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Industry View
Attractive

Global Oil Services, Drilling & Equipment

Reviewing Estimates and Targets Assuming 18-Month GoM Drilling Moratorium

We have reviewed our earnings projections and price targets, assuming an 18-month deepwater GoM drilling moratorium. Last Friday, we hosted a call with the MS US Energy Research Team and political consultants Jack Coleman of EnergyNorthAmerica and James Lucier of Capital Alpha to discuss the political process of unwinding the drilling moratorium (replay info on the right of this page) as well as the political changes in DC that appear to have given the US anti-drilling faction the upper hand.

We see the GoM deepwater moratorium lasting 12–18 months in our base-case scenario. Our political and legal experts appear confident that the ban will meaningfully exceed the 6-months announced last week. In our base-case scenario, we believe a portion of the 35 floaters will leave the region, as operators declare force majeure. While the legislative process could take 9–18 months, it could take even longer for rigs to come back into the region after the ban is lifted. See p. 4–5 for our bull, base, and bear case scenarios.

Offshore drillers to take biggest hit, followed by the subsea equipment manufacturers. We expect a major supply/demand imbalance as the 35 GoM floaters attempt to relocate internationally, while an additional 30 uncontracted newbuilds exacerbate the issue. Subsea equipment companies are likely to feel the after-burn, as their orders are a direct function of deepwater drilling.

Big 4 integrated services companies are somewhat better positioned in the long-run, although 2010 capex and hiring plans likely to be put on hold. Service majors will need to relocate their GoM tools and people to int'l markets, which we believe may result in contract renegotiations with major oil companies, putting pressure on margins. In the short-run, we estimate decrementals of 60% in the GoM will put a severe dent on their 2H10 earnings. See p. 5–6.

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Replay for Friday's "GoM Six Month Drilling Moratorium" call available until June 11. US dial-in 888-286-8010, passcode 98206805 (int'l dial-in 617-801-6888). Transcript available upon request.

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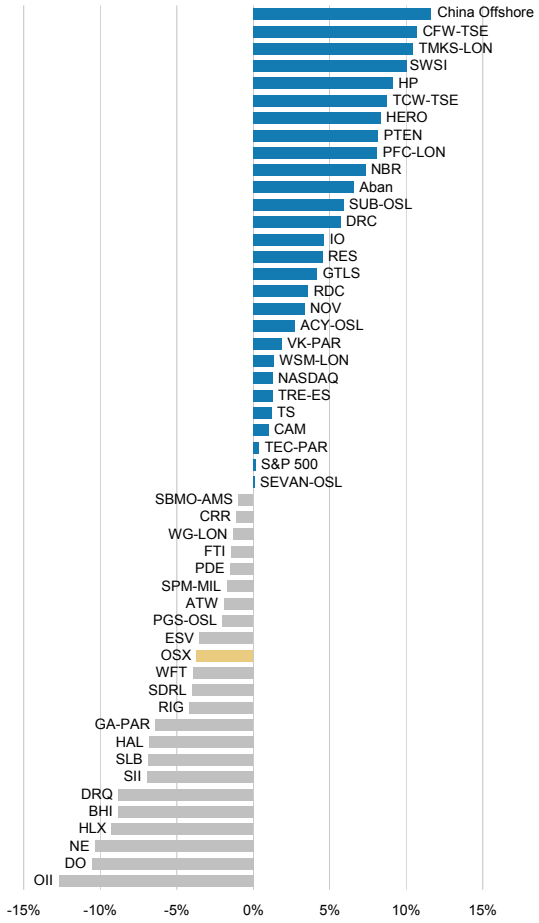
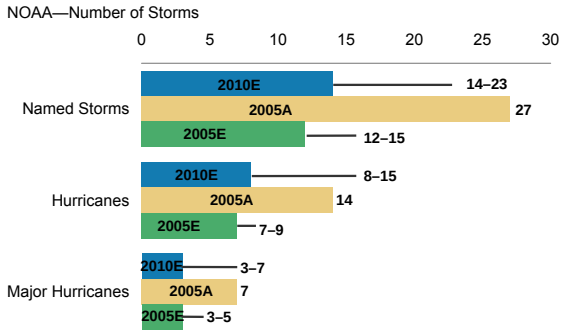
Investment Perspective

Exhibit 1
Weekly Stock Performance



Source: FactSet; Morgan Stanley Research. Note: Graph is for total return for period.

Exhibit 2
NOAA: 2010 Hurricane Year "Exceptionally Active"



Source: NOAA, Morgan Stanley Research

- **The Obama Administration announced a six month moratorium on deepwater (>500 feet) drilling in the GoM** (see our feature beginning on p. 3 for details)**.** Not surprisingly, offshore drillers took a beating. Land drillers put in a strong performance though, and we see no lasting negative impact from the ban to these names. NAm pressure pumpers also performed nicely, as they are not exposed to negative impact from the GoM deepwater ban.
- **OECD Economic Outlook revises growth forecasts upward.** OECD GDP is now projected to rise 2.7% in 2010 and 2.8% in 2011, compared to previous estimates of 1.9% in 2010 and 2.5% in 2011. However, the report also warned of increasing risks due to the European sovereign debt crisis and overheating in EM economies.
- **EIA estimates 49% global energy consumption increase from 2007–2035,** according to a press release last week. Demand forecasted to rise 84% in non-OECD countries and 14% in OECD countries.
- **Reports indicate Iraq's West Qurna Phase One to develop 8 new wells and overhaul 50 old wells.** The state-run Iraqi Drilling Company is drilling 4 wells, and there will be a tender for the remaining 4 for which int'l services companies can bid. We view this as constructive for large cap services firms that have invested in their int'l platforms.
- **Subsea 7 awarded ROV contract by Petrobras** for min 20 and max 30 rigs with a max value of $405mm. The duration for each ROV is 5–10 years. We see this enhancing Subsea 7's footing in the Brazil offshore market.
- **OII dropped sharply on news of the GoM deepwater moratorium.** OII's largest business line, ROVs, has meaningful exposure to GoM deepwater drilling and many of its contracts can be terminated on fairly short notice. We view the moratorium as a significant negative for OII.

