



FORM 10-K

ATWOOD OCEANICS INC – ATW

Filed: December 21, 2001 (period: September 30, 2001)

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, 2001
COMMISSION FILE NUMBER 1-13167

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:
281-749-7800

Securities registered pursuant to
Section 12(b) of the Act:
Common Stock, \$1 par value
(Title of Class)

Securities registered pursuant to
Section 12(g) of the Act:
NONE

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, 2001 is \$348,000,000.

The number of shares outstanding of the issuer's class of Common Stock, as of November 30, 2001: 13,831,951 shares of Common Stock, \$1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Annual Report to Shareholders for the fiscal year ended September 30, 2001 - Referenced in Parts I, II and IV of this report. (2) Proxy Statement for Annual Meeting of Shareholders to be held February 14, 2002 - Referenced in Part III of this report.

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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 four upgraded semisubmersibles, one jack-up, one semisubmersible tender assist vessel, one semisubmersible unit purchased for future conversion to a tender assist vessel, one submersible, and a 50% interest in a self-contained platform rig. The Company also provides labor, supervisory and consulting services to two client owned self-contained platform rigs in Australia. The Company is also constructing an ultra-premium jack-up drilling unit for the international non-North Sea drilling market.

Since 1996, the Company has expended over \$250 million in upgrading its offshore mobile drilling fleet. In early November 2001, the Company completed the upgrade of the ATWOOD HUNTER at an aggregate cost of approximately \$58 million. The Company continues with its planning to upgrade the ATWOOD EAGLE during 2002 at an estimated cost of \$90 million. In July 2001, the Company entered into an agreement to construct a \$125 million ultra-premium jack-up with a scheduled delivery in June 2003. Fiscal 2001 marked the Company's eighth consecutive profitable year, with results for the year being consistent with results for 2000 and 1999. The Company's ability to continue to produce strong financial performance depends on a high demand for drilling equipment which is dependent on the exploration and development of oil and gas companies.

Historically, most of the Company's drilling operations have been conducted outside of United States waters. Approximately 82%, 72% and 76% of the Company's contract revenues were derived from foreign operations in fiscal years 2001, 2000 and 1999, respectively. In addition to operating in United States waters, the Company is currently involved in active foreign operations in the territorial waters of Australia, Israel, Malaysia, Thailand, Egypt and the Philippines. With the recent relocation of the ATWOOD HUNTER to the Mediterranean Sea, the submersible RICHMOND is the Company's only active drilling vessel located in United States waters; thus, the Company anticipates that approximately 95% of its contract revenues in fiscal 2002 will be derived from outside of United States waters. For information relating to the contract revenues, operating income and identifiable assets attributable to specific geographic areas of operations, see Note 12 of Notes to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 2001, incorporated by reference herein.

OFFSHORE DRILLING EQUIPMENT

The Company's diversified fleet of owned or operated drilling rigs currently consists of four upgraded semisubmersibles, one jack-up, one semisubmersible tender assist vessel and one semisubmersible to be converted to a tender assist vessel at a future date, one submersible, and three modular, self-contained platform rigs, in addition to the ultra-premium jack-up being constructed. 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 Company's 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 are often limited in the amount of supplies that can be stored on board.

Semisubmersible tender assist vessels operate like a semisubmersible except that their 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 the 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 water as deep 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 its 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 years 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.

The rate of compensation specified in each contract depends on the nature of the operation to be performed, the duration of the work, the amount and type of equipment and services provided, the geographic 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 profits. An over-supply of drilling rigs in any market area can adversely affect the Company's ability to employ its drilling vessels. The Company's active rig utilization for 1999, 2000 and 2001 was 77%, 71% and 80%, respectively. At the end of fiscal 2001, the Company retired RIG-19 (a platform rig located in Australia), with its equipment available for sale. The Company's other partially owned platform rig, RIG-200, has not worked since it became idle in June 1999, with the Company not anticipating the rig to work in 2002. With the exception of RIG-200 and the RICHMOND, the Company's other active drilling units have current contract commitments with terms that should keep them employed most, if not all, of fiscal 2002. However, there is no guarantee that the Company will not experience some idle time on some of its drilling units, during fiscal 2002.

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. In 2000, the Company incurred net costs of approximately \$1.2 million in relocating the ATWOOD SOUTHERN CROSS from Australia to the Mediterranean Sea. In November 2001, the Company incurred costs of approximately \$2.1 million in relocating the ATWOOD HUNTER to the Mediterranean Sea. The Company can give no assurance that it will receive full recovery of any future relocation costs.

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, suspension of operations or environmental damage through oil spillage or extensive, uncontrolled fires. The Company's operations are also subject to disruption due to terrorism. As a result of the terrorist attacks in the United States on September 11, 2001, the Company premiums for war risk insurance coverage in certain parts of the world increased 40%. 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, damage to the environment or disruption due to terrorism. 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 2001, the Company performed operations for 17 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 2001 revenues. Shell Philippines Exploration B.V., Esso Production Malaysia, Inc., and Rashid Petroleum Company accounted for 26%, 18% and 11%, respectively, of fiscal year 2001 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 approximately 10 other drilling contractors, most of which are substantially larger than the Company and possess appreciably greater financial and other resources. Although some business combinations among drilling companies have resulted in a decrease in the total number of competitors, the drilling industry still remains very competitive, with no single 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, as well as a higher risk for disruption of operations due to terrorism. Generally, the Company purchases insurance to protect against some or all losses 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 12 to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 2001, incorporated herein by reference, for a summary of contract revenues, operating income and identifiable assets by geographic region.

Because of the Company's foreign operations, its overall effective tax rate may in the future be higher than the maximum United States corporate statutory rate due to higher foreign tax rates in certain jurisdictions or less than full creditability of foreign taxes paid.

EMPLOYEES

The Company currently employs approximately 850 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.

SECURITIES LITIGATION SAFE HARBOR STATEMENT

Some of the information presented in, or in connection with, this Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed here. Some of the factors that could cause or contribute to such differences include:

- o The Company's dependence on the oil and gas industry;
- o the risks involved in the construction and upgrade of the Company's rigs;
- o the operational risks involved in drilling for oil and gas;
- o the efforts of vigorous competition;
- o the risk of disruption in operations by terrorism;
- o the risk inherent in international operations, including possible economic, political or monetary instability; and,
- o governmental regulations and environmental matters.

The words "believe", "impact", "intend", "estimate", "anticipate", "plan" and similar expressions identify forward-looking statements. These forward-looking statements are found at various places throughout the Management's Discussion and Analysis incorporated by reference in Part II and elsewhere in this report.

Undue reliance should not be placed on these forward-looking statements, which are applicable only on the date hereof. The Company and its representatives have no general obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof or to reflect the occurrence of unanticipated events.

COMPANY INFORMATION

The Company's filings made with the Securities and Exchange Commission ("SEC") may be obtained from the SEC at the physical address and internet address indicated in the Company's Annual Report to Shareholders for fiscal year 2001, incorporated herein by reference. The Company's internet address is <http://www.atwd.com>.

ITEM 2. PROPERTIES

Information regarding the location and general character of the Company's principal assets may be found in the table with the caption heading "Offshore Drilling Operations" in the Company's Annual Report to Shareholders for fiscal year 2001, which is incorporated by reference herein.

Since 1996, the Company has expended over \$250 million in upgrading all of its current active drilling units. In 1997, the ATWOOD HUNTER and ATWOOD SOUTHERN were upgraded at costs of \$40 million and \$35 million, respectively. In 1998, the ATWOOD FALCON and VICKSBURG were upgraded at costs of \$45 million and \$35 million, respectively. In 1999, the SEAHAWK was upgraded at a cost of \$22 million. In June 2000, a small water-depth upgrade was performed on the ATWOOD EAGLE along with an upgrade and refurbishment of the RICHMOND at costs of \$8 million and \$7 million, respectively. In 2001, the ATWOOD HUNTER was upgraded again to, among other things, extend its drilling water-depth capabilities to 5,000 feet at a cost of \$58 million. During fiscal year 2002, the Company is planning an additional upgrade of the ATWOOD EAGLE which is estimated to cost \$90 million. In December 2000, the Company purchased the semisubmersible unit

SEASCOUT for \$4.5 million. This unit was purchased for conversion and upgrade to a semisubmersible tender assist vessel once an acceptable contract opportunity has been secured. In July 2001, the Company contracted to construct a ultra-premium jack-up estimated to cost \$125 million, with delivery scheduled for June 2003. For more information concerning these costs, see Note 4 in Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 2001, incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

On August 31, 2000, the Company became a defendant in Bryant v. R&B Falcon Drilling USA, Inc. et al., Civil Action No. G-00-488, in the United States District Court for the Southern District of Texas-Galveston Division. In this suit, the plaintiff purported to represent a class of persons who are members of the crew aboard water-based drilling apparatuses and who accepted employment with defendants while in the United States for domestic or international employ. The plaintiff alleged the Company and a number of other offshore drilling contractors or their affiliates, all defendants in the suit, acted in concert to depress wages and benefits paid to their offshore employees. The plaintiff contended that this alleged conduct violates federal and state antitrust laws. The Company vigorously denies these allegations and in 2001 reached a settlement in principle with the plaintiff, pending final approval by the members of the class action suit. Management does not believe that the outcome of this matter will have a material effect on its business, financial position or results of operations.

The Company is party to a number of other lawsuits which are ordinary, routine litigation incidental to the Company's business, the outcome of which, individually, or in the aggregate, is not expected to have a material adverse effect on the Company's financial conditions or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

During the fourth quarter of fiscal 2001, 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 November 30, 2001, there were over 750 beneficial owners of the Company's common stock.

The Company did not pay cash dividends in fiscal years 2000 or 2001 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. The Company's revolving credit facility prohibits the Company from paying dividends on common stock.

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 2001, 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 2001, 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 2001, which is incorporated by reference herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item may be found under the caption "Disclosures About Market Risk" in the Company's Annual Report to Shareholders for fiscal 2001, 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 2001, which is incorporated by reference herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with the Company's independent public 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 14, 2002, 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 14, 2002, 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 14, 2002, 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 14, 2002, 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 19, 2001 appearing in the Company's Annual Report to Shareholders, are incorporated by reference herein:

Report of Independent Public Accountants

Consolidated Balance Sheets as of September 30, 2001 and 2000

Consolidated Statements of Operations for each of the three years in the period ended September 30, 2001

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 2001

Consolidated Statements of Changes in Shareholders' Equity for each of the three years in the period ended September 30, 2001

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.

The management contracts and compensatory plans or arrangements required to be filed as exhibits to this report are as follows:

Atwood Oceanics, Inc. 1990 Stock Option Plan - See Exhibit 10.1.1 hereof.

Form of Atwood Oceanics, Inc. Stock Option Agreement (1990 Stock Option Plan) - See Exhibit 10.1.2 hereof

Amendment No. 1 to the Atwood Oceanics, Inc. 1990 Stock Option Plan - See Exhibit 10.1.3 hereof

Form of Amendment No. 1 to the Atwood Oceanics, Inc. Stock Option Agreement (1990 Stock Option Plan) - See Exhibit 10.1.4 hereof

Atwood Oceanics, Inc. 1996 Incentive Equity Plan - See Exhibit 10.3.1 hereof.

Form of Atwood Oceanics, Inc. Stock Option Agreement (1996 Incentive Equity Plan) - See Exhibit 10.3.2 hereof

Amendment No. 1 to Atwood Oceanics, Inc. 1996 Incentive Equity Plan - See Exhibit 10.3.3. hereof

Form of Amendment No. 1 to the Atwood Oceanics, Inc. Stock Option Agreement (1996 Incentive Equity Plan) - See Exhibit 10.3.4 hereof

Amendment No. 2 to Atwood Oceanics, Inc. 1996 Incentive Equity Plan - See Exhibit 10.3.5. hereof.

(b) REPORTS ON FORM 8-K

On July 24, 2001, the Company filed a report on Form 8-K announcing that it entered into an agreement to construct a \$125 million ultra-premium jack-up drilling unit.

On August 1, 2001, the Company in conjunction with releasing its third quarter operating results furnished a report Form 8-K reporting certain information relating to Regulation FD disclosure.

On September 5, 2001, the Company furnished a report on Form 8-K providing certain information relating to Regulation FD disclosure.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant 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
DATE: 6 December 2001

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/ JAMES M. HOLLAND JAMES M. HOLLAND Senior Vice President (Principal Financial and Accounting Officer) Date: 6 December 2001	/s/ JOHN R. IRWIN JOHN R. IRWIN President and Director (Principal Executive Officer) Date: 6 December 2001
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/s/ ROBERT W. BURGESS ROBERT W. BURGESS Director Date: 6 December 2001	/s/ GEORGE S. DOTSON GEORGE S. DOTSON Director Date: 6 December 2001
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/s/ HANS HELMERICH
HANS HELMERICH
Director
Date: 6 December 2001

/s/ WILLIAM J. MORRISSEY
WILLIAM J. MORRISSEY
Director
Date: 6 December 2001

/s/ W.H. HELMERICH, III
W.H. HELMERICH, III
Director
DATE: 6 December 2001

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).
- 3.1.4 Articles of Amendment dated November 6, 1997 (Incorporated herein by reference to Exhibit 3.1.4 of the Company's Form 10-K for the year ended September 30, 1997).
- 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).
- 10.1.1 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).
- 10.1.2 Form of Atwood Oceanics, Inc. Stock Option Agreement - 1990 Stock Option Plan (Incorporated herein by reference to the Company's Form 10-K for the year ended September 30, 1999).
- 10.1.3 Amendment No.1 to the Atwood Oceanics, Inc. 1990 Stock Option Plan (Incorporated herein by reference to the Company's Form 10-K for the year ended September 30, 1999).
- 10.1.4 Form of Amendment No. 1 to the Atwood Oceanics, Inc. Stock Option Agreement 1990 Stock Option Plan (Incorporated herein by reference to the Company's Form 10-K for the year ended September 30, 1999).
- 10.2 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).
- 10.3.1 Atwood Oceanics, Inc. 1996 Incentive Equity Plan (Incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 1997).
- 10.3.2 Form of Atwood Oceanics, Inc. Stock Option Agreement - 1996 Incentive Equity Plan (Incorporated herein by reference to the Company's Form 10-K for the year ended September 30, 1999).
- 10.3.3 Amendment No. 1 to the Atwood Oceanics, Inc. 1996 Incentive Equity Plan (Incorporated herein by reference to the Company's Form 10-K for the year ended September 30, 1999).
- 10.3.4 Form of Amendment No. 1 to the Atwood Oceanics, Inc. Stock Option Agreement - 1996 Incentive Equity Plan (Incorporated herein by reference to the Company's Form 10-K for the year ended September 30, 1999).
- 10.3.5 Amendment No.2 to the Atwood Oceanics, Inc. 1996 Incentive Equity Plan (Incorporated herein by reference to the Company's Form DEF14A dated February 20, 2001).
- 10.4 Drilling Contract dated January 29, 1997 between the Company and Occidental Phillipines, Inc. (Incorporated herein by reference to the Company's Form 8-K dated July 10, 1997).
- 10.5 Credit Agreement dated July 17, 1997 between the Company and Bank One, Texas, N.A., Christiania Bank OG Kreditkasse Asa, New York Branch and Other Financial Institutions (Incorporated herein by reference to the Company's Form 8-K dated July 21, 1997).
- 10.6 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).
- 10.7 Credit Agreement dated June 30, 2000 between the Company and Bank One, N.A., and Other Financial Institutions (Incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K dated July 5, 2000).
- 10.8 Credit Agreement dated June 30, 2000 between the Company and Bank One, N.A. and Other Financial Institutions (Incorporated by reference to

Exhibit 99.2 of the Company's Form 8-K dated July 5, 2000).

10.9 Vessel Construction Agreement dated July 24, 2001 between the Company and Keppel Fels Limited to construct a KFELS Mod V Enhanced B-Class Jack-up drilling unit.

*13.1 Annual Report to Shareholders

*21.1 List of Subsidiaries

*23.1 Consent of Independent Public Accountants

* Filed herewith

</TEXT>

</DOCUMENT>

EXHIBIT 10.9

_____ KFELS

_____ ATWOOD

VESSEL CONSTRUCTION AGREEMENT
BY AND BETWEEN
ATWOOD OCEANICS PACIFIC LIMITED
AND
KEPPEL FELS LIMITED

Dated: 24 JULY 2001

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VESSEL CONSTRUCTION AGREEMENT

ATWOOD OCEANICS PACIFIC LIMITED, a corporation organized under the laws of the Cayman Islands, having its registered address at: P.O. Box 309, Ugland House, George Town, Grand Cayman, Cayman Islands, British West Indies, (hereinafter referred to as "OWNER") and Keppel FELS Limited, a corporation organized under the laws of Singapore, having its registered address at: 31 Shipyard Road, Jurong Town, Singapore 628130 (hereinafter referred to as "BUILDER"), have entered into this Vessel Construction Agreement, including the attached Annexes (hereinafter, collectively, the "Agreement") this 24th of July, 2001 (the "Effective Date").

RECITALS

WHEREAS, the BUILDER agrees to construct, equip, complete, sell and deliver the Vessel to OWNER at the Shipyard; and

WHEREAS, the OWNER agrees to purchase and take delivery of the Vessel from BUILDER at the Shipyard and to pay for the same, all upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, OWNER AND BUILDER, IN CONSIDERATION OF THE COVENANTS AND AGREEMENTS HEREINAFTER STATED, DO HEREBY DECLARE TO HAVE AGREED AS FOLLOWS:

1. DEFINITIONS

In this Agreement the following words and phrases shall have the following meanings:

- 1.1 "Annexes" shall mean the Annexes attached to this Agreement which shall be negotiated and agreed to by OWNER and BUILDER, which may, in part, define the "Work" to be performed, the "Specifications", "OWNER-Furnished Equipment," etc.; references to Annex "A", "B", "C", etc. shall refer to the specific division of Annexes as intended by this Agreement.
- 1.2 "Business Day" shall, for purposes of this Agreement, mean any day in which commercial banks are open for business in Houston and Singapore.
- 1.3 "Certificate of Acceptance" shall mean the certificate referred to and to be issued in accordance with Article 12, headed "INSPECTION, TESTING AND TRIALS", and shall be in the form as set out in Annex "B" hereto.
- 1.4 "Classification Society" shall mean the American Bureau of Shipping ("ABS").
- 1.5 "OWNER-Designated Contractor" shall mean a contractor selected by the OWNER to perform certain works or services as contemplated under Article 3.6 hereof.
- 1.6 "OWNER-Designated Equipment" shall mean all equipment, materials and services designated by the OWNER (excluding any BUILDER-Furnished Equipment specified by OWNER as described in the Specifications) to be purchased for the OWNER through the intermediary of the BUILDER for incorporation into the Vessel.
- 1.7 "OWNER-Furnished Equipment" shall mean all equipment, materials and services furnished directly to the BUILDER by the OWNER for incorporation into the Vessel as well as all engineering data and information relating to this equipment, materials and services, as set forth in Annex "D" hereto.
- 1.8 "OWNER's Personnel" shall mean all employees, agents or representatives of OWNER and its subsidiary or affiliated companies, as well as the employees, agents and representatives of OWNER's other contractors (excluding BUILDER), subcontractors or invitees.
- 1.9 "OWNER's Representative" shall mean the fully authorized representative of the OWNER, who shall act in such capacity for the purposes of this Agreement.
- 1.10 "Contract Documents" shall mean, collectively, this Agreement, the Annexes, the Rules, and any Variation Orders, all as herein defined.
- 1.11 "Contract Price" shall mean the aggregate amount in the United States Dollars specified in Article 5 of this Agreement, subject only to adjustments in accordance with the terms of this Agreement, payable by the OWNER to the BUILDER for construction and delivery of the Vessel.
- 1.12 "BUILDER's Personnel" shall mean all employees, agents and representatives of BUILDER and its subsidiary or affiliated companies, as well as the employees, agents and representatives of BUILDER's other contractors, subcontractors or invitees.

