
Tulsa, Oklahoma

HANS HELMERICH (1, 3)  
President, Chief Executive Officer  
Helmerich & Payne, Inc.  
Tulsa, Oklahoma

JOHN R. IRWIN (1)  
President, Chief Executive Officer  
Atwood Oceanics, Inc.  
Houston, Texas

WILLIAM J. MORRISSEY (2)  
Bank Executive, Retired  
Elkhorn, Wisconsin

- (1) Executive Committee
- (2) Audit Committee
- (3) Compensation Committee

ANNUAL MEETING

The annual meeting of stockholders will be held on February 13, 1997 at the Company's principal office: 15835 Park Ten Place Drive, Houston, Texas. A formal notice of the meeting together with a proxy statement and form of proxy will be mailed to stockholders about January 13, 1997.

OFFICERS

JOHN R. IRWIN  
President, Chief Executive Officer

JAMES M. HOLLAND  
Senior Vice President and Secretary

GLEN P. KELLEY  
Vice President - Contracts and Administration

LARRY P. TILL  
Vice President - Operations

TRANSFER AGENT AND REGISTRAR

Liberty Bank & Trust of Oklahoma City, N.A.  
P. O. Box 25848  
100 N. Broadway, 7th Floor (73102)  
Oklahoma City, OK 73125

FORM 10-K

A copy of the Company's Form 10-K as filed with the Securities and Exchange Commission is available free on request by writing to:

Secretary, Atwood Oceanics, Inc.  
P. O. Box 218350  
Houston, Texas 77218

STOCK PRICE INFORMATION -

Atwood Oceanics, Inc. common stock is traded on The Nasdaq Stock Market (NASDAQ) under the symbol "ATWD". No cash dividends on common stock were paid in fiscal year 1995 or 1996, and none are anticipated in the foreseeable future. As of September 30, 1996, there were over 400 beneficial owners of the common stock of Atwood Oceanics, Inc. As of November 30, 1996, the closing sale price of the common stock of Atwood Oceanics, Inc., as reported by NASDAQ, was \$55.50 per share. The following table sets forth the range of high and low sales prices per share of common stock as reported by NASDAQ for the periods indicated.

QUARTERS ENDED	1995		1996	
	LOW	HIGH	LOW	HIGH
December 31	11 3/4	14 1/4	16 1/2	27
March 31	10 3/8	14 3/8	24 1/2	37 3/4
June 30	13 5/8	16 1/2	36	45 1/4
September 30	15 1/4	22 3/4	40	50 1/2

## APPENDIX

The following graphic and image information in the form of "Bar Charts" are located in the Annual Report immediately following "Highlights".

## BAR CHART - CONTRACT REVENUES (\$ MILLIONS)

1992	1993	1994	1995	1996
\$44.7	\$51.8	\$66.0	\$72.2	\$79.5

## BAR CHART - EARNINGS, BEFORE DEPRECIATION, INTEREST AND TAXES (\$ MILLIONS)

1992	1993	1994	1995	1996
\$4.3	\$9.3	\$15.3	\$20.8	\$25.3

## BAR CHART - OPERATING CASH FLOW (\$ MILLIONS)

1992	1993	1994	1995	1996
\$2.9	\$8.1	\$16.8	\$14.9	\$20.3

## BAR CHART - NET INCOME (LOSS) (\$ MILLIONS)

1992	1993	1994	1995	1996
\$(20.9)	\$(1.8)	\$6.2	\$7.1	\$11.4

## BAR CHART - CAPITAL EXPENDITURES (\$ MILLIONS)

1992	1993	1994	1995	1996
\$15.5	\$5.3	\$6.4	\$25.7	\$9.5

## BAR CHART - CASH AND SECURITIES HELD FOR INVESTMENT (\$ MILLIONS)

1992	1993	1994	1995	1996
\$33.9	\$35.0	\$41.0	\$38.1	\$40.5

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SUBSIDIARY COMPANIES AND STATE OR  
JURISDICTION OF INCORPORATION

All Oceans Drilling B.V.	Netherlands	100%
Alpha Offshore Drilling Services	Cayman Island B.W.I.	100%
Atwood Drilling Inc.	Delaware	100%
Atwood Offshore Inc.	Delaware	100%
Atwood Hunter Co.	Delaware	100%
Atwood Oceanics Australia Pty. Ltd.	Australia	100%
Atwood Oceanics Drilling Company	Texas	100%
Atwood Oceanics Drilling Pty. Ltd.	Australia	100%
Atwood Oceanics International, S.A.	Panama	100%
Atwood Oceanics (M) Sdn. Bhd.	Malaysia	100%
Atwood Oceanics (NZ) Limited	New Zealand	100%
Atwood Oceanics Pacific Limited	Cayman Island B.W.I.	100%
Atwood Oceanics Platforms Pty. Ltd.	Australia	100%
Atwood Oceanics Service Pty. Ltd.	Australia	100%
Atwood Oceanics West Tuna Pty. Ltd.	Australia	50%
Aurora Offshore Services GmbH	Germany	100%
Clearways Drilling (M) Sdn. Bhd.	Malaysia	30%
Clearways Offshore Development Drilling Sdn. Bhd.	Malaysia	30%
Deep Seas Drilling Pty. Ltd.	Australia	100%
Drillquest (M) Sdn. Bhd.	Malaysia	90%
Eagle Oceanics, Inc.	Delaware	100%
Oceandrill (M) Sdn. Bhd.	Malaysia	90%
PT Pentawood Offshore Drilling	Indonesia	80%
Swiftdrill, Inc.	Texas	100%
Swiftdrill Nigeria Limited	Nigeria	60%

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CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated November 15, 1996, incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement Nos. 33-36921 and 33-52065 on Form S-8.

/s/ ARTHUR ANDERSEN LLP  
ARTHUR ANDERSEN LLP

Houston, Texas  
December 20, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS DESCRIBED IN ITEM 14 OF THE COMPANY'S ANNUAL REPORT ON FORM 10K FOR THE YEAR ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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