The NOAA released its 2010 Hurricane Forecast last week, handicapping an 85% chance for an above normal season (6–15 hurricanes). It estimates the ACE range will be 155–270% of the median (ACE > 175% is "hyperactive"). NOAA estimates a 70% chance for 14–23 named storms, 8–14 hurricanes, and 3–7 major hurricanes.

In contrast, 2005 (a record-setting season, see Exhibit 2 on the left) had a decidedly less severe forecast than the forecast for 2010, handicapping a 70% chance for an above normal season and predicting an ACE range of 120–190% of median, 12–15 named storms, 7–9 hurricanes and 3–5 major hurricanes. We do not see impact for deepwater but likely disruption of shallow water activity.

GoM Deepwater Activity Banned for Six Months, We Expect 6–12 Extra Months as Probable, Bear Case Scenario (~4 Years) Very Real

On Friday May 28th, we hosted a conference call to review the potential outcome of the six month moratorium on all GoM deepwater drilling. Our political consultants, Jack Coleman of EnergyNorthAmerica and James Lucier of Capital Alpha, laid out the case for the moratorium running substantially longer than the announced six months, which we believe could result in significantly lower GoM drilling activity for up to 4 years. The following discussion will focus on:

- The importance of deepwater activity in the GoM.
- Bull case for GoM moratorium sees deepwater resuming in February 2011, base case is 12–18 months while bear case puts us 4 years out or even a permanent ban. (p. 4).
- Outlook for the Big 4, subsea equipment names, offshore drillers, and smaller services names (p. 5).
- Revised estimates and price targets (p. 8–9).

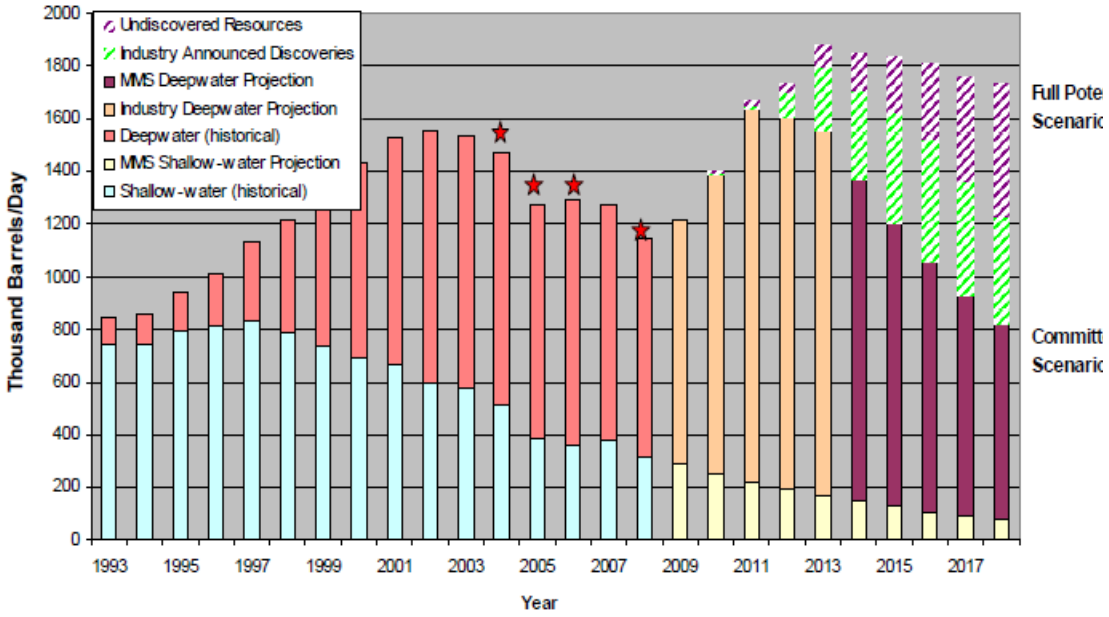
Importance of Deepwater in the GoM

The GoM market would effectively cease to exist for the drillers and services and equipment names under a long-term ban on deepwater drilling. The overwhelming majority of activity in GoM today is in deepwater (Exhibit 2), defined as >1,000 feet. The deepwater moratorium has an even stricter definition of shallow versus deepwater, defining deepwater as anything >500 feet. We estimate this cuts out half the rigs we would typically label as shallow water. Even if GoM shallow water survives as an industry, activity in the region would be a sliver of what it once was, and would be far less services intensive. However, even the viability of GoM shallow water market is questionable as the specter of a $10bn liability cap looms, high enough to make GoM shallow water drilling uninsurable.

So what's next? Many factors remain unclear as we wait for more information from Washington, DC. First, we believe existing deepwater programs will stop drilling at the next casing point and seal their wells for abandonment. The ban will not only impact exploration drilling but also development and even workover of existing producing wells. These idle rigs will probably try to find jobs elsewhere (Brazil, West Africa, Australasia). Major services companies will relocate people and redeploy assets to US and Canada land programs, and int'l locations. We expect to see a freeze in announced hiring plans and capex plans to be put on hold as the companies reassess their needs in the wake of employee/tools surplus in the GoM. More details on the following pages.