- 1.13 "BUILDER's Representative" shall mean the fully authorized representative of the BUILDER, who shall act in such capacity for purposes of this Agreement.
- 1.14 "BUILDER-Furnished Equipment" shall mean all equipment, materials and services furnished by the BUILDER to the OWNER under this Agreement, including that required by the "Specifications", as hereinafter provided in the relevant Annexes.
- 1.15 "Days" shall mean consecutive running days, Saturdays, Sundays and holidays included.
- 1.16 "Delivery Date" shall have the meaning ascribed to such term as set forth in Article 14.3
- 1.17 "Force Majeure" shall mean any and all occurrences and/or causes not within the control of the BUILDER that delay or hinder the performance of BUILDER and which BUILDER, by the exercise of due diligence, would not have been able to avoid or overcome including, without limitation, acts of God, acts of public enemies, wars, blockades, insurrections, riots, epidemics, landslides, earthquakes, floods, adverse weather conditions (including only weather conditions not to be expected for the time of the year according to Singapore Meteorological Department), but specifically excluding financial or commercial difficulties or ordinary business risks of BUILDER and absenteeism, strikes and labor disputes of BUILDER's Personnel.
- 1.18 "Project" shall mean all activities involved in the construction of the Vessel, whether set forth in the Specifications or Variations, and shall include the Work (all as hereinafter defined).
- 1.19 "Protocol of Delivery and Acceptance" shall mean that form of document attached to this Agreement as Annex "G", whereby BUILDER and OWNER shall confirm the date, time and location that BUILDER delivers and OWNER accepts the Vessel in accordance with the provisions of Article 14.
- 1.20 "Regulatory Bodies" shall mean the governmental authorities specified in Annex "A" hereto.
- 1.21 "Rules" shall mean the rules and requirements, as officially published on the Effective Date, of the Classification Society and the Regulatory Bodies as specified in the Specifications, insofar as the same are applicable to the Work.
- 1.22 "Shipyard" shall mean BUILDER's shipyard facilities located at either 31 Shipyard Road or 50 Gul Road, Jurong Town, Republic of Singapore 628130.
- 1.23 "Specifications" shall mean, collectively, the specifications, standards, pricing provisions, procedures and the drawings (including such drawings furnished or to be furnished by or on behalf of OWNER) detailing the Work to be performed as recorded in Annex "A".
- 1.24 "Variations" shall mean any and all changes, additions, alterations or deletions to the Specifications, as agreed between the OWNER and the BUILDER in accordance with Article 4, headed "AUTHORIZED WORK; VARIATIONS/CHANGES".
- 1.25 "Vessel" shall mean BUILDER's hull number B252 approximate dimensions: 234 feet long; 208 feet wide; and 25 feet deep at the side; which shall be based upon the KFELS MOD V Enhanced B-CLASS design, as described in the Specifications attached hereto as Annex "A".
- 1.26 "Work" shall mean any and all works, services, deliveries, supplies, labor and equipment, including OWNER-Designated Equipment, OWNER-Furnished Equipment (to the extent the same is installed by BUILDER), and BUILDER-Furnished Equipment, to be performed or supplied under this Agreement and as specified in the Specifications or in any approved Variation Order.
2. PERFORMANCE OF THE WORK
- 2.1 The BUILDER shall perform the Work and furnish (or cause to be furnished) all equipment, materials and labor necessary for the construction and delivery of the Vessel in accordance with the terms of this Agreement. In the event of a conflict between the body of this Agreement and any Annex hereto, the body of this Agreement shall control and govern. In the event of a conflict between the body of the Annex and its attachments (including drawings), the body of the Annex shall control and govern.
- 2.2 The BUILDER agrees to perform the Work at its Shipyard, all in a good and workmanlike manner, in accordance with that degree of skill, care and diligence ordinarily and reasonably exercised by skilled and experienced operators of shipyard facilities engaged in similar operations, and further, in accordance with:

- (a) the Specifications, including any Variations;
 - (b) the Rules;
 - (c) the Contract Price and any Variation Orders; and
 - (d) this Agreement.
- 2.3 The Vessel shall be constructed in accordance with the American Bureau of Shipping "Rules for Building and Classing Mobile Offshore Drilling Units", for classification of the Vessel as a "Maltese Cross A1 + Self-Elevating Drilling Unit". In addition, construction shall be in compliance with the International Maritime Organization's 1989 IMO MODU Code, as amended. The Vessel shall also meet the rules, regulations and requirements of the International Loadline Convention 1966. For the avoidance of doubt, all fees and charges related to the classification of the Vessel and the satisfaction of the Classification Society Rules, as well as the rules, regulations and requirements of other Regulatory Bodies, shall be for the account of the BUILDER. Furthermore, unless otherwise provided in the Specifications, the rules, regulations and requirements of the Classification Society, IMO MODU Code and International Loadline Convention, as referred to in this Article 2.3, shall be those in effect as of the Effective Date of this Agreement. The BUILDER shall apply for the classification of the Vessel within one (1) month from the Effective Date.
- 2.4 The Contract Documents shall constitute the entire agreement between the Parties. Any and all previous agreements and/or arrangements between the Parties with respect to works, services and supplies shall be superseded and become null and void unless incorporated into the Contract Documents, either by specific reference thereto or by attachment to this Agreement as an Annex hereto.
- 2.5 All provisions or requirements contained in the Specifications and the Rules are intended to amplify, explain and implement each other and the requirements of this Agreement. In the event of any conflict or inconsistency between the Contract Documents, the order of precedence shall be as follows:
- (a) the Rules;
 - (b) this Agreement; and
 - (c) the Specifications, including any Variations.
- 2.6 It is specifically agreed that the BUILDER shall, at all times during the term of this Project, including Saturdays and Sundays, but excluding Government Gazetted Public Holidays, have sufficient qualified labor available to perform all aspects of the Work. Additionally, at a minimum, the following project dedicated full time personnel shall be assigned to this Project:
- (a) a Project Manager and Deputy Project Manager / Project Superintendent;
 - (b) an Engineering Co-ordinator / Project Engineer; and
 - (c) a Scheduler.
- All of the personnel listed above shall be made available in sufficient numbers and with sufficient relief personnel to allow for the Work to be carried out in accordance with the agreed Project schedule.
- 2.7 OWNER shall have the right at anytime to object to and to require BUILDER to remove as soon as reasonably possible, at its own cost and expense, any member of BUILDER's Personnel, including those described in Article 2.6 above who are proven to be incompetent or negligent in the performance of his duties or guilty of misconduct or otherwise reasonably considered by OWNER to be unsuitable. Any person so removed shall promptly be replaced by BUILDER, at its sole cost and expense, with a suitable skilled and competent substitute.
- 2.8 BUILDER shall promptly advise OWNER in writing of and shall thereafter consult regularly with OWNER regarding any labor disputes or unrest or any anticipated labor disputes or unrest which affect or may be reasonably expected to affect the performance of the Work under this Agreement.
3. OWNER'S REPRESENTATIVE, INVITEES AND OTHER CONTRACTORS
- 3.1 Prior to or concurrent with the commencement of the Work, the OWNER shall assign to the Shipyard a fully authorised OWNER Representative. Unless otherwise specified by OWNER, the OWNER Representative shall be authorized to issue and sign and execute on behalf of the OWNER any and all documents referred to in this Agreement.
- The OWNER's Representative, or his designated substitute, shall be and shall remain at the Shipyard until the Vessel is completed and delivered to OWNER.
- Additionally, the OWNER will endeavour, throughout the term of the Project, to assign and maintain a technical team of at least two (2) people at the BUILDER's Shipyard.
- 3.2 Subject to BUILDER's safety and security requirements, the BUILDER

shall, at all times until the delivery of the Vessel, provide to the OWNER's Representative and his team full access to the Shipyard for the purpose of monitoring the progress of, inspecting and/or testing the Work.

- 3.3 The BUILDER shall provide the OWNER's Representative and his supervisory team, consisting of a maximum twenty (20) persons, with sufficient office space at the Shipyard. Such office space, including cleaning services and all utilities (electric power, water and heat/air conditioning as appropriate), shall be furnished free of charge, and shall be suitably furnished with desks, chairs, worktables, file cabinets, etc. Furthermore, as described in the Specifications, the BUILDER shall provide the OWNER's Representative and his team with other reasonable facilities at the Shipyard, such as telephone, facsimile, photocopy machines, and internet access, such facilities to be charged at BUILDER's actual cost plus 10%.
- 3.4 The OWNER shall not be bound by any instructions, commitments or agreements given by or entered into with any person other than an authorized officer of OWNER or OWNER's Representative.
- 3.5 The OWNER shall have the right to invite persons to visit the Shipyard, provided always that such visits do not interfere with any Work of the BUILDER and do not in any way delay or interrupt the BUILDER's operations, and provided, further such invitees of OWNER shall not be in conflict with BUILDER's interest and business. BUILDER shall be provided prior notice of any visits by OWNER's invitees, giving reasonable details as to the date, time and purpose of the visit.
- 3.6 Notwithstanding the provisions of Article 2.1, the OWNER shall have the right to carry out and perform work on the Vessel which is not of a type offered by BUILDER or is otherwise mutually agreed between BUILDER and OWNER, provided always, that such work and/or work in progress shall not interfere with any of the Work of the BUILDER, and OWNER shall not delay or interrupt the BUILDER's operations. In this regard, OWNER and BUILDER agree to jointly develop a schedule which will minimize interference between BUILDER and OWNER-Designated Contractors. Choice of OWNER-Designated Contractors shall be subject to the approval of BUILDER, which approval shall not be unreasonably withheld.
- 3.7 BUILDER shall not be responsible for the performance of OWNER-Designated Contractors, however, BUILDER is obligated to furnish full support services to such parties in the same manner as BUILDER would accommodate and provide support services to its own subcontractors. Subject to the foregoing provisions of this Article 3.7, all services provided to OWNER-Designated Contractor, as required, shall be for the OWNER's account, based upon time and materials supplied.
- 3.8 OWNER's Personnel shall be on board the Vessel and/or at the Shipyard at the OWNER's sole expense and shall comply with all safety and security regulations referred to in the Contract Documents and in general with all laws and regulations applicable to the Shipyard, including the laws and regulations of the Republic of Singapore.

4. AUTHORISED WORK; VARIATIONS / CHANGES
- 4.1 The Work to be performed under this Agreement, without further instructions from the OWNER, includes all works, services and supplies as set out in the Specifications. Unless so authorized in writing by the OWNER, no modifications or changes to the Specifications or the Work shall be undertaken, nor shall any other work be performed by the BUILDER. No claim for additional compensation shall be made by the BUILDER for modifications or changes to the Specifications and/or for extra work unless such modifications or changes and/or extra work have been authorized by the OWNER, in writing, by means of a Variation Order.
- 4.2 The OWNER shall have the right, at any time, to request that reasonable change(s) be made to any of the Work and/or the Specifications. No such changes shall be undertaken or performed until a written Variation Order, in the form of that attached hereto as Annex "E", has been executed by the OWNER and the BUILDER, reflecting the agreement of the parties as to any increase in the Contract Price or extension of the Delivery Date resulting from any such modifications or changes.
- 4.3 If any modification or change necessitates an increase or decrease in the quantity or quality of the services, equipment, or labor to be furnished by the BUILDER under this Agreement, then the Contract Price shall be increased or decreased accordingly and confirmed in a Variation Order.
- 4.4 If any modification or change necessitates an increase or decrease in the quantity or quality of the materials to be furnished by the BUILDER under this Agreement, then the Contract Price shall be increased or decreased equivalent to the increase in the price of such materials. Any adjustment of the Contract Price resulting from an increase in the quantity or quality of materials to be furnished by BUILDER shall be confirmed by Variation Order.
- 4.5 If any modification or change necessitates an adjustment or change in the time agreed for completion of the Work, then the Delivery Date shall be re-assessed and adjusted accordingly. Changes, if any, to the Delivery Date shall be made by mutual agreement between the OWNER and the BUILDER and confirmed in a Variation Order.
- 4.6 All Variation Orders shall include, but will not necessarily be limited to, the following details:-
- (a) a description of the work to be performed;
 - (b) specification of the materials and equipment to be supplied and./or used;
 - (c) a detailed schedule for the performance of the work;
 - (d) subject to the Work having been performed on a time and materials basis, the cost, including copies of the applicable subcontractor's quotations;
 - (e) the effect on the Contract Price, if any;
 - (f) the additional time required, if any; and
 - (g) subject to the work having been performed on a lump sum or fixed price basis, the timing or schedule for payments.
- 4.7 In the event that, subsequent to the Effective Date, any amendments, modifications or revisions are enacted or adopted to the Classification Society Rules or the rules and regulations of any other Regulatory Body which may affect the class or construction of the Vessel, the following shall apply:
- (a) If such amendments, modifications or revisions are compulsory for the Vessel and its class, either party hereto, upon receipt of such information from the Classification Society or such other Regulatory Body, shall promptly transmit notice of the same in writing to the other party, and the BUILDER shall thereupon incorporate such alterations or changes into the Specifications and/or the Work, subject to the execution of a Variation Order. Any changes required by the Classification Society or Regulatory Bodies arising as a result of revisions to Classification Society or Regulatory Body requirements published up to the date that the BUILDER applies to ABS to class the Vessel shall be for BUILDER'S account.
 - (b) If such amendments, modifications or revisions are not compulsory for the Vessel or its class, but the OWNER desires to incorporate such amendments, modifications or revisions into the Specifications or the Work, then the OWNER shall notify the BUILDER and the BUILDER shall proceed to perform such amendments, modifications, or revisions, subject to the execution of a Variation Order addressing appropriate adjustments (if any) to the Contract Price, Delivery Date

and/or any other provisions of this Agreement.

5. CONTRACT PRICE

5.1 In consideration for BUILDER carrying out the Work and constructing the Vessel in accordance with the terms of this Agreement, and subject only to adjustments agreed to pursuant to Variation Order(s), the OWNER agrees to pay to BUILDER a contract price of UNITED STATES DOLLARS EIGHTY-ONE MILLION NINE HUNDRED THOUSAND ONLY (US\$81,900,000.00); the foregoing being herein referred to as the "Contract Price".

5.2 Unless otherwise provided in this Agreement, it is specifically agreed that all goods, services, supplies, materials and/or labor provided by BUILDER in the performance of the Work shall be included in the Contract Price. The Contract Price may only be changed or adjusted by a Variation Order executed by OWNER and BUILDER in accordance with the provisions of Article 4 of this Agreement.

5.3 Subject to Article 5.4, amounts due BUILDER in respect to the Contract Price shall be payable in installments in accordance with the following schedule:

- (a) An amount equivalent to twenty percent (20%) of the Contract Price, shall be paid to BUILDER within three (3) business days of the Effective Date;
- (b) An amount equivalent to ten percent (10%) Contract Price, shall be paid to BUILDER within three (3) business days following striking of steel;
- (c) An amount equivalent to fifteen percent (15%) Contract Price, shall be paid to BUILDER within three (3) business days following laying of the keel of the Vessel;
- (d) An amount equivalent to fifteen percent (15%) of the Contract Price, shall be paid to BUILDER within three (3) business days following placement of first leg section;
- (e) An amount equivalent to twenty percent (20%) of the Contract Price, shall be paid to BUILDER within three (3) business days following undocking of the Vessel;
- (f) An amount equivalent to ten percent (10%) of the Contract Price, shall be paid to BUILDER within three (3) business days following placement of last leg section (up to 486 feet leg length);
- (g) An amount equivalent to ten percent (10%) of the Contract Price, shall be paid to BUILDER on Delivery of the Vessel to OWNER.

OWNER and BUILDER agree that except with respect to the first and last installments listed above, in the event of dispute between OWNER and BUILDER as to whether a given milestone has been reached the decision of the Classification Society shall be binding on the parties with respect thereto.

5.4 Except as otherwise (a) agreed by the parties, as evidenced by a Variation Order, or (b) provided below in this Article 5.4, no adjustment shall be made to the Contract Price as provided above in Article 5.1. However, if delivery of the Vessel is delayed beyond the Delivery Date and such delays are not due to either permissible delays or a Force Majeure event as described in this Agreement, then beginning at twelve (1200) o'clock midnight (Singapore time) on the Delivery Date, the amount otherwise due as the final installment (see Article 5.3(g)) shall be reduced by deducting therefrom the sum of US Dollars Twenty Three Thousand and 00/100 (US\$23,000.00) per day until such time as the Vessel is delivered to OWNER pursuant to Article 14.6; provided, that the amount of all reductions for late delivery shall not exceed an amount in US Dollars equal to five percent (5%) of the Contract Price and provided further that in the event OWNER does not have a drilling contract or a commitment therefor for immediate use of the Vessel for a third party customer at the time of the Delivery Date then there shall be no deduction for the first thirty (30) days of delay. It being understood by both parties that any such reduction of payment by OWNER shall constitute liquidated damages, rather than a penalty. Said liquidated damages shall be OWNER's exclusive remedy against BUILDER for late delivery of the Vessel, subject to the provisions of Article 20.5.

On the other hand, if delivery of the Vessel should occur earlier than the Delivery Date (as the same may be adjusted from time to time in accordance with the terms of this Agreement), then in such event and provided that OWNER has a drilling contract or a commitment therefor for immediate use of the Vessel for a third party customer at the time of the Delivery Date the final installment due pursuant to Article 5.3(g) shall be increased by adding thereto a sum equal to one-half (1/2) of the excess of day rate revenues over direct operating costs but not to exceed the sum of US Dollars Twenty-Three Thousand

(US\$23,000.00) for each full day, beginning at twelve (1200) o'clock midnight (Singapore time) on the Delivery Date, that the Vessel is delivered early pursuant to the terms of Article 14.6; provided, that the aggregate amount of all increases for early delivery of the Vessel shall not exceed an amount in US Dollars equal to five percent (5%) of the Contract Price

For purposes of this Article 5.4, delivery of the Vessel shall be deemed to be delayed when and if the Vessel, after taking into full account all postponements of the Delivery Date by reason of permissible delays or Force Majeure events is not ready for delivery by the date upon which the delivery is required under the terms of this Agreement.

- 5.5 In the event any change or modification to the Specifications or Work warrants an adjustment of the Contract Price, the amount of the adjustment and schedule for payment(s) shall be addressed by Variation Order. However, in the absence of any separate provision for the schedule of payment(s), the amount of any adjustment to the Contract Price shall be pro-rated over the remaining outstanding installments due in accordance with Article 5.3 above.
- 5.6 Amounts due under Variation Orders which are calculated on a time, material or equipment basis shall be billed as completed and accepted and shall be payable within thirty (30) days of OWNER'S receipt of BUILDER'S invoice in respect thereto.
- 5.7 In the event any amount(s) which are due BUILDER or which are determined to be due under this Agreement are not paid within the agreed period, then the OWNER shall pay to the BUILDER interest on any such amount(s) from the due date until paid at the rate of ten percent (10%) per annum, without any summons being required for that purpose and without prejudice to any other rights the BUILDER may have in respect thereof.
- 5.8 All amounts due and payable to BUILDER pursuant hereto shall be paid to BUILDER as follows (or as otherwise indicated on the invoice):

Citibank NA
3 Temasek Avenue
#14-00 Centennial Tower
Singapore 039190
Swift: CITISGSG
United States Dollar A/C: 0-010547-024
Singapore Dollar A/C: 0-010547-016
Favoring: Keppel FELS Ltd

- 5.9 In the event OWNER disputes any amounts claimed by BUILDER to be due to BUILDER under the terms and conditions of this Agreement, OWNER shall without delay pay as and when due the undisputed portion of such amounts and the disputed portion shall be paid as mutually agreed by the parties or as determined pursuant to Article 30 hereof.
- 5.10 In the event OWNER fails to pay any sums due BUILDER under or in connection with this Agreement within ten (10) days of the date when due, BUILDER shall have the right, upon giving written notice to OWNER to suspend its performance under this Agreement and after a period of suspension of twenty (20) days to terminate this Agreement and exercise all rights and remedies available at law or in equity. Such rights and remedies shall include the right to bring suit for the Contract Price and the right to auction the Vessel in its then state of completion or after commercially reasonable efforts to complete the Vessel. BUILDER shall be entitled to purchase the Vessel at any such sale provided the price bid by BUILDER is a reasonable fair market price. BUILDER shall retain the installments of the Contract Price theretofore paid and shall be entitled to recover from the net proceeds of auction sale, after deducting reasonable costs of such sale, all other sums due BUILDER under this Agreement. Any surplus shall be promptly remitted to OWNER. Nothing herein shall require BUILDER to recover its damages solely from the net price received from any such auction. Interest shall accrue on all amounts determined to be due to BUILDER at the rate of ten percent (10%) per annum from the date due until paid in full. BUILDER shall be entitled to an extension of the Delivery Date by the duration of the suspension, which extension shall be confirmed by a Variation Order upon request by BUILDER.
6. PLANNING, PROGRESS REPORTS AND MEETINGS
- 6.1 OWNER and BUILDER shall regularly communicate with each other to ensure that the Work is completed in a safe and expeditious manner on or before the Delivery Date and within the Contract Price.
- 6.2 In accordance with the administrative instructions stated in the Specifications, on or before the Effective Date, the BUILDER shall provide the OWNER with a barchart plan (the "Barchart Plan") for the period required to complete and deliver the Vessel to OWNER by the Delivery Date as the same may be extended under the terms of this Agreement. No later than seven (7) days after the Barchart Plan shall be delivered to OWNER, OWNER shall give notice to BUILDER showing its

approval thereof, or give its reasons for non-approval in which event the Barchart Plan shall be revised as mutually agreed. If the OWNER fails to respond within seven (7) days of the Effective Date, the Barchart Plan shall be deemed to have been approved by the OWNER.