Exhibit 3

Vast majority of future GoM production expected to come from deepwater drilling activity

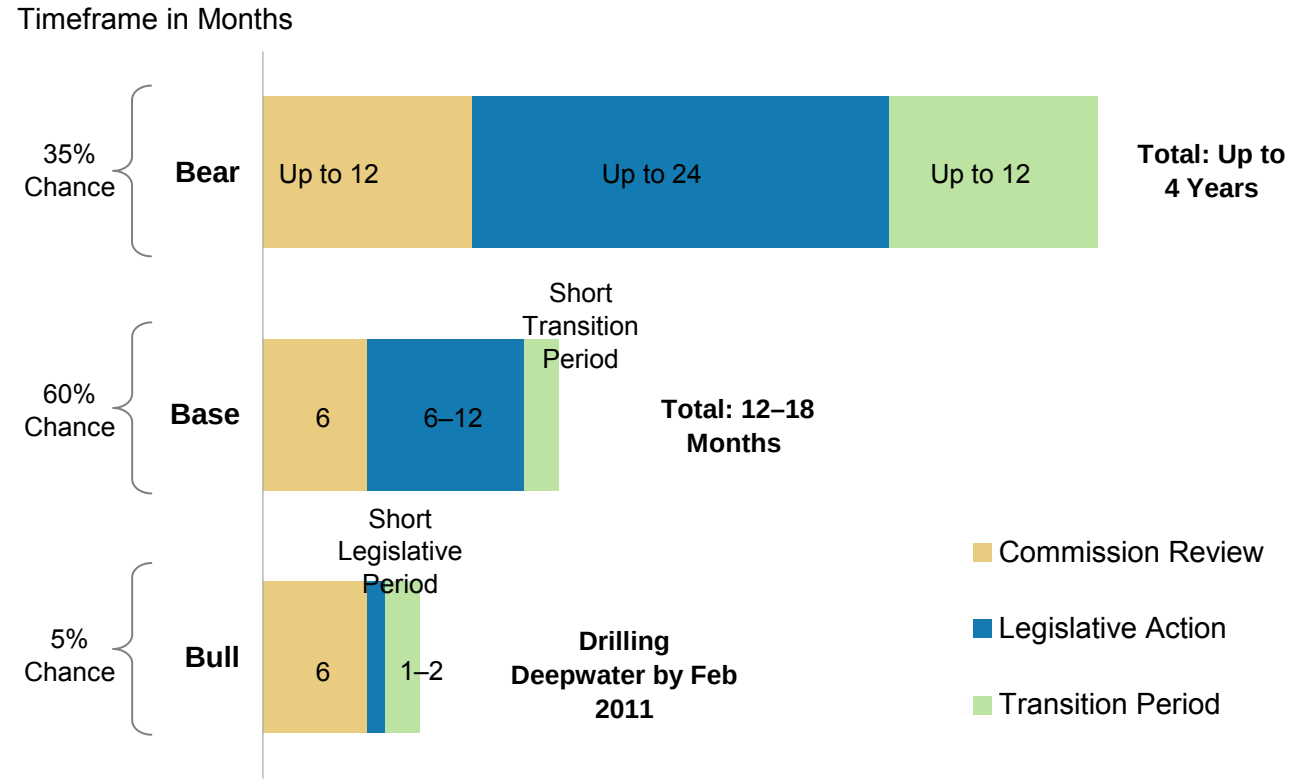


Source: Minerals Management Service, Morgan Stanley Equity Research

How Long Will the Moratorium Last? Bull, Base and Bear Cases

Exhibit 4

We see GoM deepwater drilling ban almost certainly lasting longer than 6 months, and possibly up to 4 years



Source: Morgan Stanley Research estimates. The probabilities shown are illustrative. They do not forecast a precise series of events and do not account for all possible outcomes but instead illustrate our sense of the relative plausibility of the selected scenarios

What We Know About the Moratorium

Few details about the new six month GoM deepwater moratorium have been made available. We base our analysis on our own interpretation as well as discussions with political consultants, legal experts and industry contacts. At this point, we understand that the moratorium bans new deepwater (>500 feet) drilling projects and requires all current deepwater drilling to cease as soon and as safely possible and the wells to be sealed. Other provisions include a halt to Arctic drilling plans and the cancellation or indefinite postponement of pending lease sales.

It is important to note that the moratorium has been declared for six months in order to allow implementation of a presidential commission's recommendations, but there is no statement that drilling will resume in six months. Since the commission is not due to submit its report for six months (which does not include implementing the recommendations), our political consultants believe the default outcome is for the effective ban to last beyond six months. We have developed base, bear and bull cases for the future of GoM offshore drilling.

Bull Case: Drilling by Feb 2011, 5% Chance

6 months for commission to complete review. Commission completes review in allotted six months. Most recommendations involve safety policy that can be implemented quickly without significant legislative action.

Little for Congress to do. Recommended legislation is minor and non-controversial, or else Congress chooses to pursue emergency rule making process for any substantial legislative initiatives, bypassing lengthy public commenting periods.

1–2 month transition period. Implementation begins soon after commission's report received. Transition period can run simultaneously with any action Congress pursues.

Why is our bull case unlikely? First, changes to safety procedures could be implemented today because the President already has Department of Interior's safety report

and recommendations. Instead, the Administration is pursuing a lengthier review, which indicates the ultimate goal is broader than revamping safety procedures. Second, emergency rule making process is not the norm and involves little public input, thereby carrying greater risk of getting reforms wrong. Also, our political consultants believe certain groups are likely to vehemently protest the use of the emergency rule making process.

Base Case: Ban Lasts 12–18 Months, 60% Chance

6 months for commission to complete offshore drilling review. Commission completes review on time; recommends some legislative action, which Washington pursues.

6–12 months for Congress to act. Once legislation enters the equation, our political consultants say little will speed up the highly choreographed process. Commission submits recommendations in late November, but Congress will not begin a new project this late in the year. In 2011, a speedy legislative process begins as lawmakers view deepwater issue as a priority. A round or two of public comments are incorporated and final legislation negotiated within one year.

Short transition period. Legislative process follows a clear path, resulting in timely implementation of new policies. Though some drilling contractors move rigs out of the GoM, clarity and timeliness on reform process allow operators to submit bids and plan projects to coincide with re-opening of GoM deepwater, thus bypassing a lengthy ramp-up period.

Bear Case: Ban Lasts Up to Four Years, 35% Chance

6–12 months for commission to complete offshore drilling review. Commission does not complete report on time and moratorium extended for several months. This is basically a replay of the last month, where the Administration decided it needed more than a month to review deepwater drilling, so initiated a moratorium for six months. We note that only the two co-chairs of the 7-member commission have been appointed so far.

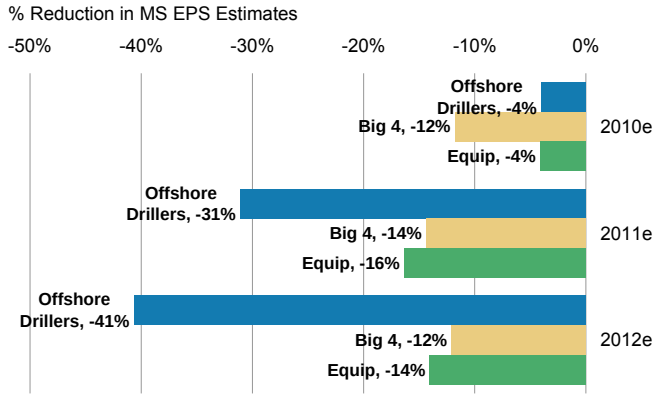
Up to 2 years for Congress to act. Commission recommends substantial legislative changes. Our political consultants say major legislation takes as long as two years to get across the finish line, and we see precisely that happening in the bear-case scenario. The process gets bogged down with multiple rounds of lengthy public comments. Breach of contract litigation slows progress further as the legislation evolves continuously with various legal arguments.

12 month transition period. Drillers have moved rigs to other geographies. When the dust finally settles and reform is complete, it takes time for rigs to migrate back to the GoM. Uncertainty on the outcome of reform deters operators from planning new programs and bidding for rigs until reform finalized. Then, drilling contractors need to wait until contracts in other geographies roll off before moving rigs back to GoM. Regaining momentum in GoM cannot happen overnight.

In a worst case scenario, we could see deepwater drilling in the GoM permanently banned. This would ultimately bring today's ~1.2mb/d of deepwater oil production (~80% of the current 1.5mb/d GoM production) close to zero over an estimated 4-5 years period.

Impact to Our Sub-Sectors

Exhibit 5



Source: Morgan Stanley Research estimates

See p. 8–9 for EPS revision details

Big 4 Services Companies Best Positioned

SLB, BHI and HAL have approximately similar exposure, with GoM deepwater representing ~8-10% of aggregate revenues (about a 75%/25% split in GoM between deepwater/shallow water), while, in our view, WFT has materially lower exposure (an estimated 15% of NAm revenue is GoM, with only half geared to deepwater). We estimate that over the next couple of quarters, the integrated service companies will experienced decrmentals of ~60%, i.e. the typical impact of past year's hurricane season when employees are moved back to shore and wait for work to resume. As a consequence, we are lowering our near term estimates for SLB, BHI and HAL by ~20-25% per affected quarter in 2010 (-10% for 2Q). For WFT, we are lowering our estimates 10% per affected quarter in 2010 (-5% for 2Q).

Over the long term, we believe the Big 4 will be able to leverage their diversified international platforms and adjust cost structures appropriately, and we expect the run rate negative impact to be proportional with the loss in revenue. Thus, we

are lowering our 2011/12 estimates by 10–20% for SLB, BHI and HAL and 10% for WFT. At this juncture, we have not incorporated the ripple effect of a glut of people/tools into international activity, which could trigger a new round of pricing renegotiation by the oil companies. (Details on p. 8)

Subseas Equipment Names

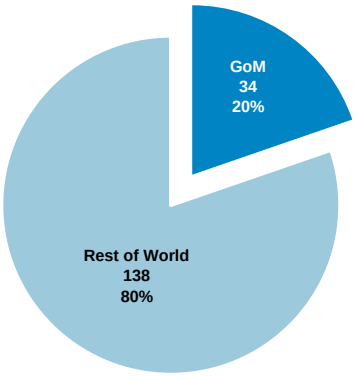
We see a major impact to the equipment names in 2011 and 2012 as a reduction in deepwater drilling activity translates into lower orders for trees and manifolds. While excess rig capacity may ultimately relocate to other regions, it is not likely to immediately translate into higher demand for subsea equipment. NOV is also likely to see a reduction in demand for services and equipment for GoM deepwater rigs, while floater rig package orders are likely to be limited to the 28-rig tender in Brazil. On the other hand, FPSO providers could see an upturn given a likely increase in field development activity outside the GoM. Unlike for service names, we have primarily left 2010 numbers for equipment names unchanged, due to strong backlogs; however, we have adjusted our 2011 and 2012 estimates down by ~15% in order to reflect lower order intake, as development projects in the deep GoM waters do not come to fruition. Furthermore, equipment already ordered for certain fields in the GoM may potentially be redirected elsewhere (Details on p. 8).

Impact to Offshore Drillers Most Negative

We believe the GoM will be closed to deepwater drilling for an extended period and drillers will rotate rigs internationally in order to avoid lengthy downtime. Taking into account 74 deepwater rigs under construction (a third still without contracts), and PBR's 28+ rig domestic newbuild program, we believe this will create an absorption issue. Therefore, we have meaningfully reduced our dayrate assumptions for floaters (see page 13 for our new floater estimates). (Details on p. 9)

Exhibit 6

We anticipate absorption issues if GoM deepwater rigs mobilize internationally



Source: **ODS-Petrodata,** Morgan Stanley Research

We see less of an absorption issue on the jackup side as most GoM jackups would need substantial upgrades to move internationally, and shallow water (<500 feet) is still a viable market. However, this could change if higher liability caps render GoM shallow water activities uninsurable.

We have meaningfully adjusted down our floater rate assumptions, reducing rates for ultra-deepwater rigs from the $450 kpd range down to ~$375 kpd, while taking down our 4G rates closer to $250 kpd, and 2G rates of ~$100 kpd, near cash break even. We expect a good portion of the floaters currently working in the GoM to receive notices of force majeure from operators. In many cases contracts for these floaters may be renegotiated at lower rates for international work. We have adjusted our models to reflect two quarters of reduced standby rates in the GoM, one quarter of mobilization (at the cost of the driller) and commencement of operations at new, lower leading edge rates. We also assumed mid-water floaters (2G, 3G) currently in the GoM to be cold-stacked. While we see better prospects for jackups, we now expect dayrates to remain weak but stable until 3Q11; we have additionally toned down our dayrate growth assumptions (see page 12).