- 6.3 The BUILDER shall use the approved Barchart Plan as the basis for progress reporting, scheduling, testing, inspection, forecasting and controlling the performance of the Work.
- 6.4 Any and all modifications or changes undertaken on the basis of Variation Orders shall be processed into the Barchart Plan. The BUILDER shall, within three (3) days of so processing any modifications or changes into the Barchart Plan, provide the OWNER with a copy of the revisions to the Barchart Plan.
- 6.5 From that point in time that the original Barchart Plan has been submitted to and approved by OWNER until the Delivery Date, the BUILDER shall prepare and provide the OWNER Representative with:
- (a) monthly progress reports for the first ten months from the Effective Date and fortnightly progress reports from thereon until Delivery, containing;
- o summary of the status of overall progress, including summary of subcontractors progress reports;
 - o a detailed barchart which establishes a definitive breakdown of tasks and measurement of progress;
 - o 'S' curve and supporting details indicating target for completion and progress to date; and drawing register, detailing status of plans, drawings and documents to be issued to the Classification Society or to the OWNER, including dates and status of issuance.

OWNER shall have free access to and may review the documents of BUILDER set forth in this Article 6.5 at all reasonable times to monitor progress of the Project.

- 6.6 As from the date when the original Barchart has been submitted to and approved by OWNER, progress meetings will be held in the offices of the BUILDER at least once per week and shall include the OWNER's Representative and his team and the BUILDER's Representative and his team (including BUILDER's main subcontractor's representatives). The OWNER's and BUILDER's Representatives shall set the time for such meetings.
- 6.7 The BUILDER shall make and keep minutes of such meetings and shall provide the OWNER's Representative with a copy of the minutes of each meeting within three (3) working days following the meeting.
- 6.8 During such progress meetings, the BUILDER shall report on the following items:
- (a) safety review;
- (b) individual project status;
- (c) resource and manpower allocation;
- (d) barchart, 'S' curves and/or precedence network showing planned and actual progress;
- (e) status of drawings and documentation;
- (f) status of Classification Society review / approvals;
- (g) quality control; and (h) status of OWNER and BUILDER Furnished Equipment.

7. PROJECT PLANS AND DRAWINGS; COMMUNICATION WITH CLASSIFICATION SOCIETY

- 7.1 The Specification shall be Classification Society approved for construction in accordance with the provisions of Article 7.4 below.
- 7.2 The BUILDER shall prepare and submit to the OWNER four (4) copies of each of all Project plans and drawings for acceptance. The OWNER's Representative shall, within fifteen (15) days from receipt, return one (1) approved copy of all of such Project plans and drawings submitted to him. If comments are received, the BUILDER, subject to a Variation Order, shall modify the plans and drawings in accordance with the OWNER's comments and resubmit the same to the OWNER. If the OWNER Representative fails, without valid reason, to respond to such Project plans and drawings (or any revisions thereto as submitted by BUILDER) within fifteen (15) days from receipt, then the Project plans and drawings shall be deemed to be approved by the OWNER.
- 7.3 OWNER's acceptance of the Project plans and drawings as aforesaid shall not serve to eliminate or reduce the obligations of the BUILDER as provided in this Agreement.
- 7.4 The BUILDER shall arrange for submission to and obtaining approval from the Classification Society for the Project plans and drawings. All Classification Society costs for any survey requirements, approvals or other Classification Society activities, as specified in the

Specifications, shall be for the account of BUILDER. Additionally, in the event any part of the Work is rejected by or fails to receive the approval of the Classification Society, the costs of any re-survey, re-testing, or re-inspection by the Classification Society shall be for the sole account of BUILDER, except in the case where the rejection or failure is caused by OWNER's responsible faults, then such costs shall be for the sole account of OWNER.

- 7.5 The BUILDER shall monitor and register the status of documents to be issued to and approved by the Classification Society and shall keep OWNER fully advised as to progress in respect thereto.
- 7.6 The OWNER Representative and his team shall have free and open access, at all times, to all of BUILDER's (and any of BUILDER's subcontractor's) engineering personnel during the preparation and/or correction of any Project plans and drawings.
8. "AS BUILT" DOCUMENTATION
- 8.1 The BUILDER shall prepare and submit to the OWNER reproducible originals and electronic files of all "As-Builts" drawings, records, manuals and other data as specified in the Specifications. Such documentation shall be approved by the Classification Society and four (4) prints of such documentation shall be delivered to the OWNER within three (3) weeks after the Delivery Date.
- 8.2 All such drawings shall be made on the "Auto-Cad" system. The BUILDER shall supply both the drawings and the respective diskettes to the OWNER on the Delivery Date or as soon as reasonably possibly thereafter. Such drawings and details are the property of BUILDER who will provide same to OWNER for use only with this particular Vessel.
9. QUALITY ASSURANCE REQUIREMENTS
- 9.1 The BUILDER shall have in place a project quality plan (the "Project Quality Plan") to ensure effective performance of its obligations under this Agreement.
- 9.2 Within thirty (30) days of the Effective Date, the BUILDER shall submit to the OWNER for approval its Project Quality Plan, describing the QA/QC activities to be performed within the scope of this Agreement. The OWNER shall return one (1) approved copy of this Project Quality Plan within ten (10) days from receipt, along with any comments or additions to the Plan. Thereafter, if for any reason the Project Quality Plan, as approved by OWNER, is modified, changed or amended, BUILDER shall submit to OWNER for its approval such portions of the Plan as are modified, changed or revised.
- 9.3 The OWNER shall have the right to investigate, or have a third party investigate, all or part of the Shipyard facilities, equipment, materials and personnel employed on the Work undertaken by BUILDER or its subcontractors in order to establish conformity with applicable technical, safety and environmental standards. All costs of such audit or investigation shall be for the account of the OWNER.
10. SAFETY REGULATIONS
- 10.1 BUILDER shall ensure that the Work is carried out in a safe manner and shall adhere to all safety regulations, rules and laws of the Republic of Singapore, OWNER's Safety Management Plan, and to the safety regulations referred to in this Agreement.
- 10.2 BUILDER shall submit to the OWNER the BUILDER's 'Safety Plan' which shall include, at a minimum, the following:
- (a) BUILDER's safety policy and objectives;
 - (b) BUILDER's organization chart showing responsibilities to safety and reporting relationships.
 - (c) BUILDER's systems and procedures which it will employ to meet the stated objectives;
 - (d) BUILDER's safety communications within the BUILDER's organisation;
 - (e) Details of BUILDER's safety awareness programs; and
 - (f) BUILDER's incident reporting and investigation procedures.
- In the event of any conflicts with OWNER's Safety Management Plan, the parties shall cooperate in the production of a bridging document to address any such issues.
- 10.3 The BUILDER shall ensure that the following specific conditions are enforced during the performance of the Work:
- (a) The BUILDER must have, at its expense, a sufficient number of safety inspectors assigned to the Project and present at all times, both on the Vessel and at any worksite where the Work is performed. Such inspectors shall be responsible for enforcing safety requirements while the BUILDER is performing

Work.

- (b) The BUILDER's senior safety inspector or supervisor must attend every progress meeting as referred to in Article 6, headed "PLANNING, PROGRESS REPORTS AND MEETINGS", during which safety, progress, manpower and scheduling are discussed with the OWNER's Representative. At such meeting BUILDER's senior safety inspector or supervisor shall report the safety precautions and situation at each work location. In addition to the weekly meetings as required by Article 6, BUILDER's senior safety inspector or supervisor shall meet with OWNER's Representative (or designee) to review the safety of the Work on a daily basis.
 - (c) The BUILDER's safety inspectors shall be authorized to enforce safety requirements of the BUILDER and the OWNER utilizing BUILDER's work force and other persons invited or contracted by the OWNER present at the worksite.
 - (d) The BUILDER's safety inspectors shall ensure that any portion of the Work involving the use of cutting torches or welding equipment proceeds safely through the issuance of 'Permits to Work' or similar instructions, which shall be renewed every shift or crew change (see Article 10.6 below).
- 10.4 All of the BUILDER's Personnel must wear and utilize the proper safety work gear while conducting Work under this Agreement including, as a minimum:
- o Eye protection and required face shields for welders and fitters or general workers utilizing or working around cutting, welding and grinding equipment;
 - o Proper steel toe footing protection;
 - o Hard hats;
 - o Safety belts, lashings and/or anti-fall restraining devices for all BUILDER's Personnel working more than ten (10) feet in the air or over the side; and
- 10.5 It is the BUILDER's responsibility to immediately report in writing to the OWNER's Representative any incident resulting in any injury or near miss (which could have resulted in an injury) to any member of BUILDER's or OWNER's Personnel. In addition, a written report must be faxed within twenty-four (24) hours to the OWNER's office as mentioned in Article 27, headed 'NOTICES', for the attention of the OWNER's Safety Manager.
- o The BUILDER's safety inspectors must ensure that a signed 'Permit to Work' or similar document is issued for every part of the Work which is potentially hazardous in nature to personnel or property, including, without limitation, any work involving the use of cutting torches or welding equipment.
- All required "Permits to Work" and similar documents shall be issued promptly. Furthermore, the issuance of 'Permits to Work' shall not be unreasonably denied or delayed to OWNER-Designated Contractors or subcontractors engaged directly by OWNER.
- 10.6 The OWNER reserves the right to reject any tools or equipment used by BUILDER to perform the Work which it reasonably considers unsafe. Any equipment or tools rejected by OWNER shall be immediately replaced by the BUILDER with safe equipment.
- 10.7 The BUILDER shall ensure that each team of BUILDER's Personnel holds a safety meeting when they come on shift. Such meetings shall be led by the foreman and shall be held with the crew going off shift to ensure that the new crew is aware of any safety hazards. Additional safety meetings shall be held whenever a new job is commenced.
- 10.8 BUILDER shall notify OWNER immediately of any violations of the applicable safety regulations. In the event the BUILDER does not remedy such safety violation within twenty-four (24) hours after having been given notice, OWNER, after proper consultation with BUILDER, shall be entitled to stop the relevant part of the Work until the unsafe situation is rectified.
- 10.9 BUILDER shall have the right to stop or suspend Work being performed by a OWNER-Designated Contractor if BUILDER discovers a OWNER-Designated Contractor to be in breach of any applicable safety requirement or using unsafe tools. In the event of such Work stoppage or suspension, BUILDER shall provide OWNER's Representative with written notice thereof, specifying the reasons for the stoppage or suspension. Should any unsafe practice by OWNER-Designated Contractors result in a work stoppage in excess of twenty-four (24) hours, BUILDER shall be entitled to an extension of the Delivery Date to the extent the Work stoppage is caused by a OWNER-Designated Contractor's unsafe practices and affects the Delivery Date. Such Work stoppage and resultant delay shall be confirmed by a Variation Order upon the request of BUILDER.

11. OWNER-FURNISHED EQUIPMENT AND/OR INFORMATION

- 11.1 The OWNER shall furnish or cause to be furnished to BUILDER, at the Shipyard, those items of material, equipment, engineering data and information as are explicitly set forth to be provided by OWNER on Annex "D". All such material, equipment, engineering data and information shall be made readily available to the BUILDER and ready for undertaking the Work in the manner provided below.

BUILDER and OWNER shall at the time of contract signing agree on a chronological listing of OWNER-Furnished Equipment, as well as all information required to be furnished to BUILDER by OWNER, setting out the dates specific documents and/or equipment deliveries are required.

In the event any actual delay in the Delivery Date is caused by such material, equipment, engineering data and/or information not being timely available for the BUILDER to perform the Work, any overall delay which actually results therefrom will be deemed a permissible delay and the Delivery Date shall be extended accordingly by the number of days (or any portion thereof) the delivery of any OWNER-Furnished Equipment (or technical data associated therewith) is delayed, and BUILDER shall document the change in the Delivery Date which delay in the Delivery Date shall be confirmed by a Variation Order upon request by BUILDER.

- 11.2 The BUILDER shall monitor the receipt and ensure the safe storage of OWNER-Furnished Equipment and shall report to the OWNER the receipt of all OWNER-Furnished Equipment in the progress reports as referred to in Article 6.5. Furthermore, BUILDER and OWNER shall jointly examine OWNER-Furnished Equipment immediately upon receipt and again before using the same and shall immediately report to OWNER any visual defects therein in time to allow OWNER to replace the same without delaying the Work.

12. INSPECTION, TESTING AND TRIALS

- 12.1 The BUILDER shall cooperate with the OWNER's Representative in order to have the Work carried out safely, expeditiously and smoothly. The BUILDER shall give notice to the OWNER's Representative of any and all tests and inspections that are to be conducted in connection with the Work; such notice (except as otherwise provided in Article 12.2) to be given at least seventy-two (72) hours in advance of the date and place of such test and/or inspection, without justifiable reasons, after due notice to him as provided, shall be deemed to be a waiver of the OWNER Representative's right to be present. In such case, the OWNER shall be obligated to accept the results of such tests or inspections on the basis of the BUILDER's Certificate of Acceptance, subject always to any required approval by the Classification Society. Notwithstanding any provision of this Agreement to the contrary, the presence or absence of OWNER's Representative at any such test and/or inspection shall not serve to amend, modify or otherwise reduce the obligations of the BUILDER pursuant to the terms of this Agreement.

Upon successful completion of the test and/or inspection, BUILDER will issue to OWNER a Certificate of Acceptance, subject always to any required approval by the Classification Society. However, notwithstanding the foregoing, the satisfactory testing or inspection will not relieve, in any way, the BUILDER from the liabilities assumed under this Agreement, as well as any warranties as referred to in Article 15, headed "WARRANTY", as may be applicable.

- 12.2 Notwithstanding the provisions of Article 12.1, the BUILDER shall, subject to the availability of any manufacturer's representative required to be in attendance, provide the OWNER at least five (5) days prior notice of the time and place of each of the trials, equipment trials and other specified commissioning of the Vessel (or any component part, equipment or system thereof including OWNER Furnished Equipment) which are to be performed at the Shipyard (collectively herein referred to as the "Tests and Trials"), and the OWNER shall promptly acknowledge receipt of such notice(s). The OWNER shall have its Representative onboard the Vessel to witness such Tests and Trials. Failure by the Representative of the OWNER to attend any portion of the Tests and Trials of the Vessel after due notice to the OWNER as provided above shall be deemed to be a waiver by the OWNER of the right to have its Representative onboard the Vessel at such portion of the Tests and Trials, and the BUILDER may conduct such portion of the Tests and Trials without the Representative of the OWNER being present.

- 12.3 The Tests and Trials shall be carried out under weather conditions deemed favorable to the OWNER and the Classification Society surveyor. In the event of unfavourable weather on the date(s) specified for the Tests and Trials, the same shall take place on the first available day thereafter that weather conditions permit. It is agreed that if during the Tests and Trials, the weather should suddenly become so unfavourable that orderly conduct of the Tests and Trials can no longer be continued in the opinion of the OWNER and the Classification Society surveyor, the Tests and Trials shall be discontinued and postponed until the first favorable weather condition day next following unless the OWNER agrees in writing to accept the Vessel (or any component

part, equipment or system thereof) on the basis of the Tests and Trials already made before such discontinuance occurred subject to acceptance by ABS. Any delay of the Tests and Trials in excess of forty-eight (48) hours caused by such unfavorable weather conditions shall result in an extension of the Delivery Date by the number of days (or portion thereof) the unfavorable weather conditions cause the Tests and Trials to be delayed beyond forty-eight (48) hours, and BUILDER shall document the change in the Delivery Date which delay in the Delivery Date shall be confirmed by a Variation Order upon request by BUILDER.

12.4 All expenses in connection with the Tests and Trials including, but not limited to, fuel oil, lubricating oils and greases (the quality and quantity of which shall be in accordance with applicable engine specifications), except for hydraulic oil for OWNER-Furnished Equipment, shall be for the account of the BUILDER, and the BUILDER, unless otherwise specified by OWNER, shall provide at its own expense the necessary crew to comply with conditions of safe manning and navigation. The Tests and Trials shall be conducted in the manner described in the specifications. The course of the Tests and Trials shall be determined by the OWNER and the BUILDER with ABS approval as applicable.

12.5 Upon successful completion of any Tests and Trials on the Vessel (or any component part, equipment or systems thereon), and subject always to the approval of the Classification Society surveyor who shall in all cases be present for any and all Tests and Trials, the BUILDER will issue OWNER a Certificate of Acceptance that the Vessel (or any component part, equipment or systems thereof that is the subject of the Test and Trials) is found to conform to the Agreement, including, without limitation, the Specifications, and operates satisfactorily. The OWNER shall, within three (3) business days after receipt of such Certificate or Acceptance, notify the BUILDER of its acceptance or rejection of the results of the Tests and Trials (or any portion thereof) evidenced by the Certificate of Acceptance. In the event that the OWNER rejects the Tests and Trials (or any portion thereof), the OWNER shall indicate in its written notice of rejection in what respect the Vessel (or any component part, equipment or systems thereof) does not conform to the Rules and this Agreement, including, without limitation, the Specifications including any Variations. Thereafter, BUILDER, at its sole cost and expense, may repeat the Tests and Trials (or any portion thereof) rejected by OWNER, or, alternatively, dispute the rejection of the Tests and Trials (or any portion thereof) by the OWNER, in which case the matter shall be submitted for resolution in accordance with Article 30 hereof.

12.6 Should the results of the Tests and Trials indicate that the Vessel (or any component part, equipment or systems thereon) does not conform or perform to the requirements of the Rules and this Agreement, including, without limitation, the Specifications including any Variations, then the BUILDER shall promptly take the necessary steps to correct such non-conformity or non-performance. Upon correction of such non-conformity or non-performance, BUILDER shall undertake a second round of Tests and Trials to test the non-conformity or non-performance, and in such event the BUILDER shall give the OWNER no less than three (3) business days prior notice of the second round of Tests and Trials. Upon successful completion of the second round of Tests and Trials, BUILDER shall issue OWNER a Certificate of Acceptance subject to the terms and conditions of Article 12.5 above. Any additional costs and expenses required for the second or any subsequent round of Tests and Trials shall be for the BUILDER's account and shall not result in an extension of the Delivery Date.

12.7 Subject to delivery of the Vessel to OWNER in accordance with Article 14, should any fuel, lubricants or consumable stores furnished by the BUILDER for the Tests and Trials remain onboard the Vessel at the time of the Vessel's deliver to OWNER, the OWNER agrees to buy the same from the BUILDER at the original documented purchase price thereof, and payment by the OWNER shall be effected within thirty (30) days following OWNER's receipt of BUILDER's invoice therefor.