We have reduced our offshore drilling EPS estimates by ~30% in 2011 and 40% in 2012. SDRL is the least impacted, given it has the highest contract coverage and just one rig located in the GoM, likely to continue working at a renegotiated rate. RIG, PDE, ESV, and NE are likely to experienced the highest negative EPS revisions, given large floater exposure in the GoM and worldwide. While PDE does not currently have floaters in the GoM, two of its newbuilds are slated to go there.

Smaller Services Companies Should be Ok

Smaller services companies in our universe, such as NAm pressure pumpers, are unlikely to see significant impact as their businesses are levered to onshore drilling activities and especially unconventional shale plays. If the moratorium were to drive oil and gas prices higher, resulting in even more unconventional onshore plays, these names could get a short-term boost, though we are not discounting such a scenario at this time.

Land Drillers Not Exposed, Stock Prices May Benefit

We do not expect a near term negative impact for land drillers. There are some longer term risks centered around permitting. At this time, we are leaving our price targets and estimates unchanged. Over the near term, we see land drilling names benefitting from sector rotation.

Impact on Global Shipping

(Please see our Global Shipping Weekly published June 1, *"While Dry Bulk Booms, Tankers Remain In Limbo"* for more details)

Our shipping analysts see problems on the horizon for some of their players, as the moratorium leads to lower day rates and creates a challenging environment for companies with expiring contracts and large capex. Players such as DRYS (UW) that have ordered rigs on speculation without securing contracts will face additional difficulties obtaining financing for their unfunded obligations. At the same time, this should create opportunities for companies with strong balance sheets and contracted cash flows to acquire quality assets at attractive prices.

Revised Price Target Valuation

For Services and Equipment names, we are using slightly lower multiples than prior valuation because of slightly lower growth outlook due to loss in revenue in the GoM.

For offshore driller names, we are using higher multiples than prior valuations as we now forecast a longer time period before reaching peak earnings during this cycle. As a result, we are moving off of trough multiples to better reflect our revised view of the cycle for offshore drillers.

Earnings Revisions and Price Target Changes Details

Prior vs. Revised Earnings

	PT	2010e	2011e	2012e
Big 4				
SLB	$115	2.70	4.50	5.60
Old	$140	3.00	5.25	6.40
Change		-10%	-14%	-13%
HAL	$50	1.40	2.00	2.50
Old	$60	1.60	2.50	3.00
Change		-12%	-20%	-17%
BHI	$80	1.97	3.55	4.45
Old	$100	2.35	4.00	5.00
Change		-16%	-11%	-11%
WFT	$40	0.60	1.40	2.20
Old	$45	0.66	1.60	2.40
Change		-9%	-12%	-8%
Avg Big 4		**-12%**	**-14%**	**-12%**

	PT	2010e	2011e	2012e
Equipment				
TS	$60	1.95	3.40	4.35
Old	$70	2.30	4.00	4.85
Change		-15%	-15%	-10%
NOV	$70	3.80	2.50	3.40
Old	$85	3.80	3.00	4.00
Change		0%	-17%	-15%
CAM	$60	2.30	2.70	3.40
Old	$75	2.30	3.20	4.00
Change		0%	-16%	-15%
FTI	$65	2.85	2.70	3.40
Old	$80	2.90	3.25	4.00
Change		-2%	-17%	-15%
OII	$80	3.18	3.70	4.40
Old	$95	3.45	4.20	5.10
Change		-8%	-12%	-14%
DRQ	$60	2.85	2.70	3.30
Old	$75	2.85	3.45	3.90
Change		0%	-22%	-15%
Avg Equipment		**-4%**	**-16%**	**-14%**

Source: Morgan Stanley Research estimates

Comments

- **SLB:** An estimated 5-8% of OFS comes from the GoM (split 80%/20% deepwater/shallow). WesternGeco is more exposed, with ~50% of Multiclient sales derived from the Gulf, and approximately a third of marine seismic.
- **HAL:** An estimated 5-8% of total HAL revenue is exposed to the GoM.
- **BHI:** An estimated $1.1bn or slightly more than 10% of standalone BHI total revenues is exposed to the GoM with a breakdown 75% deepwater, 25% shallow. We estimated BJS exposure to the GoM at ~$250m (~5% of revenue)
- **WFT:** The least exposed to GoM deepwater at an estimated 15% of NAm revenues (i.e. >$500m or less than 5% of global revenues). Strong int'l platform leads us to lower estimates less than other Big 4 names.
- **TS:** The leader in premium OCTG for the offshore space will likely feel the pain in the short run as we estimate TS' exposure to the GoM at ~5-10%. In the long run, we believe the deepwater Horizon incident will be beneficial to TS by exacerbating the current TS-VK duopoly in deepwater as operators are unlikely to "experiment" new entrant pipes.
- **NOV:** While recent events are likely to keep spec builders away from the deepwater market, we still expect to see the long-promised orders from Brazil to start coming in.
- **CAM, FTI, DRQ:** We have reduced our 2011 and 2012 estimates for subsea equipment names by ~10%, as their revenues are driven by offshore drilling activity, particularly in deep water. These names are likely to be the second most affected, following the offshore drillers, however, the reduction of activity in the GoM is likely to be partly offset by a potential ramp up in Brazil as Petrobras[1] may take advantage of the opportunity to pickup deepwater rigs at a discount, suggesting increased equipment demand there.
- **OII:** ROV business exposed to GoM deepwater; contracts can be terminated in near term.