13. DELAYS AND EXTENSION OF TIME FOR DELIVERY

13.1 In case BUILDER shall be unable, wholly or in part, to carry out its obligations under this Agreement due to an event of Force Majeure or any permissible delay as described in this Agreement, the time for performance (i.e. Delivery Date) shall be extended by the period of such Force Majeure or the duration of any permissible delays. BUILDER shall document the change in the Delivery Date which delay in the Delivery Date shall be confirmed by a Variation Order upon request by BUILDER. Performance of any obligations suspended while a Force Majeure event or permissible delay is operative shall be resumed as soon as possible after such Force Majeure or the cause for any permissible delay ceases. BUILDER shall notify OWNER in writing of the occurrence of anything constituting a permissible delay or of any event of Force Majeure within forty-eight (48) hours, or reasonably thereafter, after the commencement of such event.

13.2 BUILDER shall take all reasonable steps to mitigate or remedy the

effect of any permissible delay or Force Majeure event and continue the performance of the Work (or any portion thereof) not affected thereby. However, in the event BUILDER, despite its best efforts, is unable to remedy a Force Majeure event within one hundred eighty (180) days or in the case of the Vessel's jacking system within two hundred and seventy (270) days of the commencement of such event, OWNER or BUILDER shall have the right, but not the obligation, to terminate this Agreement forthwith by the giving of thirty (30) days prior written notice to the other. In the event OWNER or BUILDER so elects to terminate this Agreement, BUILDER shall be entitled to all sums due and owing as of the date of termination and a portion of the remaining milestones due after the date of termination based on the percentage of Work performed before the date of termination with respect to such remaining milestones (including BUILDER's actual costs necessarily incurred in terminating the ongoing Work). Any amounts claimed by BUILDER as a result of termination pursuant to this Article 13.2, including costs incurred by BUILDER in terminating the ongoing Work, shall be substantiated and documented. In the event of such termination, title and ownership of the Vessel in its then state of completion shall vest in OWNER (after first having paid the sums called for hereunder) and OWNER shall have the option to complete the Vessel with other contractors (subject to the payment to BUILDER of reasonable berthing charges) or OWNER may elect to remove the Vessel and its equipment and materials already paid for to another facility to complete the construction of the Vessel. Following termination and payment of the sums called for hereunder, neither OWNER nor BUILDER shall have any further obligations or liabilities to the other accruing from and after the date of such termination.

- 13.3 Should a Force Majeure event occur, OWNER and BUILDER agree to discuss in good faith any extension of the Delivery Date which might be warranted by virtue of the delay.
14. DELIVERY OF THE VESSEL
- 14.1 Time is of the essence in the performance of this Agreement.
- 14.2 BUILDER and OWNER acknowledge and agree that the scope of the Work, as described in the Agreement, including, without limitation, the Specifications, is well defined, and BUILDER covenants to use its best efforts to complete and deliver the Vessel by the Delivery Date specified in Article 14.3, as the same may be adjusted in accordance with the terms and conditions of this Agreement.
- 14.3 Subsequent to the completion by BUILDER and the acceptance by OWNER of all Tests and Trials required to be performed or conducted by BUILDER on the Vessel, including all component parts, equipment and systems incorporated therein, and subject to the documentation required pursuant to Article 14.6, the Vessel shall be delivered by the BUILDER to the OWNER, safely afloat and secured dockside at the Shipyard or such other mutually agreed location, ready for ocean tow as approved by the OWNER underwriter's surveyors, on or before twenty-two (22) months from the Effective Date. In the event of delays in the construction of the Vessel or any performance required under this Agreement due to (i) permissible delays as described herein, (ii) Force Majeure events, or (iii) changes or modifications to the Work or Specifications (as evidenced by Variation Orders) requiring additional time for the completion and delivery of the Vessel, the aforementioned date for delivery of the Vessel shall be postponed accordingly. The above-described date, and any adjustment or extension thereof, being referred to in this Agreement as the "Delivery Date". Permissible delays shall include without limitation delays caused by the Classification Society or flag inspectors and by acts or omissions of OWNER or its Representatives or contractors other than BUILDER and its subcontractors or by OWNER's failure to perform its obligations under this Agreement as and when due. BUILDER shall document the change in the Delivery Date which delay in the Delivery Date shall be confirmed by a Variation Order upon request by BUILDER.
- 14.4 Subject to the BUILDER and the OWNER having fulfilled their respective obligations stipulated under this Agreement, delivery of the Vessel shall be effected forthwith by the concurrent execution by each of the parties hereto of the Protocol of Delivery and Acceptance.
- 14.5 Notwithstanding any provision of this Agreement to the contrary, it is agreed and understood that the Vessel shall be delivered to OWNER when completed and accepted by OWNER, regardless of the existence of any pending disagreement, dispute or arbitration proceeding, provided that:
- (a) OWNER shall pay to BUILDER all undisputed sums due prior to or upon delivery of the Vessel; and
 - (b) OWNER shall have deposited any disputed portion of the Contract Price or other sums of money due BUILDER into a joint interest bearing account, where such disputed money shall remain until settlement of the dispute or a final award by the courts.

- 14.6 Upon delivery and acceptance of the Vessel, the BUILDER shall deliver to the OWNER all documentation, certificates and papers required for the operation and registration of the Vessel under the flag of the Marshall Islands, including, but not limited to, the following documents:
- (a) Legal Bill of Sale, notarially acknowledged;
 - (b) All certificates, including any certificate issued by the BUILDER, including but not limited to a Builder's Certificate, and any interim class certificate issued by the Classification Society. All such class certificates shall be issued without conditions or exceptions affecting the seaworthiness or operability of the Vessel and any conditions or exceptions shall be corrected by BUILDER within a reasonable time following delivery of the Vessel;
 - (c) A Declaration of Warranty by the BUILDER that the Vessel is delivered to the OWNER free and clear of any liens, charges, rights in rem, claims, mortgages or other encumbrances upon the OWNER's title thereto, and in particular, that the Vessel is free of all liabilities and burdens of any nature, including but not limited to those which may be related to taxes, duties or other charges imposed by the governmental authorities of the Republic of Singapore, as well as all liabilities of the BUILDER's Personnel, and all liabilities arising from the operation of the Vessel during any Tests and Trials, or otherwise prior to its delivery to OWNER;
 - (d) Within three weeks from delivery, all drawings and plans pertaining to the Vessel as stipulated in the Specifications available upon delivery of the Vessel;
 - (e) A Protocol of Tests and Trials of the Vessel made pursuant to the Specifications;
 - (f) A Protocol of Inventory of the equipment of the Vessel, including spare parts and the like, all as described in the Specifications, and
 - (g) A Protocol of Consumable Stores listing the amount of fuels, lubricants, grease and other consumables which were not consumed after having been placed onboard the Vessel by BUILDER during any Tests and Trials.

Provided, however, if, through no fault on the part of the BUILDER, any certificates or other documents as contemplated by this Article 14.6 are not available at the time of the Vessel's delivery to OWNER, provisional certificates or documentation shall be accepted by the OWNER, provided that the BUILDER shall furnish the OWNER with formal or permanent certificates as promptly as possible after such are available and that provisional certificates are issued without conditions or exceptions affecting the seaworthiness or operability of the Vessel and which conditions or exceptions shall be corrected by BUILDER within a reasonable time following delivery of the Vessel.

- 14.7 The OWNER shall take possession of the Vessel immediately upon delivery and acceptance thereof and, unless otherwise agreed, shall remove the Vessel from the premises of the Shipyard within fifteen (15) days after delivery and acceptance thereof is effected. Thereafter, if the OWNER has not removed the Vessel from the premises of the Shipyard within the aforesaid fifteen (15) days, and provided BUILDER has expressed a verifiable need for the Shipyard space, then, in such event, commencing on the sixteenth (16th) day, the OWNER shall pay to the BUILDER any reasonable mooring charges associated therewith at the rates set forth in Annex "C".

15. WARRANTY

- 15.1 The BUILDER hereby warrants to the OWNER that the Vessel (including her hull, machinery, equipment, gear and all appurtenances thereto, including OWNER-Designated Equipment, but excluding any OWNER-Furnished Equipment or work performed by OWNER-Designated Contractors) is free from defects, whether latent or patent, in workmanship and materials. The express warranty set forth in the preceding sentence shall commence on the date that title to the Vessel is transferred to the OWNER, as evidenced by the Protocol of Delivery and Acceptance, and shall continue thereafter until the one (1) year anniversary of such date (the "Warranty Period").

BUILDER's liability for breach of the foregoing warranty shall include:

- (a) repairing or replacing any defects in the BUILDER's workmanship or materials, as the case may be, at the BUILDER's Shipyard or on board the Vessel at her location; and

- (b) repairing or replacing any OWNER-Furnished Equipment damaged, destroyed or lost as a direct result of the defects in workmanship or materials warranted hereunder by BUILDER; or
- (c) reimbursing the OWNER for the reasonable costs of such repairs or replacements referred to in (a) and (b) above in the event that such repair or replacement work cannot be timely or reasonably carried out by BUILDER at the location of the Vessel and the Vessel cannot be reasonably returned to the BUILDER's Shipyard for correction of the work or materials.

For the purposes hereof, BUILDER's liability as provided above shall be deemed to include all costs of labor associated with the repair or replacement of any defects, the costs of all materials, equipment and supplies necessary, and all other ancillary costs associated with or related to the satisfaction of BUILDER's obligations pursuant to the provisions of this Article 15.1 but not including mob and demob of the Vessel or other incidental or out-of-pocket costs of OWNER.

- 15.2 In the event of any defect in workmanship or materials for which a warranty claim is to be made, OWNER shall promptly notify BUILDER thereof. Such notice by OWNER shall describe the nature and extent of the defects to the extent known by OWNER. The BUILDER shall have no obligation for any defect unless such defect is discovered prior to the expiration of the Warranty Period, and notice of such defect is received by the BUILDER not later than thirty (30) days following expiration of the Warranty Period.
- 15.3 Any work performance or any materials supplied by BUILDER in satisfaction of its warranty obligations shall be further warranted for the balance of the Warranty Period or six (6) months from completion of such work or installation of such material, whichever is later, but in no event shall the extended warranty period exceed twenty-four (24) months from the Delivery Date.
- 15.4 By signing this Agreement, the BUILDER agrees to assign and transfer to the OWNER any and all guarantees and/or warranties given and/or to be given to the BUILDER or to BUILDER's subcontractors by the manufacturers and/or vendors of suppliers, materials and equipment furnished by BUILDER and its subcontractors. However, notwithstanding the foregoing, any such warranties assigned or transferred pursuant to the terms hereof shall not be in lieu of or limit the warranties given by BUILDER as recited in Article 15.1.
- 15.5 Nothing in Article 15.1 above shall extend the BUILDER's warranty to cover any defect which has been caused by replacement or repair work performed by a OWNER-Designated Contractor, or which has been caused by any wilful act or omission or the negligent maintenance or operation of the Vessel by OWNER Personnel.
- 15.6 The warranties provided by BUILDER pursuant to this Article 15 shall be in lieu of and replace any other liability, guarantee, warranty and/or condition imposed or implied by law, custom or usage, whether in contract or in tort, and except as otherwise expressly provided herein, BUILDER makes no warranty/condition of merchantability or fitness for any particular purpose. The remedies provided for herein shall be exclusive with respect to breach of warranty.

16. INDUSTRIAL AND INTELLECTUAL PROPERTY RIGHTS

- 16.1 If the Work (or any portion thereof) is to be performed according to drawings, models or other instructions (in the broadest sense of the word), the party who has supplied such drawings, models, or other instructions warrants vis-a-vis the other party that no trademark, patent, copyright or any other right of third parties will be infringed thereby, and the party who has supplied the same shall indemnify and hold harmless the other party from and against any claims from third parties in connection therewith.
- 16.2 In the event the use of equipment or tools or the method of operation of either party should infringe any trademark, patent, Copyright or any other right of third parties, the party using such equipment or tools, or employing the method of operation, shall indemnify and hold harmless the other party from and against any claims by third parties in connection therewith.

17. TITLE TO AND RISK OF LOSS OF THE VESSEL AND OWNER FURNISHED EQUIPMENT

- 17.1 Except as otherwise provided in Article 17.2, risk of loss to the Vessel and all equipment and materials purchased for and/or installed on the Vessel, including all Work performed upon the Vessel whether by BUILDER, BUILDER's Personnel, OWNER, OWNER's Personnel or any OWNER-Designated Contractors, shall remain in BUILDER until such time as the Vessel is delivered to OWNER pursuant to Article 14 hereof; provided title to all materials, equipment, supplies and other property incorporated into or purchased for incorporation into the Vessel shall

vest in OWNER as and when BUILDER receives payment for same from OWNER under this Agreement.

17.2 Title to all OWNER-Furnished Equipment shall remain in OWNER and shall not be subject to any liens or encumbrances of any nature whatsoever in favor of BUILDER, BUILDER's Personnel, or any party claiming by or through BUILDER or BUILDER's Personnel; provided BUILDER shall have the risk of loss as provided in Article 18, until the Vessel is delivered to the OWNER pursuant to Articles 14 or 20 hereof.

18. LIABILITY AND INDEMNIFICATION

18.1 The BUILDER agrees to defend, indemnify and hold the OWNER and OWNER's Personnel free and harmless from and against any and all claims and /or liabilities (including, without limitation, the cost of any lawsuit and reasonable attorney's fees) arising in favour of any of BUILDER's Personnel (or representatives or any survivor of any of the foregoing) on account of illness of, injury to and/or death of any such parties in connection with the Vessel and/or the Work performed pursuant to this Agreement, regardless of whether the OWNER and/or OWNER's Personnel may be wholly, partially or solely negligent or otherwise at fault.

18.2 The OWNER agrees to defend, indemnify and hold the BUILDER and BUILDER's Personnel free and harmless from and against any and all claims and/or liabilities (including, without limitation, the cost of any lawsuit and reasonable attorney's fees) arising in favour of any of OWNER's Personnel (or representatives or any survivor of any of the foregoing) on account of illness of, injury to and/or death of any such parties in connection with the Vessel and/or the Work performed pursuant to this Agreement, regardless of whether the BUILDER and/or BUILDER's Personnel may be wholly, partially or solely negligent or otherwise at fault.

18.3 The OWNER and OWNER's Personnel shall not be responsible for any loss of and/or damage to the BUILDER's Shipyard, premises, buildings, facilities, equipment and/or other tangible property used in the performance of the Work, whether such belongs to BUILDER or BUILDER's Personnel, and the BUILDER agrees to defend, indemnify and hold the OWNER free and harmless from and against any and all claims and/or liabilities (including, without limitation, the costs of any lawsuit and reasonable attorney's fees) with respect to any such loss and/or damage, regardless of whether such loss and/or damage is caused by the negligence or fault of OWNER or OWNER's Personnel.

18.4 The BUILDER shall not be responsible for any loss of and/or damage to the property of OWNER or OWNER's Personnel excluding, however, OWNER-Furnished Equipment from and after delivery to BUILDER's Shipyard premises and used in the performance of the Work, and the OWNER agrees to defend, indemnify and hold the BUILDER free and harmless from and against any and all such claims and/or liabilities (including, without limitation, the costs of any lawsuit and reasonable attorney's fees) with respect to any such loss and/or damage regardless of whether such loss or damage was caused by the negligence or fault of BUILDER or BUILDER's Personnel. Notwithstanding the foregoing, BUILDER shall be responsible for any loss or damage to the OWNER-Furnished Equipment howsoever caused unless caused by OWNER or OWNER Personnel provided the same is not covered by Builder's Risk Insurance to be provided by BUILDER under the provisions of Annex "F" hereto.

18.5 In the event of any loss and/or damage to the property of, or personal injury and/or death of any third parties, OWNER and BUILDER each agree to be responsible for and defend, indemnify and hold the other harmless from and against any and all claims and/or liabilities (including, without limitation, the cost of any lawsuit and reasonable attorney's fees) with respect to such loss and/or damage, or personal injury and/or death to the extent caused by or resulting from the indemnifying party's negligence or fault.

18.6 Except as otherwise expressly provided in this Agreement, neither the OWNER nor the BUILDER shall be liable vis-a-vis the other for any incidental or consequential loss, including (but not limited to) loss of profits or earnings, loss of contract or loss of time in operating the Shipyard, the Vessel and/or other assets of the OWNER, or out-of-pocket expenses, regardless of whether the OWNER and/or the BUILDER and/or their respective Personnel may be wholly, partially or solely negligent or otherwise at fault, or whether or not such consequential loss has been caused by the wilful misconduct or gross negligence of the OWNER, the BUILDER, or their respective Personnel, breach of this Agreement including fundamental breach, or any breach of warranty.

18.7 BUILDER shall be responsible for and dispose of in an environmentally safe manner and in compliance with all applicable laws and regulations, any and all garbage, waste, scrap, debris, oil, chemicals, contaminants, irritants, pollutants and other by-products of the Work except for bulk mud and cement test medium, and, notwithstanding any other provision of this Article 18 to the contrary, BUILDER shall be responsible for and shall defend, indemnify and hold the OWNER free and

harmless from and against any and all claims, liabilities, costs, expenses, fines and/or penalties, of every kind or character (including without limitation the cost of any lawsuit and reasonable attorney fees) incurred by or imposed on OWNER, arising from or in connection with, directly or indirectly, in consequence of or with respect to, the actual or potential disposal, discharge, emission, spillage or leakage upon or into the seas, water, land or air during the course of performance of the Work, of any garbage, debris, waste, scrap, oil, petroleum products, chemicals, contaminants, irritants, pollutants, and/or any substance, of any kind or nature whatsoever, regardless or whether caused wholly, in part or solely by the negligence of OWNER or OWNER's Personnel; provided, however, this provision shall not apply to events caused by the wilful misconduct of OWNER or OWNER's personnel.

- 18.8 The liabilities assumed by BUILDER hereunder shall be supported by available insurance policies placed with first line reliable insurance companies.
- 18.9 Prior to the commencement of Work under this Agreement, BUILDER shall furnish to OWNER certificates of insurance evidencing the coverages, with limits and endorsements, as set forth in the attached Annex "F". BUILDER agrees to maintain all such insurances as described in Annex "F" as long as this Agreement shall remain in effect.
- 18.10 BUILDER shall use its best efforts to cause its subcontractors to carry similar insurance coverages for the types and amounts listed in Annex "F". BUILDER shall be responsible for any shortfall in insurance coverages furnished by any of its subcontractors.

19. BUILDER'S SUBCONTRACTORS AND SUPPLIERS

- 19.1 The BUILDER shall be at liberty to subcontract all parts of the Work; however, BUILDER shall use due care to select competent and efficient subcontractors. BUILDER shall be fully responsible for the performance of all subcontractors and any segment of the Work performed thereby and shall ensure that all production milestones are met.
- 19.2 The BUILDER shall remain fully responsible under this Agreement for any part of the Work which has been subcontracted to any subcontractors or suppliers. All work performed by subcontractors hereunder shall be subject to the provisions of this Agreement as if the same had been performed by BUILDER including, but not limited to, all warranty provisions hereof as set forth in Article 15.
- 19.3 Throughout the existence of this Agreement, the BUILDER shall be an independent contractor with full power and authority, subject to the terms of this Agreement, to select the means, methods and manner of performing its obligations hereunder. BUILDER shall be solely responsible for and shall indemnify OWNER for all matters pertaining to its subcontractors and its employees, servants and agents and OWNER shall never be responsible for such parties.

20. TERMINATION/CANCELLATION

- 20.1 Should BUILDER fail to fulfill or perform any of its material obligations as outlined under this Agreement, OWNER shall notify BUILDER in writing, specifically describing in reasonable detail the failures of BUILDER. Thereafter, subject to Article 5.4 hereof, should BUILDER fail to initiate corrective action within ten (10) business days following receipt of notice from OWNER to eliminate the matters complained of, or, having initiated corrective action, fail to prosecute such corrective action to completion, then OWNER shall have the right to terminate this Agreement forthwith. Election of OWNER to terminate this Agreement pursuant to this Article 20.1 shall not relieve BUILDER from its obligation to accommodate and assist OWNER with the removal of the Vessel from BUILDER's shipyard in the event OWNER elects to engage another BUILDER to complete the Work.
- 20.2 This Agreement may be terminated for Force Majeure as specified under the terms and conditions as set forth in Article 13 hereof.
- 20.3 Subject to the provisions of Article 20.4, this Agreement may be terminated by either party hereto in the event the other party shall become insolvent, have a receiver appointed, apply for moratorium, be declared bankrupt, go into liquidation, or if all or substantially all of a party's assets shall be attached or seized.
- 20.4 In the event this Agreement is terminated by OWNER pursuant to the provisions of Articles 20.1 or 20.3 above, OWNER shall be obligated to pay BUILDER all sums due and owing BUILDER as of the date of termination and a portion of the remaining milestones due after the date of termination based on the percentage of work performed before the date of termination with respect to such remaining milestones (excluding any costs incurred by BUILDER in terminating the ongoing Work); provided, however, OWNER shall be entitled to (a) an assignment of title by BUILDER, free and clear of all liens, encumbrances and

claims of any kind, in and to the Vessel, including all equipment, raw material, goods and appurtenances purchased by BUILDER for incorporation on or into the Vessel, and (b) deduct from any amounts due BUILDER any additional costs incurred by OWNER to complete the Work (over and above the balance of the Contract Price that OWNER would have reasonably expected to have paid had BUILDER completed the Work), including, without limitation, the cost of removing the Vessel from BUILDER's shipyard and transporting it to another contractor, any costs associated with relocating OWNER's Personnel, and any additional costs incurred, directly or indirectly, in respect to OWNER-Designated Contractors or OWNER-Furnished Equipment (including the transportation costs associated therewith); provided, OWNER shall endeavor to mitigate any such additional costs incurred to relocate and/or to complete the Work wherever possible, and provided further, in no event shall such additional costs as referred to in this Article 20.4(b)(ii) exceed, in the aggregate, ten percent (10%) of the Contract Price. Upon transfer of title, settlement and payment of BUILDER's obligations as stated in (a)-(b) above, the parties' liability recited in this paragraph 20.4 shall be discharged.

20.5 The remedies provided for in this Agreement for termination shall be exclusive remedies. In no event shall OWNER terminate this Agreement due to late delivery of the Vessel until the running of the full period of time for accrual of maximum liquidated damages under Article 5.4 hereof.

21. TAXES AND DUTIES

21.1 The Contract Price and any and all further costs and expenses to be paid by the OWNER to the BUILDER pursuant to this Agreement, including, without limitation, any sums paid pursuant to any Variation Order(s) on a time and materials basis, shall be inclusive of any and all applicable Singapore taxes, assessments, levies and/or duties including, when applicable, VAT and/or GST taxes. Any taxes paid by BUILDER in respect to invoices submitted by its subcontractors or any third parties are exclusively for BUILDER's account.

21.2 BUILDER shall bear and pay any and all liabilities or claims for any income taxes, profits taxes, property taxes, stamp taxes, document taxes, value added taxes, goods and services taxes, sales taxes, excise taxes, surtaxes, surcharges or any other taxes or governmental charges of whatever nature which any Singapore governmental authority (including any political sub-division thereof) claiming jurisdiction over the BUILDER may impose, assess or levy against BUILDER on account of or resulting from BUILDER's execution of or performance under this Agreement.

21.3 BUILDER further agrees to withhold from wages, salaries, fees or other remuneration of its agents, servants, employees or subcontractors, all sums required to be withheld by the laws of Singapore and to pay the same promptly when due to the proper authorities.

21.4 BUILDER, at BUILDER's sole cost and expense, agrees to make all reports and take all other actions necessary to satisfy tax, accounting and reporting requirements of Singapore (including any political sub-division thereof) claiming jurisdiction over the subject matter hereof.

21.5 BUILDER shall defend, indemnify and hold OWNER harmless against any and all liabilities or claims for taxes or other governmental charges, including interest and penalties thereon, imposed, assessed or levied against OWNER, which are otherwise the responsibility of BUILDER. Likewise, OWNER shall defend, indemnify and hold BUILDER harmless against any and all liabilities or claims for taxes or other governmental charges, including interest and penalties thereon, imposed, assessed or levied against BUILDER, which are otherwise the responsibility of OWNER.

21.6 OWNER shall be responsible for making all necessary arrangements and for the payment of all port dues, duties, taxes and charges in respect of the importation or exportation of OWNER-Furnished Equipment and for the payment of all taxes due in respect to OWNER's Personnel.

22. SUPPLIES AND SERVICES FROM THIRD PARTIES

22.1 In the event BUILDER orders supplies and/or services from third parties and such are not or cannot be delivered to the BUILDER at the time the BUILDER requested or anticipated, then the BUILDER, subject to OWNER's approval which will not be unreasonably withheld, shall be entitled to order reasonable substitute supplies and/or services of equal or better quality; however, such shall not affect the Contract Price and no additional cost incurred by BUILDER in respect to any such substitution shall be passed on to OWNER. Furthermore, unless otherwise agreed by OWNER, the substitution of supplies and/or services as provided herein shall not constitute a permissible delay giving rise to any extension of the Delivery Date.

- 22.2 It is specifically agreed that all supplies and/or services provided hereunder, whether furnished by BUILDER, BUILDER's subcontractors or third parties, are to be of first class shipbuilding quality, approved by the Classification Society and any Regulatory Bodies having jurisdiction thereof and by the OWNER such approval not to be unreasonably withheld or delayed.
23. AUDIT AND RECORDS
- 23.1 For the purpose of reviewing and verifying the costs and the quantities of reimbursable items or any part of Work performed on a time, material or equipment basis, the OWNER or its authorized representatives shall have access to (at all reasonable times) and the right to reproduce and retain copies of all books, records (including data stored on computers), certificates, correspondence, instructions, plans, drawings, way bills, receipts, vouchers and memoranda of the BUILDER and its subcontractors, their agents and servants, pertaining to the Work; provided, however, that the BUILDER shall have the right to exclude any trade secrets, formulas, processes or commercially sensitive information (including information regarding BUILDER's profit) from such audits.
- 23.2 The above rights of the OWNER shall continue for a period of one (1) year after the date title to the Vessel is transferred to OWNER and the BUILDER shall preserve, and, to the extent possible, shall cause its subcontractors to preserve, all documents for said period or, in the event of a dispute, until the date when that dispute has been finally determined by agreement, litigation or otherwise.
24. LIENS
- 24.1 All charges for labor, materials, equipment, services, supplies and other items to be furnished by BUILDER for or in connection with this Agreement shall be paid promptly by BUILDER and BUILDER shall indemnify and hold harmless OWNER from and against any and all claims, demands, actions, proceedings, liabilities, costs and expenses suffered or incurred by OWNER in respect thereof or in relation thereto.
- 24.2 Upon delivery of the Vessel to OWNER, BUILDER shall furnish to OWNER, in accordance with Article 14.6(c), a declaration of warranty that the Vessel is delivered free and clear of any liens or encumbrances as may be imposed by suppliers, subcontractors and vendors of BUILDER in connection with this Agreement and BUILDER will indemnify and hold OWNER harmless from any such liens, encumbrances, or claims. OWNER shall be entitled to withhold payment of the final installment of the Contract Price (or such portion thereof as necessary) until such time as BUILDER furnishes the foregoing declaration.
- 24.3 Except for BUILDER's own lien rights, BUILDER shall keep the Vessel, its machinery, equipment, materials and appurtenances, as well as any OWNER-Furnished Equipment, free and clear of all liens, charges and other encumbrances. If BUILDER fails or neglects to discharge any such lien, charge or other encumbrance created in breach of this Article, OWNER (without prejudice to any other rights or remedies of OWNER under this Agreement or at law) shall be entitled to settle or otherwise provide for the discharge of the same and all amounts paid and all costs and expenses incurred by OWNER in connection therewith or in relation thereto may be deducted from any sums due or which become due to BUILDER hereunder or may be recovered from BUILDER as a debt.
25. CONFIDENTIALITY
- 25.1 All information acquired or furnished by the OWNER to the BUILDER and/or by the BUILDER to the OWNER, other than information which either:
- o is part of the public domain;
 - o becomes part of the public domain other than through the fault of the parties;
 - o is already known by the parties at the time of disclosure; or
 - o is required to be disclosed to third parties according to applicable law;
- is to be treated as confidential and not to be used by either party for any other purpose than for the benefit of the Work under the terms of this Agreement.
- 25.2 The parties each covenant and agree that the above obligation of confidentiality shall be strictly enforced as to its respective Personnel. This obligation shall continue for a period of two (2) years from the expiration of the Warranty Period as mentioned in Article 15, headed "Warranty".
- 25.3 Neither party hereto shall issue any press release or provide any

information to the media or any other third party without the express prior written approval of the other party, except where it is necessary to satisfy securities laws or regulations and Stock Exchange requirements. Nothing herein shall prohibit OWNER from providing information to market the Vessel.

26. ASSIGNMENT

- 26.1 Except for the proceeds of this Agreement which may be assigned for financial purposes, neither BUILDER nor OWNER shall assign this Agreement or any part hereof.
- 26.2 OWNER shall have the right to designate a party other than OWNER to take delivery and title of both the Vessel and the Option Vessel as defined herein, provided such party agrees to be bound by the terms and conditions of this Agreement. In the event the OWNER elects to designate a party other than itself to take delivery and title to the Vessel and the Option Vessel, OWNER shall give notice to BUILDER of the same, which in no event shall such notice be given less than thirty (30) days prior to the Delivery Date, as the same may be adjusted or extended.

27. NOTICES

- 27.1 The BUILDER's Representative shall be authorized to receive notices and to issue and sign and execute on behalf of the BUILDER any and all documents referred to in this Agreement.
- 27.2 Notices shall be in English and shall be deemed properly given if made in person to the Representative of the other Party, or by facsimile or by courier service if to the addresses and facsimile numbers shown below:

For the OWNER: Atwood Oceanics Pacific Limited
c/o Atwood Oceanics, Inc.
15835 Park Ten Place Drive
Houston, Texas U.S.A.
Telephone: (281) 749-7805
Facsimile: (281) 578-3253
Attn: Glen P. Kelley
With a copy to: Alan Quintero

For the BUILDER: Keppel FELS Limited
31 Shipyard Road
Jurong Town
Singapore 628 130
Telephone: (65) 267-6700
Facsimile: (65) 261-7719
Attn: Managing Director
C H Tong
With copy to: Project Manager

- 27.3 All notices shall be deemed as properly given upon their actual receipt.

28. MISCELLANEOUS

- 28.1 BUILDER represents and warrants that it is duly authorized to construct, equip, complete, sell and perform the entirety of the Work and to deliver the Vessel as provided hereunder and that it will obtain in a timely manner all necessary permits, licenses and authorizations required to perform the Work and deliver the Vessel. BUILDER further represents and warrants that it shall comply with, and shall use its best endeavors to procure that its subcontractors comply with, all applicable statutes, by-laws and other rules and regulations having the force of law in the applicable jurisdiction in which any of the Work is performed or in which BUILDER's Shipyard is located, and shall indemnify and hold the OWNER harmless from and against any and all liabilities, proceedings, claims, actions, demands, penalties, losses, costs and expenses whatsoever suffered or incurred by OWNER as a result or by reason of any failure or neglect on the part of BUILDER or any of its subcontractors to so comply.
- 28.2 It is agreed that notwithstanding anything to the contrary contained in this Agreement, the provisions of Articles 14,15, 16, 17, 18, 21, 23, 24, 25 and 28 shall survive and continue following termination or completion of this Agreement.
- 28.3 This Agreement, when executed, shall contain the entire agreement between the parties and shall supersede all prior agreements or understandings, oral or written, between the parties. Furthermore, this Agreement shall not be modified, changed, altered or amended except by the express written agreement of BUILDER and OWNER.
- 28.4 Unless the context otherwise requires, the singular shall include the

plural and the plural the singular, and words indicating persons shall include firms and corporations.

- 28.5 Article headings are inserted for convenience only and shall be ignored for the purposes of construction or interpretation.
- 28.6 It is recognized that the Contract Drawings may not yet completely incorporate the items agreed to be part of the Work as outlined in the Specifications. Reference Article 2.1, the Contract Drawings shall be amended within one (1) month after the Effective Date to fully reflect the Work outlined in the Specifications. Where there are any differences between the Specifications and the Contract Drawings, the Specifications shall take precedence over the Contract Drawings.
- 28.7 In the event that the terms and conditions of this Agreement require the issuance of a Variation Order, whether for variations or changes pursuant to Article 4 or wherever in this Agreement BUILDER is entitled to an extension of the Delivery Date, OWNER agrees to sign proper Variation Orders as and when requested by BUILDER and BUILDER shall so request same in a timely manner.

29. OPTION VESSEL

- 29.1 BUILDER hereby grants to OWNER an option for a second Vessel (the "Option Vessel"), to be substantially identical to the first Vessel, on the terms and conditions expressly set forth herein. Such option must be exercised by notice to BUILDER in writing within six (6) months of the Effective Date or thereafter said option shall lapse. If so exercised, BUILDER and OWNER shall within ten (10) days after notice of the exercise of the option is given to BUILDER execute and deliver a construction contract in the form of this Agreement, except that the Contract Price shall be UNITED STATES DOLLARS EIGHTY-TWO MILLION NINE HUNDRED THOUSAND DOLLARS ONLY (US\$82,900,000.00) increased or decreased to cover Variation Orders approved through the date of such new contract and the Delivery Date shall be six (6) months following delivery of the Vessel.

30. GOVERNING LAW; COURTS; LANGUAGE

- 30.1 This Agreement shall be governed by and construed in all respects in accordance with the laws of England, excluding any choice of law rules which would refer the matter to the laws of another jurisdiction.
- 30.2 Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be determined by the High Court of Justice, London, to which the parties agree to submit.
- 30.3 In the event of any dispute, controversy or claim requiring legal proceedings in the courts and arising or occurring prior to the delivery and acceptance by the OWNER of the Vessel, any award or decision of the court proceedings shall include a finding as to whether or not the Delivery Date of the Vessel should be altered or adjusted as a result of such dispute.
- 30.4 This Agreement is written in the English language and, notwithstanding any translation hereof into any other language, the English language version shall control.

SIGNED IN DUPLICATE ORIGINALS AT Houston, Texas as of the date first appearing on the face hereof.

Atwood Oceanics Pacific Limited

Keppel FELS Limited

"OWNER"

"BUILDER"

/s/Glen P. Kelley

/s/Ton Chong Heong

By:_____

By:_____

Title:_____

Title:_____

</TEXT>
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2001 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 drilling units as well as manages the operations of two operator-owned platform drilling units in Northwest Australia. The Company also owns a fifty percent interest in a modular platform that is idle. In December 2000, the Company purchased a semisubmersible for future conversion to a tender assist vessel once an acceptable contract opportunity is secured. The Company is also constructing an ultra-premium jack-up unit for the international non-North Sea drilling market. Since 1996, the Company has expended over \$250 million in upgrading its mobile offshore drilling units. The Company supports its operations from headquarters in Houston and affiliated offices in Australia, Malaysia, Indonesia, Philippines, United Kingdom, Egypt and Israel.

FINANCIAL HIGHLIGHTS

	2001	2000
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	(In Thousands)	
FOR THE YEAR ENDED SEPTEMBER 30,		
CONTRACT REVENUES	\$ 147,541	\$ 135,973
NET INCOME	27,346	23,148
CAPITAL EXPENDITURES	107,778	34,841
AT SEPTEMBER 30,		
NET PROPERTY AND EQUIPMENT	\$ 306,254	\$ 224,107
TOTAL ASSETS	353,878	313,251
TOTAL SHAREHOLDERS' EQUITY	247,636	218,205

TO OUR SHAREHOLDERS AND EMPLOYEES:

The Company's net income of \$27.3 million for fiscal 2001 marked our eighth consecutive year of profitability. The last four years of financial performance have been the best in Atwood Oceanics' thirty-three year history. This financial performance record has been accomplished despite the Company having had drilling units undergoing upgrades in various shipyards at times during this period.

Since 1996, the Company has expended over \$250 million in upgrading all seven of our current active drilling units, with the ATWOOD EAGLE to be further upgraded in 2002. With our upgraded drilling fleet, the Company is well positioned to take advantage of the upside from longer-term market improvement. Even without any improvement in market conditions in 2002, based upon current contract commitments, fiscal 2002 should be another profitable year.

Our financial results for fiscal 2001 once again reflected operating margins that are high by industry standards. In recent years, this has been achieved in large part, through maintaining high utilization of our seven active drilling units. We again expect to maintain high utilization of our drilling units in fiscal 2002.

Four of the Company's seven active drilling units - ATWOOD HUNTER, ATWOOD FALCON, VICKSBURG and SEAHAWK - have contract commitments that should keep them employed through fiscal 2002. Current commitments for a fifth unit, the ATWOOD SOUTHERN CROSS, should keep it busy until fourth quarter fiscal 2002. The ATWOOD EAGLE should be fully utilized until it enters a shipyard for upgrade in second quarter of fiscal 2002. Our only unit in the U.S. Gulf of Mexico, the unique, shallow-draft submersible, RICHMOND, is committed until second quarter fiscal 2002. The Company is leveraged to international markets and has low exposure to the weaker market conditions currently prevailing in the U.S. Gulf of Mexico.

In December 2001, the ATWOOD HUNTER commenced an eleven-well contract following a five-month upgrade in a United States shipyard to enable it to drill in water depths up to 5,000 feet in international mild environments and a one-month mobilization to the Mediterranean. The major \$90 million upgrade of the ATWOOD EAGLE will increase its water-depth capability to 5,000 feet for international non-North Sea markets. Both upgrades of the ATWOOD HUNTER and ATWOOD EAGLE include totally new 120-bed quarters with additional offices, enhanced drilling systems, and sub-sea tree-handling systems to improve drilling efficiency and sub-sea completion capability.

In late July 2001, the Company entered into a contract to construct a \$125 million ultra-premium jack-up with scheduled delivery in June 2002. The new rig, ATWOOD BEACON, is being built in Singapore by a strong, experienced shipyard. We believe the Mod-V Enhanced B-Class unit will provide broad coverage for our clients in international non-North Sea markets.

The SEASCOUT, a sister unit to the SEAHAWK, was purchased for \$4.5 million in December 2000 and is currently idle. The SEASCOUT is an ideal candidate for upgrade to a premium tender-assist unit. While engineering is being undertaken and cost estimates prepared for possible future opportunities, an upgrade will not be undertaken without an acceptable contract.

The Company strives to achieve client satisfaction and growth through safe, quality operations and value-adding service. We are leveraged to international and premium higher return markets with a modern, well-equipped fleet. Our successful fleet upgrade program has focused on both drilling and completion capability.

While fiscal 2002 may not provide improvement in financial results through significantly higher utilization levels and dayrates, we do remain optimistic about the longer-term opportunities and fundamentals in our business. The Company's financial performance over the past five years was recognized when Forbes magazine named Atwood Oceanics one of America's Top 200 Smaller Companies. This represents less than 1% of small cap companies. The continuing support of our shareholders and the contributions of our employees are important to us as we work to build the Company and enhance future shareholder value.