1. Covered by Subhojit Daripa

Prior vs. Revised Earnings

	PT	2010e	2011e	2012e
Offshore Drillers				
RIG	$115	7.35	5.50	7.60
Old	$140	8.00	11.20	15.20
Change		-8%	-51%	-50%
NE	$55	5.05	4.00	4.80
Old	$65	5.40	6.40	7.60
Change		-7%	-37%	-37%
DO	$70	7.21	6.00	5.00
Old	$87	7.75	9.00	9.10
Change		-7%	-33%	-45%
ESV	$60	3.50	3.50	5.00
Old	$72	3.80	6.35	8.40
Change		-8%	-45%	-40%
SDRL	$33	2.60	2.65	2.50
Old	$38	2.58	2.80	3.00
Change		1%	-6%	-17%
PDE	$35	1.68	2.70	2.00
Old	$40	1.73	3.65	4.50
Change		-3%	-26%	-56%
HERO	na	-0.55	-0.22	-0.59
Old	na	-0.54	0.25	0.15
Change		NM	NM	NM
RDC	$30	2.50	2.00	2.50
Old	$37	2.50	3.00	4.00
Change		0%	-33%	-38%
ATW	$40	3.85	4.30	3.40
Old	$45	3.85	5.20	6.00
Change		0%	-17%	-43%
Avg Offshore Drillers		**-4%**	**-31%**	**-41%**

Source: Morgan Stanley Research estimates

Comments

- **RIG:** One of the most exposed to UDW in the GoM, we have reduced our 2011/12 estimates by ~50%, assuming they will re-contract elsewhere at meaningfully lower rates.
- **NE:** Slightly less exposure to highly-priced UDW contracts in the GoM, ~30% of NE's revenues still come from the region.
- **DO:** While the company has been moving rigs to Brazil, it still has a sizeable presence in the GoM, we assume its mid-water rigs will become cold-stacked while UDW rigs are likely to relocate at lower rates. Either way, this puts the currently reduced dividend largely at risk by 2012.
- **ESV:** With two floaters in the GoM and two more scheduled to start there, the company may need to convince the operators to use their elsewhere.
- **SDRL:** This company has the most secure profile, with just one floater in the GoM, likely to be renegotiated at a lower rate, and very minimum rollover risk in 2011/12. If conditions do not begin to improve by the end of 2012, the dividend may be at risk; in the near-term we expect the company to be able to further grow its dividend.
- **PDE:** Although no rigs currently in the GoM, two of its newbuilds are expected to start working there, and are likely to negotiate for lower rates in either WAf or Brazil, two of the biggest markets for PDE.
- **HERO:** Even a minor reduction in our commodity jackup rate assumptions have drastic effects on HERO's earnings.
- **RDC:** Given its exposure to high-end jackups, RDC remains less exposed to weakness in the floater market; however, we have still reduced our estimates as we have lowered the pace of the expected recovery in jackup rates.
- **ATW:** With no deepwater exposure to the GoM, the company is still exposed to meaningful rate reductions as three of its floaters are scheduled to roll off contract in 2011.