/s/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)	2001	2000	1999	1998	1997
STATEMENTS OF OPERATIONS DATA:					
Contract revenues (1)	\$147,541	\$135,973	\$152,850	\$153,388	\$ 89,421
Contract drilling and management costs (1)	(70,014)	(60,709)	(73,196)	(66,864)	(49,129)
General and administrative expenses	(9,250)	(8,449)	(7,519)	(7,331)	(6,100)
OPERATING MARGIN	68,277	66,815	72,135	79,193	34,192
Depreciation	(25,579)	(29,624)	(23,904)	(17,596)	(9,979)
OPERATING INCOME	42,698	37,191	48,231	61,597	24,213
Other income (expense)	(1,577)	(1,293)	(1,724)	(1,278)	1,165
Tax provision	(13,775)	(12,750)	(18,787)	(20,955)	(9,759)
NET INCOME	\$ 27,346	\$ 23,148	\$ 27,720	\$ 39,364	\$ 15,619
PER SHARE DATA:					
Earnings per common share:					
Basic	\$ 1.98	\$ 1.68	\$2.03	\$2.90	\$ 1.16
Diluted	1.96	1.66	2.01	2.84	1.14
Average common shares outstanding:					
Basic	13,828	13,763	13,649	13,592	13,474
Diluted	13,978	13,916	13,791	13,884	13,715
FLEET DATA:					
Number of rigs owned or managed, at end of period	11	11	11	11	11
Utilization rate for in-service rigs (excludes contractual downtime for rig upgrades in 2001, 2000, 1999, 1998 and 1997)	80%	71%	77%	100%	100%
BALANCE SHEETS DATA:					
Cash and securities held for investment	\$ 12,621	\$ 42,661	\$ 43,041	\$ 34,529	\$ 42,234
Working capital	25,057	47,433	31,519	24,864	27,549
Net property and equipment	306,254	224,107	218,914	205,632	143,923
Total assets	353,878	313,251	293,604	281,737	215,330
Total long-term debt	60,000	46,000	54,000	72,000	59,500
Shareholders' equity (2)	247,636	218,205	192,229	163,766	122,689
Ratio of current assets to current liabilities	2.21	3.71	2.66	1.93	2.41

Notes -

- (1) In the fourth quarter of 2001, the Company adopted Staff Accounting Bulletin No. 101 which requires that mobilization revenues and related costs be shown gross on the consolidated income statement as opposed to the Company's prior policy of netting such amounts. Accordingly, contract revenues and drilling costs amounts for 2001 through 1997 reflect these reclassifications.
- (2) The Company has never paid any cash dividends on its common stock.

OFFSHORE DRILLING OPERATIONS

RIG NAME	YEAR BUILT (UPGRADED)	MAXIMUM WATER DEPTH	PERCENTAGE OF 2001 CONTRACT REVENUES	LOCATION	CUSTOMER	CONTRACT STATUS AT DECEMBER 15, 2001
SEMISUBMERSIBLES -						
ATWOOD FALCON	1983(1998)	3,500 Ft.	27%	Malaysia	Shell Philippines Exploration, B.V.	The rig's current contract terminates upon completion of the current well. Immediately upon completion of its current contract, the rig will be moved to Malaysia to commence a drilling program for Sarawak Shell Berhad and Sabah Shell Petroleum Company Ltd., ("Shell").The drilling contract includes five firm wells and provides Shell with options to drill five additional wells and could extend approximately one year if all ten wells are drilled.
ATWOOD HUNTER	1981(1997/ 2001)	5,000 Ft.	11%	Egypt	Burullus Gas Company	The rig commenced its current contract in early December 2001 which is expected to take between 280 and 340 days to complete.
ATWOOD EAGLE	1982(2000)	3,300 Ft.	13%	Egypt	Rashid Petroleum	The rig is contractually committed into Company early 2002. An approximate \$90 million upgrade of the rig is planned immediately upon the rig completing its current contractual commitments, which will take around six months shipyard time to complete. Contract opportunities to commence following the rig's upgrade are being pursued internationally.

ATWOOD SOUTHERN CROSS	1976(1997)	2,000 Ft.	12%	Israel	Isramco	The rig has contractual commitments in Israel and Egypt, which should keep the rig employed into the third or fourth quarters of fiscal 2002.
SEAHAWK	1974(1992/ 1999)	600 Ft.	16%	Malaysia	Esso Production	The rig is under long-term contract which Malaysia Inc. terminates in 2003, with an option for the Customer to extend.
SEASCOUT	1974	1,000 Ft.	0%	United States Gulf of Mexico		The rig was purchased in December 2000 for future conversion to a tender assist unit similar to the SEAHAWK, once an acceptable contract opportunity is secured.
CANTILEVER JACK-UPS -						

VICKSBURG	1976/1998	300 Ft.	9%	Malaysia - Thailand Joint Development	Carigali - Triton Operating Company Sdn. Bhd. ("CTOC")	The rig commenced a term contract in November 2001 to drill 31 wells estimated to take around 540 days to complete. CTOC has the option of cancelling the contract at any time after giving a sixty-day written notice of termination.
ATWOOD BEACON	Under Construction	350 Ft.	0%	Singapore		The Company expects the construction of this ultra-premium jack-up drilling unit to be completed in June 2003.
SUBMERSIBLE -						

RICHMOND	1982/2000	75 Ft.	8%	United States Gulf of Mexico	Samedan Oil Corporation ("Samedan")	The rig has contract commitments to drill one well (estimated to take around 60 days), with Samedan having an option to drill one additional well at a future date.
MODULAR PLATFORMS -						

RIG-200	1995	N/A	0%	Australia		The rig has been available for contract since it became idle in June 1999.
MANAGEMENT CONTRACT						
GOODWYN 'A' and NORTH RANKIN 'A'	N/A	N/A	4%	Australia	Woodside Energy	There is currently an indefinite planned break in drilling activity for the two client-owned rigs. The Company is involved in maintenance of the two rigs for future drilling programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report to Shareholders and the related Form 10-K for the fiscal year ended September 30, 2001 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. Our Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other Company filings with the Securities and Exchange Commission and in our reports to Shareholders. Generally, the words "believe", "expect", "intend", "estimate", "anticipate", "plan", and similar expressions identify forward-looking statements. 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. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performances, and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements involve risks and uncertainties that may cause the Company's actual future activities and results of operations to be materially different from those suggested or described in this Annual Report to Shareholders and related Form 10-K. These risks include: the Company's dependence on the oil and gas industry; the Company's ability to secure adequate financing; the risks involved in the construction and upgrade to the Company's rigs; competition; operations risks; risks involved in foreign operations; risks associated with possible disruptions in operations due to terrorism and governmental regulation and environmental matters. These factors ("Cautionary Statements") are disclosed in various places throughout 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

Fiscal 2001 marked the Company's eighth consecutive profitable year. Despite worldwide utilization of offshore drilling equipment being currently around 81% compared to around 87% at the beginning of fiscal year 2001, with the utilization in the United States Gulf of Mexico currently around 60% compared to 88% at this time last year, the Company remains optimistic about the long-term outlook and fundamentals of the offshore drilling market. Since 1996, the Company has expended over \$250 million in upgrading its seven active offshore mobile drilling units. In December 2000, the Company purchased the semisubmersible SEASCOUT for \$4.5 million for a future conversion and upgrade to a semisubmersible tender assist unit once an acceptable contract opportunity has been secured. In July 2001, the Company entered into a contract to construct a \$125 million ultra-premium jack-up drilling vessel with a scheduled delivery in June 2003. In early November 2001, the Company completed the approximately \$58 million water-depth upgrade and refurbishment of the ATWOOD HUNTER, with the rig transported to Egypt to commence a drilling program that should keep the rig employed for most of fiscal 2002. The Company continues its planning for a \$90 million water-depth upgrade and refurbishment of the ATWOOD EAGLE during the second half of fiscal 2002.

Of the Company's current seven active drilling units, the ATWOOD HUNTER, ATWOOD FALCON, ATWOOD SOUTHERN CROSS, VICKSBURG and SEAHAWK have contract commitments which should keep these drilling units employed for most, if not all, of fiscal 2002. Considering the ATWOOD EAGLE's planned upgrade during fiscal 2002, the RICHMOND has the most uncertainty concerning utilization during fiscal 2002. Based upon current contract commitments, the Company anticipates that fiscal 2002 will be the Company's ninth consecutive profitable year; however, over the short-term, improvement in offshore drilling market pricing is not anticipated.

RESULTS OF OPERATIONS

Fiscal Year 2001 Versus Fiscal Year 2000

Contract revenues during fiscal 2001 were 9% higher than revenues in fiscal 2000 primarily due to increased revenues from the ATWOOD SOUTHERN CROSS, RICHMOND and SEAHAWK which more than offset a decline in revenues from the ATWOOD HUNTER. An analysis of contract revenues by rig for fiscal years 2001 and 2000 is as follows:

CONTRACT REVENUES (In millions)			
	Fiscal 2001	Fiscal 2000	Variance
ATWOOD SOUTHERN CROSS	\$ 17.9	\$ 5.1	\$ 12.8
RICHMOND	11.3	4.2	7.1
SEAHAWK	23.4	19.5	3.9
ATWOOD EAGLE	19.9	16.7	3.2
GOODWYN `A`/NORTH RANKIN `A`	6.1	3.1	3.0
VICKSBURG	12.7	12.0	0.7
ATWOOD FALCON	40.4	40.9	(0.5)
ATWOOD HUNTER	15.8	34.5	(18.7)
	-----	-----	-----
	\$ 147.5	\$136.0	\$ 11.5
	=====	=====	=====

The ATWOOD SOUTHERN CROSS has worked continuously since it was relocated to the Mediterranean Sea in June 2000 from Australia where it had been idle since September 1998. The increase in revenues for the RICHMOND is due to higher dayrates in the Gulf of Mexico during 2001. Current dayrate levels in the Gulf of Mexico have declined; whereby, the Company expects RICHMOND revenues in 2002 to be lower than revenues earned in 2001. After its upgrade, the SEAHAWK commenced its four-year contract extension in February 2000, with its dayrate ranging from a high of \$50,000 to a low of \$30,000 depending upon the price of oil. The SEAHAWK's dayrate for fiscal 2001 averaged \$50,000 compared to an average dayrate of \$43,000 in 2000, which accounts for its increase in revenues. The ATWOOD EAGLE was fully utilized in fiscal 2001 with an average per day revenue of \$54,000 compared to being off dayrate in January 2000 while undergoing some shipyard work which reduced its average per day revenue for fiscal 2000 to around \$45,000. Revenues were higher on the GOODWYN `A` and NORTH RANKIN `A` platform rigs due to increased drilling activities in 2001 compared to 2000. At the end of 2001, an indefinite planned break in drilling activities was instigated on the two client-owned platform rigs, which will result in reduced revenues being received on these rigs in 2002. The increase in revenues of the VICKSBURG was due to higher dayrates received in 2001 compared to 2000. The ATWOOD FALCON has earned a consistent level of revenues since it commenced its three-year contract in the Philippines following its upgrade in November 1998. This contract will terminate upon completion of the current well. The significant decline in revenues for the ATWOOD HUNTER was due to a significant reduction in dayrate revenues following the completion of its three-year contract term in November 2000 and to the rig being off dayrate while in a shipyard for an upgrade from early June 2001 to early November 2001.

Contract drilling and management costs during fiscal 2001 increased 15% primarily due to higher operating costs associated with the GOODWYN `A`/NORTH RANKIN `A` platform rigs, and the ATWOOD EAGLE, ATWOOD SOUTHERN CROSS, RICHMOND and VICKSBURG. An analysis of contract drilling and management costs by rig for fiscal years 2001 and 2000 is as follows:

CONTRACT DRILLING AND MANAGEMENT COSTS (In millions)			
	Fiscal 2001	Fiscal 2000	Variance
GOODWYN `A`/NORTH RANKIN `A`	\$ 5.7	\$ 2.7	\$ 3.0
ATWOOD EAGLE	11.9	9.0	2.9
ATWOOD SOUTHERN CROSS	10.3	7.6	2.7
RICHMOND	7.6	5.0	2.6
VICKSBURG	7.4	5.7	1.7
SEAHAWK	7.8	7.7	0.1
ATWOOD FALCON	8.6	8.6	0.0
ATWOOD HUNTER	8.1	12.5	(4.4)
OTHER	2.6	1.9	0.7
	-----	-----	-----
	\$ 70.0	\$60.7	\$ 9.3
	=====	=====	=====

Higher drilling costs for the GOODWYN `A'/NORTH RANKIN `A' platform rigs were due to an increase in drilling activities during 2001 following refurbishment by their Australian owner in 2000. Drilling costs for the ATWOOD EAGLE increased due to the rig having no downtime in 2001, thus, operating at a full cost level, compared to no drilling costs being incurred in January 2000 when the rig was in a shipyard for a brief period. The increase in drilling costs for the ATWOOD SOUTHERN CROSS was due to the rig being fully utilized since it returned to work in June 2000. Drilling costs for the RICHMOND and VICKSBURG increased due to higher maintenance and some personnel related costs. The reduction in drilling costs for the ATWOOD HUNTER was due to its upgrade, whereby no drilling costs were incurred during the upgrade period.

An analysis of depreciation expense by rig is as follows:

DEPRECIATION EXPENSE (In millions)			
	Fiscal 2001	Fiscal 2000	Variance
SEAHAWK	\$ 6.9	\$ 5.1	\$ 1.8
RICHMOND	1.5	0.2	1.3
ATWOOD EAGLE	3.6	3.0	0.6
ATWOOD SOUTHERN CROSS	3.9	3.9	0.0
VICKSBURG	2.6	2.9	(0.3)
ATWOOD HUNTER	1.5	5.2	(3.7)
ATWOOD FALCON	2.7	6.5	(3.8)
OTHER	2.9	2.8	0.1
	-----	-----	-----
	\$ 25.6	\$ 29.6	\$(4.0)
	=====	=====	=====

The Company does not recognize depreciation expense during a period a rig is out of service for a significant upgrade. The SEAHAWK, RICHMOND and ATWOOD EAGLE had some reduction in depreciation expense in early fiscal 2000 due to upgrades which accounts for a portion of the increased depreciation expense in 2001. Higher depreciable basis for these rigs following their upgrades also contributed to increased depreciation expense in 2001. The reduction in depreciation expense for the ATWOOD HUNTER and ATWOOD FALCON was primarily due to an increase in their depreciable lives from 12 to 22 years effective October 1, 2000.

The Company's general and administrative expenses increased 9% in fiscal 2001 compared to 2000; while its effective tax rate declined from 36% to 33%. The increase in general and administrative expenses was due to higher personnel related costs.

Fiscal Year 2000 Versus Fiscal Year 1999

Contract revenues during fiscal 2000 decreased 11% from revenues in fiscal 1999 primarily due to reduced revenues from the ATWOOD EAGLE and the Company's two platform rigs. An analysis of contract revenues by rig for fiscal years 2000 and 1999 is as follows:

CONTRACT REVENUES (In millions)			
	Fiscal 2000	Fiscal 1999	Variance
SEAHAWK	\$ 19.5	\$ 9.5	\$ 10.0
ATWOOD FALCON	40.9	35.1	5.8
ATWOOD SOUTHERN CROSS	5.1	0.0	5.1
ATWOOD HUNTER	34.5	32.2	2.3
VICKSBURG	12.0	10.6	1.4
RICHMOND	4.2	4.1	0.1
GOODWYN `A'/NORTH RANKIN `A'	3.1	8.6	(5.5)
RIG-200/RIG-19	0.0	14.9	(14.9)
ATWOOD EAGLE	16.7	37.9	(21.2)
	-----	-----	-----
	\$ 136.0	\$152.9	\$(16.9)
	=====	=====	=====

In preparation for a four-year contract extension, the SEAHAWK was upgraded from April 1999 through December 1999, with a reduced dayrate received during the upgrade period. The SEAHAWK received a dayrate of \$50,000 from the time it returned to work in February 2000 through the end of the year which accounted for its increase in revenues. The ATWOOD FALCON and VICKSBURG worked continuously since they completed their upgrades in November 1998. The ATWOOD SOUTHERN CROSS returned to work in June 2000 after being idle since September 1998. Higher revenues for the ATWOOD HUNTER are due to an increase in contractual dayrate during the last year of its three-year contract term which expired in November 2000. As a result of a decline in drilling activities on the GOODWYN `A' and NORTH RANKIN `A' platform rigs while undergoing refurbishment, the Company's management activities related to these rigs declined, resulting in less revenues being received and less costs being incurred in 2000. RIG-200 and

RIG-19 have been idle in Australia following completion of their contracts in June and September 1999, respectively. At the end of fiscal 2001, the Company retired RIG-19 with its equipment available for sale. The decrease in revenues for the ATWOOD EAGLE was due to a decline in dayrate revenues from an average of over \$100,000 per day in fiscal 1999 to approximately \$50,000 per day in fiscal 2000.

Contract drilling and management costs during fiscal 2000 decreased 17% primarily due to reductions in operating costs of the Company's platform rigs due to their idle status. An analysis of contract drilling and management costs by rig for fiscal years 2000 and 1999 is as follows:

CONTRACT DRILLING AND MANAGEMENT COSTS (In millions)			
	Fiscal 2000	Fiscal 1999	Variance
ATWOOD HUNTER	\$12.5	\$11.0	\$ 1.5
ATWOOD FALCON	8.6	7.1	1.5
VICKSBURG	5.7	4.5	1.2
ATWOOD SOUTHERN CROSS	7.6	6.8	0.8
SEAHAWK	7.7	7.1	0.6
RICHMOND	5.0	4.8	0.2
GOODWYN `A`/NORTH RANKIN `A`	2.7	6.6	(3.9)
ATWOOD EAGLE	9.0	14.3	(5.3)
RIG-200/RIG-19	0.1	8.8	(8.7)
OTHER	1.8	2.2	(0.4)
	-----	-----	-----
	\$ 60.7	\$ 73.2	\$(12.5)
	=====	=====	=====

The increase in drilling costs for the ATWOOD HUNTER was due to higher maintenance costs. The increases in the drilling costs for the ATWOOD FALCON and VICKSBURG were due to the rigs working continuously since completing their upgrades during the first quarter of fiscal 1999. The increase in drilling costs for the ATWOOD SOUTHERN CROSS was due to its return to work. The increase in drilling costs for the SEAHAWK was primarily due to additional costs incurred in December 1999 and January 2000 to mobilize and prepare the rig for commencement of drilling operations following its required upgrade. The reduction in drilling costs for the ATWOOD EAGLE was due to no drilling costs being incurred in January 2000 when the rig was in a shipyard for its water depth upgrade and due to a generally overall decline in maintenance and some personnel costs. In 1999, RIG-200 and RIG-19 were dismantled and stacked on land in Australia with nominal costs incurred.

An analysis of depreciation expense by rig is as follows:

DEPRECIATION EXPENSE (In millions)			
	Fiscal 2000	Fiscal 1999	Variance
SEAHAWK	\$ 5.1	\$ 1.3	\$ 3.8
VICKSBURG	2.9	2.0	0.9
ATWOOD FALCON	6.5	5.8	0.7
ATWOOD EAGLE	3.0	2.4	0.6
ATWOOD HUNTER	5.2	5.1	0.1
ATWOOD SOUTHERN CROSS	3.9	3.8	0.1
RIG-200/RIG-19	2.1	2.1	0.0
RICHMOND	0.2	0.8	(0.6)
OTHER	0.7	0.6	0.1
	-----	-----	-----
	\$ 29.6	\$ 23.9	\$ 5.7
	=====	=====	=====

The SEAHAWK, VICKSBURG and ATWOOD FALCON had some reduction in depreciation expense in 1999 due to upgrades, accounting for these increases in depreciation expense in 2000. The increase in depreciation expense for the ATWOOD EAGLE was due to higher depreciable costs due to its water-depth upgrade in January 2000.

LIQUIDITY AND CAPITAL RESOURCES

Operating cash flows (before changes in working capital and other assets and liabilities) for fiscal 2001 increased 2% to \$56.3 million from \$55.2 million. During fiscal 2001, the Company utilized available cash and internally generated funds plus \$14 million in net proceeds from its Credit Facility to invest approximately \$45 million in the upgrade of the ATWOOD HUNTER, to invest approximately \$33 million in purchases of equipment for the upgrade of the ATWOOD EAGLE, to invest approximately \$16 million in initialization of the construction of the ATWOOD BEACON and to fund approximately \$14 million in other capital expenditures.