Exhibit 7

Floater Contract Status: Less than 2,000 Feet

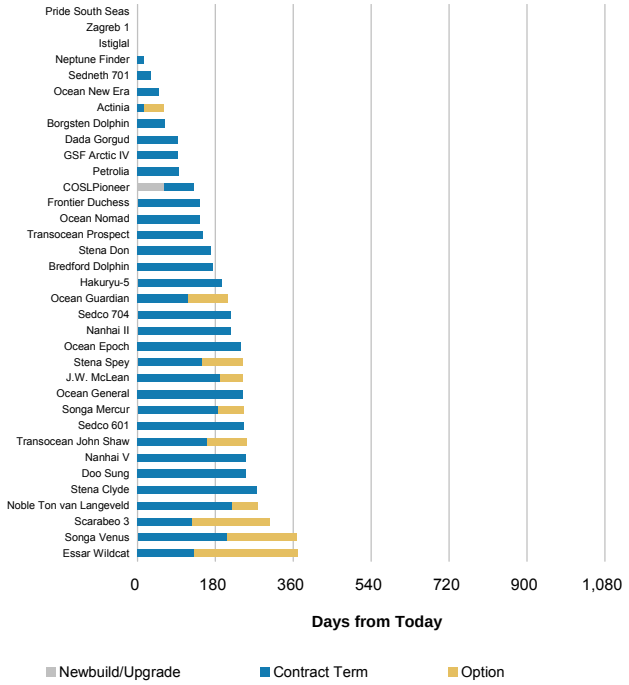


Exhibit 8

Floater Contract Status: 4,001-7,500 Feet

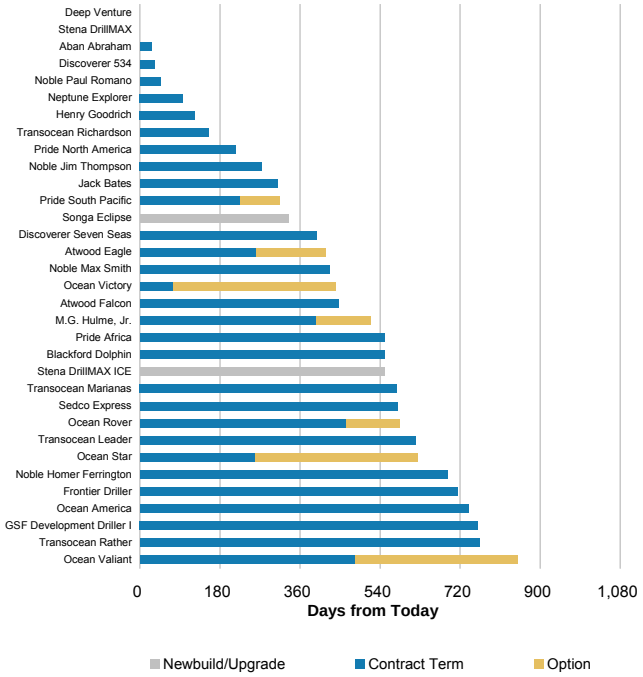


Exhibit 9

Floater Contract Status: 2,000-4,000 Feet

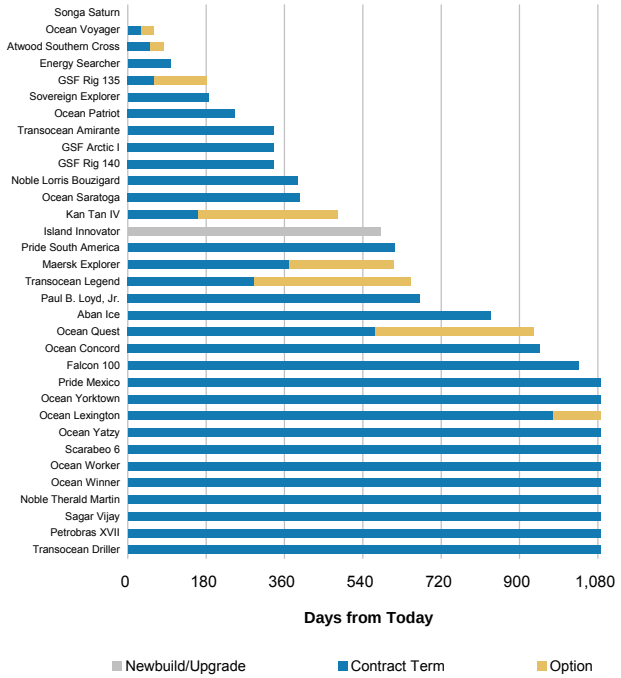
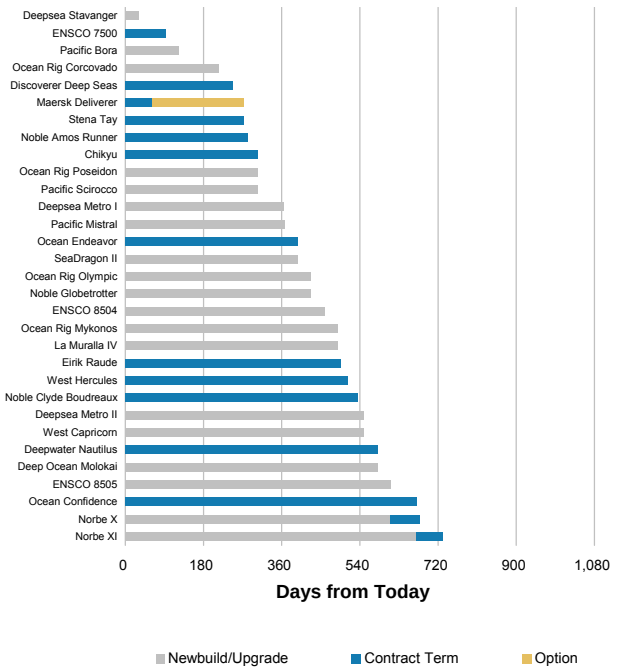


Exhibit 10

Floater Contract Status: 7,500+ Feet



Source: ODS-Petrodata, Company data, Morgan Stanley Research

Exhibit 11

Worldwide Offshore Drilling Snapshot

	Supply	Demand	Util (%)	Previous Week	Weekly Change	Current Dayrate Range
Jackups						
U.S. Gulf of Mexico						
450'+ IC	2	2	100%	100%	--	$100.0 -- $110.0
328' - 400' IC	10	9	90%	90%	--	$70.0 -- $97.5
350' - 380' IS	2	1	50%	100%	▼	$55.0 -- $55.0
300' IC	5	3	60%	60%	--	$53.5 -- $60.0
250' IC	4	4	100%	100%	--	$50.0 -- $52.5
250' MS	13	5	38%	38%	--	$33.0 -- $36.0
To 225' IC	2	2	100%	100%	--	$30.0 -- $33.0
To 200' MC	26	11	42%	42%	--	$32.0 -- $36.0
Other	7	3	43%	43%	--	
Total U.S. Gulf of Mexico	71	40	56%	58%	▼	$46.3 -- $55.3
International						
Far East	41	30	73%	73%	--	na -- na
Southeast Asia	51	35	69%	70%	▼	$120.0 -- $126.0
Indian Ocean	32	24	75%	72%	▲	$105.0 -- $105.0
Middle East	120	83	69%	69%	▲	$150.0 -- $155.0
Mediterranean	22	16	73%	73%	--	$125.0 -- $125.0
Mexico	28	26	93%	93%	--	$135.0 -- $135.0
North Sea	37	28	76%	76%	--	$100.0 -- $198.0
Latin America	17	10	59%	63%	▼	na -- na
West Africa	30	18	60%	63%	▼	$125.0 -- $125.0
Other International	12	7	58%	58%	--	
Total International	390	277	71%	71%	▼	
Worldwide Jackups Total	**461**	**317**	**69%**	**67%**	▲	
Floaters						
US GoM	35	34	97%	100%	▼	$351.0 -- $394.5
Far East	10	4	40%	50%	▼	na -- na
Southeast Asia	23	8	35%	35%	▼	na -- na
Mediterranean	7	4	57%	67%	▼	na -- na
Mexico	5	3	60%	60%	--	na -- na
North Sea	38	31	82%	81%	▲	$255.0 -- $256.0
Latin America	63	53	84%	80%	▲	na -- na
West Africa	27	20	74%	78%	▼	$398.0 -- $435.0
Other International	21	15	71%	75%	▼	
Total International	194	138	71%	72%	▼	
Worldwide Floaters Total	**229**	**172**	**70%**	**70%**	--	

Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 12
Average Dayrates for GoM Commodity Jackups