Since 1996 and after completing the upgrades planned in 2002 for the ATWOOD EAGLE, the Company will have expended over \$300 million in upgrading all seven of its current active mobile offshore drilling units. The upgrade of the ATWOOD EAGLE (estimated to cost around \$90 million of which \$33 million has been expended on equipment purchases at September 30, 2001) will include modification of the rig's hull and mooring equipment to enable the rig to work in 5,000 feet of water, new 120-bed quarters, a new high-capacity crane, and upgraded well control, drilling and mud systems, in addition to other improvements. The Company continues to perform some engineering work on the SEASCOUT in preparation for its conversion and upgrade to a semisubmersible tender assist vessel, which, depending upon water depth and other operational requirements, could cost from \$52 to \$70 million. The conversion and upgrades will not be undertaken until an acceptable contract opportunity has been secured. Currently, the Company's primary capital commitments are the upgrade of the ATWOOD EAGLE (with an estimated \$57 million to be expended in 2002) and the construction of the ATWOOD BEACON (with an estimated \$64 million and \$45 million to be expended in 2002 and 2003, respectively).

To assist the Company in funding all of its capital commitments, in 2000, the Company executed a \$150 million revolving line of credit. This Credit Facility requires no principal reduction prior to its maturity in June 2005. Subsequent to September 30, 2001, the Company has borrowed an additional \$20 million for a currently outstanding balance of \$80 million. With the funding of the upgrade of the ATWOOD EAGLE and the construction of the ATWOOD BEACON, the Company anticipates utilizing virtually all of the borrowing capacity under the Credit Facility prior to the end of September 2002. The Company continues to pursue growth opportunities and would expect to finance additional capital expenditures through additional debt financing; however, there are no assurances that additional debt financing would be available on terms acceptable to the Company. The Company continues to periodically review and adjust its planned capital expenditures and financing of such expenditures in light of current market conditions.

As a result of the commencement of the construction of the ATWOOD BEACON and continuing upgrades of existing drilling units, working capital decreased from \$47.4 million at September 30, 2000 to \$25.1 at September 30, 2001. The Company's portfolio of accounts receivable is comprised of major international corporate entities with stable payment experience. Historically, the Company has experienced no significant difficulties in receivable collections; however, at

September 30, 2001, the Company was continuing to pursue legal action to collect approximately \$2 million billed in 1998 and approximately \$1.5 million billed in 2001.

DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk, including adverse changes in interest rates and foreign currency exchange rates as discussed below.

Interest Rate Risk

All of the \$60 million of long-term debt outstanding at September 30, 2001, was floating rate debt. As a result, the Company's annual interest costs in fiscal 2002 will fluctuate based on interest rate changes. Because the interest rate on the Company's long-term debt is a floating rate, the fair value of the Company's long-term debt approximates carrying value as of September 30, 2001. The impact on annual cash flow of a 10% change in the floating rate (approximately 40 basis points) would be approximately \$0.2 million. The Company did not have any open derivative contracts relating to its floating rate debt at September 30, 2001.

Foreign Currency Risk

Certain of the Company's subsidiaries have monetary assets and liabilities that are denominated in a currency other than their functional currencies. Based on September 30, 2001 amounts, a decrease in the value of 10% in the foreign currencies relative to the U.S. dollar from the year-end exchange rates would not result in any material foreign currency transaction loss. Thus, the Company considers its current risk exposure to foreign currency exchange rate movements, based on net cash flows, to be immaterial. The Company did not have any open derivative contracts relating to foreign currencies at September 30, 2001.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the 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, 2001 and 2000, 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, 2001. 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 auditing standards generally accepted in the United States. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ARTHUR ANDERSEN LLP

Houston, Texas
November 19, 2001

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	September 30,	
(In thousands)	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$12,621	\$ 19,740
Accounts receivable, net	19,815	31,466
Inventories of materials and supplies, at lower of average cost or market	9,111	9,544
Deferred tax assets	780	950
Prepaid expenses	3,394	3,217
Total Current Assets	45,721	64,917
SECURITIES HELD FOR INVESTMENT:		
Held-to-maturity, at amortized cost	---	22,594
Available-for-sale, at fair value	---	327
	----	22,921
PROPERTY AND EQUIPMENT, at cost:		
Drilling vessels, equipment and drill pipe	497,821	391,879
Other	8,768	8,197
	506,589	400,076
Less - accumulated depreciation	200,335	175,969
Net Property and Equipment	306,254	224,107
DEFERRED COSTS AND OTHER ASSETS		
	1,903	1,306
	\$353,878	\$313,251
	=====	=====

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)	2001	2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ ---	\$ ---
Accounts payable	8,055	5,886
Accrued liabilities	12,609	11,598
Total Current Liabilities	20,664	17,484
LONG-TERM DEBT, net of current maturities	60,000	46,000
DEFERRED CREDITS:		
Income taxes	13,600	10,390
Mobilization fees and other	11,978	21,172
	25,578	31,562
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; 1,000,000 shares authorized, none outstanding	---	---
Common stock, \$1 par value; 20,000,000 shares authorized with 13,832,000 and 13,823,000 issued and outstanding in 2001 and 2000, respectively	13,832	13,823
Paid-in capital	57,075	55,151
Accumulated other comprehensive income (loss)	---	(152)
Retained earnings	176,729	149,383
Total Shareholders' Equity	247,636	218,205
	\$353,878	\$313,251
	=====	=====

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

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30,		
(In thousands, except per share amounts)	2001	2000	1999
REVENUES:			
Contract drilling	\$ 141,473	\$ 132,846	\$ 150,892
Contract management	6,068	3,127	1,958
	-----	-----	-----
	147,541	135,973	152,850
	-----	-----	-----
COSTS AND EXPENSES:			
Contract drilling	64,343	58,057	71,709
Contract management	5,671	2,652	1,487
Depreciation	25,579	29,624	23,904
General and administrative	9,250	8,449	7,519
	-----	-----	-----
	104,843	98,782	104,619
	-----	-----	-----
OPERATING INCOME	42,698	37,191	48,231
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense	(2,939)	(3,907)	(4,172)
Investment income	1,362	2,614	2,448
	-----	-----	-----
	(1,577)	(1,293)	(1,724)
	-----	-----	-----
INCOME BEFORE INCOME TAXES	41,121	35,898	46,507
PROVISION FOR INCOME TAXES	13,775	12,750	18,787
	-----	-----	-----
NET INCOME	\$ 27,346	\$ 23,148	\$ 27,720
	=====	=====	=====
EARNINGS PER COMMON SHARE:			
Basic	\$ 1.98	\$ 1.68	\$ 2.03
Diluted	1.96	1.66	2.01
AVERAGE COMMON SHARES OUTSTANDING:			
Basic	13,828	13,763	13,649
Diluted	13,978	13,916	13,791

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,		
	2001	2000	1999
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	\$ 27,346	\$ 23,148	\$ 27,720
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	25,579	29,624	23,904
Amortization of deferred items	107	403	566
Deferred federal income tax provision	3,298	2,000	3,500
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	11,651	(13,177)	9,441
Increase (decrease) in accounts payable	1,090	(3,014)	402
Increase (decrease) in accrued liabilities	1,011	225	(350)
Net mobilization fees	(8,806)	981	7,074
Other	1,071	(1,103)	(1,364)
	35,001	15,939	43,173
Net Cash Provided by Operating Activities	62,347	39,087	70,893
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(107,778)	(34,841)	(38,760)
Non-cash portion of capital expenditures	1,079	1,260	(7,012)
Maturities of Treasury notes	22,600	---	---
Proceeds from sale of securities	429	---	---
Other	51	24	1,574
Net Cash Used by Investing Activities	(83,619)	(33,557)	(44,198)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from exercises of stock options	153	2,105	539
Proceeds from revolving credit facility	20,000	6,000	13,000
Principal payments on debt	(6,000)	(14,000)	(31,750)
Net Cash Provided (Used) by Financing Activities	14,153	(5,895)	(18,211)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,119)	(365)	8,484
CASH AND CASH EQUIVALENTS, at beginning of period	19,740	20,105	11,621
CASH AND CASH EQUIVALENTS, at end of period	\$ 12,621	\$ 19,740	\$ 20,105

Supplemental disclosure of cash flow information:			
Cash paid during the year for domestic and foreign income taxes	\$ 9,054	\$ 10,713	\$ 13,383
Cash paid during the year for interest, net of amounts capitalized	\$ 3,299	\$ 3,914	\$ 4,614

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)	Comprehensive Income	Common Shares	Stock Amount	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings
September 30, 1998		13,625	\$13,625	\$51,781	\$ (155)	\$ 98,515
Net income	\$27,720	---	---	---	---	27,720
Unrealized holding gain on available-for-sale securities, net of tax of \$8	16	---	---	---	16	---
Comprehensive income	\$27,736					
Exercises of employee stock options		50	50	489	---	---
Tax benefit from exercises of employee stock options		---	---	188	---	---
September 30, 1999		13,675	13,675	52,458	(139)	126,235
Net income	\$23,148	---	---	---	---	23,148
Unrealized holding loss on available-for-sale securities, net of tax of \$7	(13)	---	---	---	(13)	---
Comprehensive income	\$23,135					
Exercises of employee stock options		148	148	1,957	---	---
Tax benefit from exercises of employee stock options		---	---	736	---	---
September 30, 2000		13,823	13,823	55,151	(152)	149,383
Net income	\$27,346	---	---	---	---	27,346
Unrealized holding gain on available-for-sale securities, net of tax of \$36	66	---	---	---	66	---
Reclassification adjustment for losses realized in net income, net of tax of \$46	86	---	---	---	86	---
Comprehensive income	\$27,498					
Exercises of employee stock options		9	9	144	---	---
Tax benefit from exercises of employee stock options		---	---	1,780	---	---
September 30, 2001		13,832	\$13,832	\$57,075	\$	\$176,729

NOTE -

(1) 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.

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 drilling units and is involved in maintenance of two operator-owned platform drilling units in Northwest Australia for future drilling programs. The Company also owns a 50% interest in a platform drilling unit currently idle in Australia. In December 2000, the Company purchased a semisubmersible unit for a future conversion to a tender assist vessel once an acceptable contract opportunity is secured (see Note 4). The Company is also constructing an ultra-premium jack-up drilling unit in Singapore which is scheduled to be completed in June 2003. Currently, the Company is involved in active operations in the territorial waters of Australia, Malaysia, Egypt, Philippines, Israel, United States and Thailand.

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. Since most of the Company's operations are foreign, such operations are subject to higher risks associated with possible disruptions due to terrorism. 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 are 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. and all of its wholly owned domestic and foreign subsidiaries. The Company's undivided 50% interest in RIG-200 is accounted for using the proportionate consolidation method (See Note 4). 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 contract drilling costs in the consolidated statements of operations. The Company recorded foreign exchange losses of \$.4 million in both fiscal 2001 and 2000, respectively, with a foreign exchange gain of \$.4 million in fiscal 1999.

Property and equipment -

Property and equipment are recorded at cost. Interest costs related to property under construction are capitalized as a component of construction costs. Interest capitalized during fiscal 2001 and 1999 totaled \$.5 million for each year. There were no interest costs capitalized during fiscal 2000.

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	5-22
Drill pipe	3
Furniture and other	3-10

In November 2000, the Company engaged an independent appraiser to evaluate the expected useful lives of the recently upgraded ATWOOD HUNTER, ATWOOD FALCON and ATWOOD EAGLE. Based, in part, upon such appraisal, the Company, effective October 1, 2000, extended the depreciable lives of ATWOOD HUNTER and ATWOOD FALCON from 12 to 22 years and will extend the depreciable life of the ATWOOD EAGLE from 12 to 22 years following the completion of its water-depth upgrade planned at the end of fiscal 2002. The Company believes that these changes in depreciable lives provide a better matching of the revenues and expenses of these assets over their anticipated useful lives. As a result of these changes in depreciable lives, depreciation expense for fiscal 2001 was reduced by approximately \$5.8 million, resulting in enhancement to net income for the year of \$.27 per diluted share.

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 mobilization revenues and costs -

In the fourth quarter of fiscal 2001, the Company adopted the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin No. 101 ("SAB 101") "Revenue Recognition in Financial Statements". The Company defers the net mobilization revenues or costs relating to moving a drilling rig to a new area and amortizes such revenues or costs on a straight-line basis over the life of the applicable drilling contract. One requirement of SAB 101 is that mobilization revenues and costs be reported on a gross not a net basis; thus, as required by SAB 101, contract revenues and drilling costs in the Statements of Operations for prior years have been reclassified to reflect the gross amounts. The adoption of SAB 101 had no impact on net income or cash flow.

At September 30, 2001 and 2000, deferred mobilization revenues totaling \$12.1 million and \$20.8 million, respectively, and deferred mobilization costs totaling \$0.5 million and \$0.4 million, respectively, were included in Deferred Credits on the accompanying consolidated balance sheets.

Deferred drydocking costs -

The Company defers the costs of scheduled drydocking and charges such costs 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. Deferred tax assets are reduced by a valuation allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period.

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.

Cash and cash equivalents -

Cash and cash equivalents consist of cash in banks and highly liquid debt instruments which mature within three months of the date of purchase.

Investments -

All investments in held-to-maturity securities which were stated at the amortized cost at September 30, 2000 matured during fiscal 2001. All investments in available-for-sale securities which were carried at fair value with the unrealized holding loss, net of deferred tax, included in accumulated other comprehensive income at September 30, 2000 were sold during fiscal 2001 at a realized loss of \$132,000.

Earnings per common share -

Basic and diluted earnings per share have been computed in accordance with SFAS No. 128, "Earnings per Share"(EPS). "Basic" EPS, excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. "Diluted" EPS reflects the issuance of additional shares in connection with the assumed conversion of stock options.

The computation of basic and diluted earnings per share under SFAS No. 128 for each of the past three years is as follows (in thousands, except per share amounts):

	Net Income	Shares	Per Share Amount
Fiscal 2001:			
Basic earnings per share	\$ 27,346	13,828	\$1.98
Effect of dilutive securities - Stock options	---	150	(0.02)
	-----	-----	-----
Diluted earnings per share	\$ 27,346	13,978	\$1.96
	-----	-----	-----
Fiscal 2000:			
Basic earnings per share	\$ 23,148	13,763	\$1.68
Effect of dilutive securities - Stock options	---	153	(0.02)
	-----	-----	-----
Diluted earnings per share	\$ 23,148	13,916	\$1.66
	-----	-----	-----
Fiscal 1999:			
Basic earnings per share	\$ 27,720	13,649	\$2.03
Effect of dilutive securities - Stock options	---	142	(0.02)
	-----	-----	-----
Diluted earnings per share	\$ 27,720	13,791	\$2.01
	=====	=====	=====

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".

Comprehensive income -

In the first quarter of 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires companies to report the components of comprehensive income in a financial statement with the same prominence as other financial statements. The Company chose to disclose comprehensive income, which was comprised of net income and unrealized holding gains (losses) on available-for-sale equity securities, in the accompanying Consolidated Statements of Changes in Shareholders' Equity.

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.

NOTE 3 - SECURITIES HELD FOR INVESTMENT

In November 2000 and February 2001, United States Treasury Bonds totaling approximately \$22.6 million matured. Prior to their maturing, these securities were classified as "held-to-maturity" and reflected in the September 30, 2000 Consolidated Balance Sheet at amortized cost. During fiscal 2001, the Company sold all of its equity securities for \$429,000 with a realized loss of \$132,000. Prior to their sale, these securities were classified as "available-for-sale" and reflected in the September 30, 2000 Consolidated Balance Sheet at fair value, with the aggregate unrealized gain or loss, net of related deferred tax liability or asset, included in shareholders' equity. There were no sale of securities during fiscal 2000 or 1999.

An analysis of the Company's investment in marketable securities at September 30, 2000 is as follows (in thousands):

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
	-----	-----	-----
Equity Securities	\$ 561	\$ (234)	\$ 327
United States Treasury Bonds	22,594	84	22,678
	-----	-----	-----
	\$23,155	\$ (150)	\$23,005
	=====	=====	=====

NOTE 4 - PROPERTY AND EQUIPMENT

ATWOOD HUNTER -

In 1997, the ATWOOD HUNTER was initially upgraded to extend its water-depth drilling capabilities to 3,600 feet at an aggregate cost of approximately \$40 million. From early June 2001 to early November 2001, the ATWOOD HUNTER was in a shipyard in the United States undergoing another upgrade which included among other improvements, the extension of its water-depth drilling capacity to 5,000 feet for certain environmental conditions, new 120 bed living quarters; a new high capacity crane and the enhancement of its completion and sub-sea tree handling capabilities. The aggregate cost of this upgrade and improvements was approximately \$58 million. Following completion of its upgrade, the drilling unit was transported to the Mediterranean Sea to commence contract work off the coast of Egypt.

ATWOOD EAGLE -

In January 2000, the Company increased the water depth drilling capability of the ATWOOD EAGLE from 2,500 feet to 3,300 feet at a cost of approximately \$8 million. When the ATWOOD EAGLE completes its current drilling program in the Mediterranean Sea, the Company is planning to move the rig to a shipyard in Greece to undergo an upgrade to increase its drilling capacity to 5,000 feet and to enhance its living quarters, crane and sub-sea handling capabilities, in addition to other improvements. This upgrade and refurbishment is anticipated to take five to six months to complete and cost approximately \$90 million. Contract opportunities to commence following the rig's upgrade are being pursued internationally.

RICHMOND -

During August and September 2000, the RICHMOND was upgraded and refurbished at an aggregate cost of approximately \$7 million. The upgrade included, among other improvements, the installation of suction piles and the refurbishment of its living quarters. In recent years, the RICHMOND has been a highly utilized unit in the United States Gulf of Mexico, with its current contract expected to be completed by the end of December 2001.

ATWOOD FALCON -

The ATWOOD FALCON was upgraded in 1998, at a cost of \$45 million. The long-term contract the rig entered into in November 1998 will terminate upon completion of its present work in progress, estimated to be late 2001 or early 2002. The rig's current contract provided for the payment of \$11.2 million in mobilization fees compared to \$800,000 in mobilization costs incurred, with these amounts recorded to Deferred Credits and amortized into revenues and costs over a three-year period ended in November 2001.

SEAHAWK -

In January 2000, the SEAHAWK commenced drilling under its four-year contract extension with Esso Production Malaysia, Inc., following completion of its approximately \$22 million upgrade. Pursuant to the contract, the Company received approximately \$20 million in upgrade reimbursement payments which were recorded to Deferred Credits. These upgrade reimbursement payments, are being amortized into revenue over the four-year contract extension period, with an unamortized balance of \$11.2 million at September 30, 2001.

VICKSBURG -

In 1998 the VICKSBURG was refurbished and upgraded at a cost of approximately \$35 million. From December 1998, until April 2001, the rig worked in India. In April/May 2001 the rig was relocated from India to Vietnam for a short drilling program and then in November 2001 relocated to its current location in the Malaysia-Thailand Joint Development Area where it is working under a drilling program for Carigali-Triton Operating Company Sdn. Bhd. ("CTOC") which is estimated to extend for 540 days. The costs to move the

VICKSBURG from India to Vietnam and then to the Malaysia-Thailand Joint Development Area were approximately \$1.5 million. The drilling contracts provided for the payment of mobilization fees of \$700,000 and for a special payment of \$1.5 million, which gives CTOC the option to cancel the rig's current contract after giving a sixty-day written notice of termination. All of these amounts will be recorded to Deferred Credits and amortized into revenues and costs over the anticipated term of the VICKSBURG'S current contract.

ATWOOD SOUTHERN CROSS -

In 1997, the ATWOOD SOUTHERN CROSS was refurbished and upgraded to achieve 2,000 feet water-depth drilling capabilities at an aggregate cost of approximately \$35 million. Following its upgrade, the rig was employed in Australia through September 1998 and then remained idle until it was moved to the Mediterranean Sea in April/May 2000. Since its relocation to the Mediterranean Sea the rig has worked continuously for several companies. Its current contract commitments should keep the rig employed for most, if not all, of fiscal 2002.

ATWOOD BEACON -

In July 2001, the Company entered into a vessel construction agreement to construct an ultra-premium jack-up drilling unit in Singapore. Presently, the Company expects the construction of the drilling unit to be completed in June 2003, with a total estimated cost, including owner furnished equipment and capitalized interest, of approximately \$125 million.

SEASCOUT -

On December 5, 2000, the Company purchased the semisubmersible unit SEASCOUT for \$4.5 million. The Company purchased this unit for conversion and upgrade to a semisubmersible tender assist vessel. Depending upon water depth and other operational requirements, the cost of the conversion and upgrade could range from \$52 to \$70 million and take up to twelve months to complete. The conversion and upgrade will not be undertaken until an acceptable contract opportunity has been secured.

RIG-200 -

RIG-200 (a modular platform rig built in 1995) is owned 50% by the Company and 50% by Helmerich & Payne (current owner of 22% of the Company's outstanding common stock). Since the Company has a 50% 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 \$12 million gross investment in RIG-200 is reflected in "Drilling Vessels, Equipment and Drill Pipe" in the Consolidated Balance Sheets, with 50% of the rig's operating results for fiscal years 2001, 2000, and 1999 reflected in the Company's Consolidated Statements of Operations. RIG-200 completed its initial contract in June 1999 and remains idle in Australia, at a very low stacking cost, while waiting for a new contract opportunity.

RIG-19 -

RIG-19, a platform rig located in Australia that has been idle since January 1999, has been retired. Since this rig was fully depreciated, its retirement had no impact on the Company's financial statements. The rig's equipment is available for sale. Estimated disposal costs for the rig is minimal.

NOTE 5 - DEBT

LONG-TERM DEBT -

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

	September 30,	
	2001	2000
Non-reducing revolving credit agreement, bearing interest (market adjustable) at approximately 4% per annum at September 30, 2001	\$ 60,000	\$ 46,000
Less - current maturities	---	---
	\$ 60,000	\$ 46,000
	=====	=====

On June 30, 2000, the Company entered into a \$150 million five-year non-reducing Revolving Credit Facility with a bank group. The Revolving Credit Facility permits the Company to prepay principal at anytime without incurring penalty. Subsequent to September 30, 2001, the Company borrowed an additional \$20 million for a current outstanding balance of \$80 million. The bank group's collateral for this Revolving Credit Facility consists principally of preferred mortgages on the ATWOOD HUNTER, ATWOOD EAGLE and the ATWOOD FALCON (with an aggregate net book value at September 30, 2001 totaling approximately \$175 million). The Company is not required to maintain compensating balances; however, it is required to pay a fee of 1/4% to 1/2% per annum on the unused

portion of the total facility and certain other administrative costs. The Revolving Credit Facility contains financial covenants, including but not limited to, requirements for maintaining certain net worth and other financial ratios, and restrictions on disposing of any material assets, paying dividends or repurchasing any of the Company's outstanding common stock and incurring any additional indebtedness in excess of \$10 million. The Company was in compliance with all financial covenants at September 30, 2001. The Revolving Credit Facility also supports issuance, when required, of standby letters of guarantee. At September 30, 2001, standby letters of guarantee in the aggregate amount of approximately \$1.0 million were outstanding.

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

FISCAL YEAR	AMOUNT
2002	\$ ---
2003	---
2004	---
2005	60,000
2006	---

	\$60,000
	=====

NOTE 6 - INCOME TAXES

Domestic and foreign income before income taxes for the three years in the period ended September 30, 2001 are as follows (in thousands):

	Fiscal 2001	Fiscal 2000	Fiscal 1999
Domestic income	\$20,414	\$30,490	\$29,648
Foreign income	20,707	5,408	16,859
	-----	-----	-----
	\$41,121	\$35,898	\$46,507
	=====	=====	=====

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

	Fiscal 2001	Fiscal 2000	Fiscal 1999
Current domestic provision	\$ 2,502	\$ 4,720	\$ 8,000
Deferred domestic provision	3,298	2,000	3,500
Current foreign provision	7,975	6,030	7,287
	-----	-----	-----
	\$13,775	\$12,750	\$18,787
	=====	=====	=====

The components of the deferred income tax assets (liabilities) as of September 30, 2001 and 2000 are summarized as follows (in thousands):

	September 30,	
	2001	2000
Deferred tax assets -		
Net operating loss carryforwards	\$ 926	\$2,650
Book reserves	422	850
	-----	-----
	1,348	3,500
Deferred tax liabilities -		
Difference in book and tax basis of equipment	13,473	10,652
Unrealized holding loss on available-for-sale securities	---	(82)
	-----	-----
	13,473	10,570
Net deferred tax assets (liabilities) before valuation allowance	(12,125)	(7,070)
Valuation allowance	(695)	(2,370)
	-----	-----
	\$(12,820)	\$(9,440)
	=====	=====
Net current deferred tax assets	\$ 780	\$950
Net noncurrent deferred tax liabilities	(13,600)	(10,390)
	-----	-----
	\$(12,820)	\$(9,440)
	=====	=====

The Company does not provide federal income taxes on the undistributed earnings of its foreign subsidiaries that the Company considers to be permanently reinvested in foreign operations. The cumulative amount of such undistributed earnings was approximately \$37 million at September 30, 2001. If these earnings were to be remitted to the Company, any U.S. income taxes payable would be substantially reduced by foreign tax credits generated by the repatriation of the earnings. Such foreign tax credits totaled approximately \$18 million at September 30, 2001.

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

	Fiscal 2001	Fiscal 2000	Fiscal 1999
	-----	-----	-----
Statutory income tax rate	35%	35%	35%
Increase (decrease) in tax rate resulting from -			
Foreign tax rate differentials, net of			
foreign tax credit utilization	(2)	1	5
	-----	-----	-----
Effective income tax rate	33%	36%	40%
	=====	=====	=====

The Company has United States net operating loss carryforwards totaling \$2.6 million which expire in fiscal years 2002 and 2003. Due to various utilization limitations, management estimates that a significant portion of this tax attribute will not be available to reduce future tax obligations; accordingly, a \$0.7 million valuation allowance is recorded as of September 30, 2001.

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 letters of guarantee, the Company received tax refunds in 1997 and 1994 of \$1.1 million and \$.6 million, respectively (net of taxes on interest and other related expenses), which were recorded to other Deferred Credits, pending ultimate resolution of the issue by the Indian High Court. During fiscal year 1999, all but approximately \$400,000 (still unresolved at September 30, 2001) of the amounts received were favorably resolved and accordingly recognized (net of expenses) in income.

NOTE 7 - CAPITAL STOCK

STOCK OPTION PLANS -

The Company has an incentive equity plan ("1996 Plan") whereby 670,000 shares of common stock may be granted to officers, board members and key employees through February 12, 2007. At September 30, 2001, options to purchase 601,775 shares were outstanding under this Plan. The Company also has options outstanding to purchase 70,900 shares under a stock option plan ("1990 Plan"). Under both plans, the exercise price of each option equals the market price of the Company's common stock on the date of grant, all outstanding options have a maximum term of 10 years, and 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, 2001, 2000 and 1999, and changes during the years ended on those dates is presented below:

	Fiscal 2001		Fiscal 2000		Fiscal 1999
	-----		-----		-----
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price	Number of Options
	-----	-----	-----	-----	-----
Outstanding at beginning of					
Year	423,700	\$29.82	504,900	\$23.88	566,200
Granted	274,500	32.26	97,000	37.75	---
Exercised	(9,400)	16.36	(147,700)	14.26	(49,925)
Forfeited	(16,125)	32.83	(30,500)	31.95	(11,375)
Expired	---	---	---	---	---
	-----	-----	-----	-----	-----
Outstanding at end of year	672,675	\$30.93	423,700	\$29.82	504,900
	=====	-----	=====	-----	=====
Exercisable at end of year	189,450	\$25.85	109,450	\$23.58	137,150
Available for grant at end of					
Year	41,125		299,500		374,375
Weighted-average fair value of					
options granted during the	\$22.14		\$ 26.61		---
year					

The following table summarizes information about stock options outstanding at September 30, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$ 4.87 to 5.38	5,500	1.2 years	\$5.24	5,500	\$5.24
6.55 to 6.69	9,750	3.1 years	6.60	9,750	6.60
16.63 to 18.97	142,650	6.0 years	17.57	87,650	17.45
28.00 to 32.16	331,500	8.8 years	30.87	46,000	28.00
37.75	90,000	8.2 years	37.75	---	---
48.75 to 52.06	93,275	6.5 years	49.09	40,550	49.00
4.87 to 52.06	672,675	7.7 years	\$30.93	189,450	\$25.85
	=====		=====	=====	=====

As permitted by SFAS No. 123 "Accounting for Stock-Based Compensation", the Company applies APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized from the granting of options pursuant to its stock option plans. Had compensation costs been determined based on the fair value at the grant dates for awards made since 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):

	Fiscal 2001	Fiscal 2000	Fiscal 1999
Net Income			
As reported	\$27,346	\$23,148	\$27,720
Pro forma	26,081	22,335	27,186
Earnings per share			
As reported -			
Basic	1.98	1.68	2.03
Diluted	1.96	1.66	2.01
Pro forma			
Basic	1.89	1.62	1.99
Diluted	1.87	1.61	1.97

The fair value of grants made in fiscal 2001 and 2000 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used: fiscal 2001 - risk-free interest rate of 5.10%, expected volatility of 51.61%, expected lives of 5 years and no dividend yield; fiscal 2000 - risk-free interest rate of 6.72%, expected volatility of 50%, expected lives of 5 years and no dividend yield. There were no options granted during 1999.

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 contributions to the Plan equal to twice the basic contributions. Company contributions vest 100% 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. In fiscal 2001 and 1999, the Company used forfeitures of \$ 115,000 and \$190,000, respectively, to reduce its cash requirements, which resulted in actual contributions of approximately \$2.0 and \$1.3 million, respectively. In fiscal 2000, the Company made actual contributions of approximately \$1.7 million with no forfeitures used during the year to reduce its cash requirements. As of September 30, 2001, there are approximately \$118,000 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 bank debt has a market adjustable interest rate, the carrying value approximated fair value as of fiscal year end 2001 and 2000. With the sale of all of its marketable securities during 2001, the Company had

no financial instruments at September 30, 2001 with a fair value different from carrying value. See 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. The Company's allowance for doubtful accounts, related primarily to contract disputes, at September 30, 2001 and 2000 was \$3.6 and \$2.1 million, respectively.

Drilling revenues for fiscal 2001 include \$38.0 million, \$25.9 million and \$15.7 million in revenues received from Shell Philippines Exploration B.V., ESSO Production Malaysia, Inc. and Rashid Petroleum Company, respectively. Drilling revenues for fiscal 2000 include \$40.5 million, \$ 33.3 million and \$19.5 million in revenues received from Shell Philippines Exploration B.V., British-Borneo Petroleum Inc. and ESSO Production Malaysia, Inc., respectively. Drilling revenues for fiscal 1999 include \$34.7 million, \$31.0 million and \$23.1 million in revenues received from Shell Philippines Exploration B.V./Sabah Shell Petroleum Company Limited, British-Borneo Petroleum Inc. and ESSO Australia Limited/ESSO Production Malaysia, Inc., respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases its office space under an operating lease agreement which will expire in fiscal 2005.

Future minimum lease payments for operating leases are as follows (in thousands):

Fiscal year ending September 30,

2002.....	580
2003.....	580
2004.....	580
2005.....	242

Total rent expense under operating leases was approximately \$474,000, \$362,000 and \$285,000 for fiscal years ended September 30, 2001, 2000 and 1999, respectively.

LITIGATION

On August 31, 2000, the Company became a defendant in Bryant v. R&B Falcon Drilling USA, Inc. et al., Civil Action No. G-00-488, in the United States District Court for the Southern District of Texas-Galveston Division. In this suit, the plaintiff purported to represent a class of persons who are members of the crew aboard water-based drilling apparatuses and who accepted employment with defendants while in the United States for domestic or international employ. The plaintiff alleged the Company and a number of other offshore drilling contractors or their affiliates, all defendants in the suit, acted in concert to depress wages and benefits paid to their offshore employees. Plaintiff contended that this alleged conduct violated federal and state antitrust laws. The Company vigorously denied these allegations and in 2001 reached a settlement in principle with the plaintiff, pending final approval by the members of the class action suit. Management does not believe that the outcome of this matter will have a material effect on its business, financial position, or results of operations.

The Company is party to a number of other lawsuits which are ordinary, routine litigation incidental to the Company's business, the outcome of which, individually, or in the aggregate, is not expected to have a material adverse effect on the Company's financial position or results of operations.

CAPITAL EXPENDITURES

Currently, the Company has capital expenditure commitments estimated to total \$166 million relating to the ATWOOD EAGLE and ATWOOD BEACON. The Company continues with its plans to upgrade the ATWOOD EAGLE, with an estimated \$57 million to be expended in 2002. The Company estimates that \$64 million and \$45 million will be expended on the construction of the ATWOOD BEACON in 2002 and 2003, respectively. No significant commitments exist currently relating to the SEASCOUT.

NOTE 12 - 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 is contract revenues less operating costs, general and administrative expenses and depreciation. In computing operating margin for each geographic area, none of the following items were considered: other income (expense) and domestic and foreign income taxes. Total assets are those assets that are used by the Company in operations in each geographic area. General corporate assets in 2000 and 1999 were principally investments in marketable securities which were liquidated during 2001. Contract revenues for 2001, 2000 and 1999 reflect the gross-up of mobilization revenues which were reported on a net basis prior to the adoption of SAB 101 in the fourth quarter of 2001.

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

	Fiscal 2001 ----	Fiscal 2000 ----	Fiscal 1999 ----
CONTRACT REVENUES:			
United States	\$ 27,128	\$ 38,646	\$ 36,311
Southeast Asia	70,472	60,357	44,551
Mediterranean Sea	37,815	21,831	37,063
Australia	6,068	3,127	23,553
India	6,058	12,012	11,372
	-----	-----	-----
	\$147,541	\$135,973	\$152,850
	=====	=====	=====
OPERATING INCOME (LOSS):			
United States	\$ 3,223	\$ 11,464	\$ 13,005
Southeast Asia	29,134	22,835	14,378
Mediterranean Sea	17,574	11,392	26,164
Australia	57	(5,985)	(6,475)
India	1,960	5,934	8,678
General and administrative expenses	(9,250)	(8,449)	(7,519)
	-----	-----	-----
	\$ 42,698	37,191	\$ 48,231
	=====	=====	=====
TOTAL ASSETS:			
United States	\$122,894	\$ 83,355	\$ 76,227
Southeast Asia	133,369	90,889	85,650
Mediterranean Sea	90,849	71,798	21,921
Australia	5,264	4,476	46,688
India	123	37,303	40,180
General corporate and other	1,379	25,430	22,938
	-----	-----	-----
	\$353,878	\$313,251	\$ 293,604
	=====	=====	=====

NOTE 13 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly results for fiscal years 2001 and 2000 are as follows
(in thousands, except per share amounts):

	QUARTERS ENDED			
	DECEMBER 31,	MARCH 31,	JUNE 30,	SEPTEMBER 30,
2001				
Revenues (1)	\$ 39,524	\$ 37,294	\$ 35,029	\$35,694
Income before income taxes	12,555	9,777	8,410	10,379
Net income	8,040	6,030	5,485	7,791
Earnings per common share (2) -				
Basic	.58	.44	.40	.56
Diluted	.58	.43	.39	.56
2000				
Revenues (1)	\$ 31,549	\$ 32,726	\$ 33,776	\$37,922
Income before income taxes	8,268	9,521	8,412	9,697
Net income	5,053	5,981	5,252	6,862
Earnings per common share (2) -				
Basic	.37	.44	.38	.50
Diluted	.36	.43	.37	.49

(1) Contract revenues for 2001 and 2000 reflect the gross-up of mobilization revenues which were reported on a net basis prior to the adoption of SAB 101 in the fourth quarter of 2001.

(2) The sum of the individual quarterly net income per common share amounts may not agree with year-to-date net income per common share as each quarterly computation is based on the weighted average number of common shares outstanding during that period.

DIRECTORS

ROBERT W. BURGESS (2,3)
Financial Executive, Retired
Orleans, Massachusetts

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

OFFICERS

JOHN R. IRWIN
President, Chief Executive Officer

JAMES M. HOLLAND
Senior Vice President and Secretary

GLEN P. KELLEY
Vice President - Contracts and
Administration

ANNUAL MEETING

The annual meeting of stockholders will be held on February 14, 2002 at the Company's principal office: 15835 Park Ten Place Drive, Houston, Texas, 77084. A formal notice of the meeting together with a proxy statement and form of proxy will be mailed to stockholders on or about January 15, 2002.

TRANSFER AGENT AND REGISTRAR

Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004

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

A copy may also be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operations of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically at <http://www.sec.gov>.

STOCK PRICE INFORMATION -

The common stock of Atwood Oceanics, Inc. is traded on the New York Stock Exchange ("NYSE") under the symbol "ATW". No cash dividends on common stock were paid in fiscal year 2000 or 2001, and none are anticipated in the foreseeable future. As of November 30, 2001, there were over 750 beneficial owners of the common stock of Atwood Oceanics, Inc. As of November 30, 2001, the closing sale price of the common stock of Atwood Oceanics, Inc., as reported by NYSE, was \$32.10 per share. The following table sets forth the range of high and low sales prices per share of common stock as reported by the NYSE for the periods indicated.

QUARTERS ENDED	Fiscal 2000		Fiscal 2001	
	LOW	HIGH	LOW	HIGH
December 31	\$ 27.94	\$38.81	\$30.20	\$45.00
March 31	36.13	66.69	39.50	49.90
June 30	41.56	69.88	33.60	46.86
September 30	35.50	50.94	23.76	35.95

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)

1997	1998	1999	2000	2001
----	----	----	----	----
\$89.4	\$151.4	\$152.9	\$136.0	\$147.5

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

1997	1998	1999	2000	2001
----	----	----	----	----
\$34.2	\$79.2	\$72.1	\$ 66.8	\$68.3

BAR CHART - OPERATING CASH FLOW (\$ MILLIONS)

1997	1998	1999	2000	2001
----	----	----	----	----
\$25.8	\$61.4	\$55.7	\$55.2	\$56.3

BAR CHART - NET INCOME (\$ MILLIONS)

1997	1998	1999	2000	2001
----	----	----	----	----
\$15.6	\$39.4	\$27.7	\$23.1	\$27.3

BAR CHART - CAPITAL EXPENDITURES (\$ MILLIONS)

1997	1998	1999	2000	2001
----	----	----	----	----
\$62.8	\$79.6	\$38.8	\$34.8	\$104.5

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SUBSIDIARY COMPANIES AND STATE OR
JURISDICTION OF INCORPORATION

Atwood Oceanics Pacific Limited	Cayman Islands B.W.I.	100%
Alpha Offshore Drilling Services	Cayman Islands, B.W.I.	100%
Atwood Drilling Inc.	Delaware	100%
Atwood Offshore Inc.	Delaware	100%
Atwood Hunter Co.	Delaware	100%
Eagle Oceanics, Inc.	Delaware	100%
Atwood Oceanics Drilling Company	Texas	100%
Atwood Oceanics International, S.A.	Panama	100%
Atwood Oceanics Australia Pty. Ltd.	Australia	100%
Atwood Oceanics Platforms Pty. Ltd.	Australia	100%
Atwood Oceanics Service Pty. Ltd.	Australia	100%
Atwood Oceanics West Tuna Pty. Ltd.	Australia	100%
Aurora Offshore Service GmbH	Germany	100%
Atwood Oceanics (M) Sdn. Bhd.	Malaysia	100%
Clearways Offshore Development Drilling Sdn. Bhd.	Malaysia	49%
Drillquest (M) Sdn. Bhd.	Malaysia	90%
Alpha Offshore Drilling	Indonesia	100%
Swiftdrill, Inc.	Texas	100%
Atwood Oceanics (Nigeria) Limited	Nigeria	100%

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CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated November 19, 2001, included in this Form 10-K, into the Company's previously filed Registration Statements No. 33-52065 and 333-74255 both on Form S-8.

/s/ARTHUR ANDERSEN LLP
Houston, Texas
December 19, 2001

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