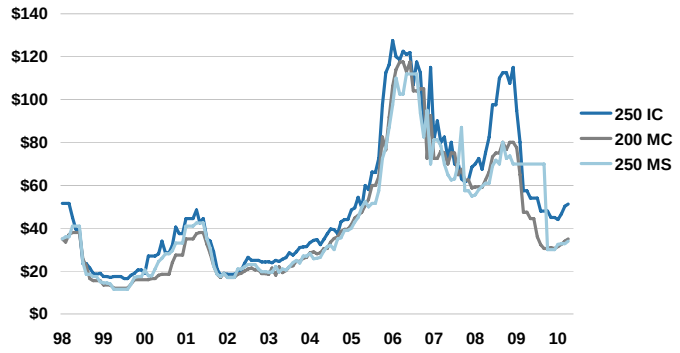


Exhibit 13
Average Dayrates for GoM High Spec Jackups

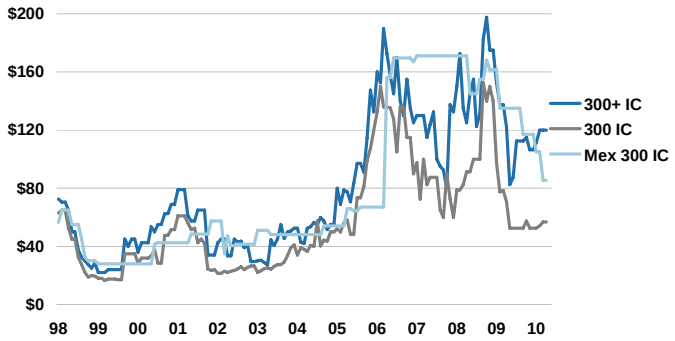


Exhibit 14
Average Dayrates for International Jackups

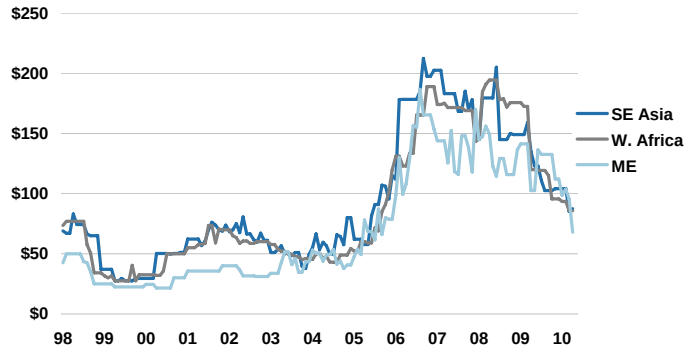


Exhibit 15
Average Dayrates for North Sea Jackups

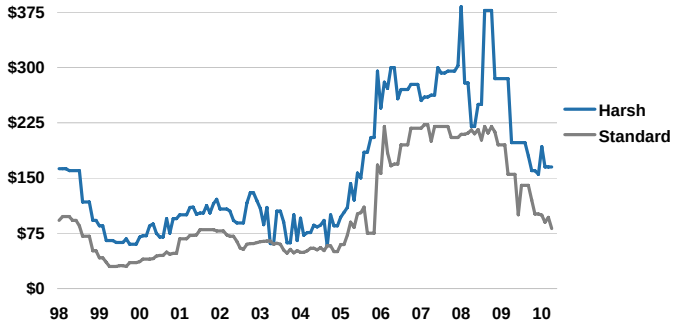


Exhibit 16
Morgan Stanley: Key Jackup Rollover Assumptions ($kpd)

GoM Jackups	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
250 MS	35	35	40	50	50	50	50	45	40	40	40	40
200 MC	37	37	42	52	54	54	54	49	44	44	44	44
250 IC	47	47	52	62	64	64	64	59	54	54	54	54
300 IC	57	57	62	72	74	74	74	69	64	64	64	64
350 IC	77	77	82	92	94	94	105	105	105	105	105	105

International 300 IC	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Mexico	87	87	92	102	114	114	114	114	114	114	114	114
N. Sea (standard)	100	100	100	100	100	115	125	130	135	140	145	150
N. Sea (harsh)	120	120	120	120	120	135	145	150	155	160	165	170
Middle East	90	90	90	90	90	90	95	100	105	110	115	120
Rest of World	95	95	95	95	95	95	100	105	110	115	120	125

Source: ODS-Petrodata, Morgan Stanley Research estimates

Exhibit 17
Average Dayrates for Floaters in the GoM

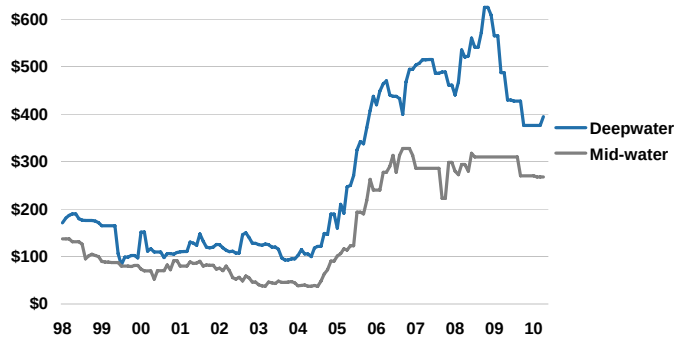


Exhibit 18
Average Dayrates for Floaters in Brazil

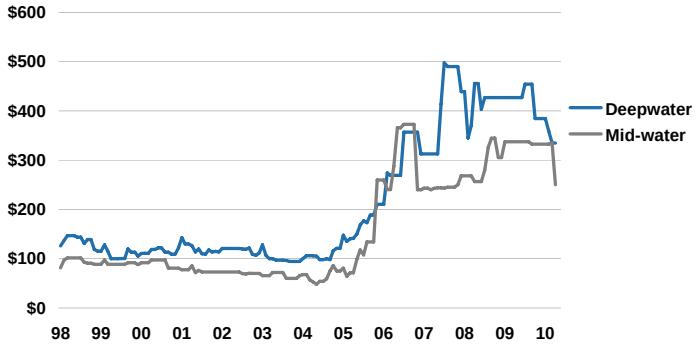


Exhibit 19
Average Dayrates for Floaters in West Africa

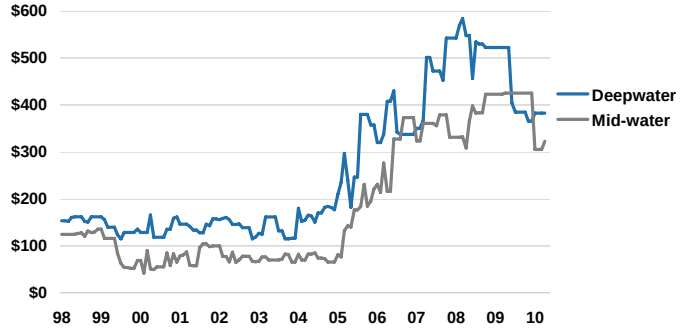


Exhibit 20
Average Dayrates for Floaters in the North Sea

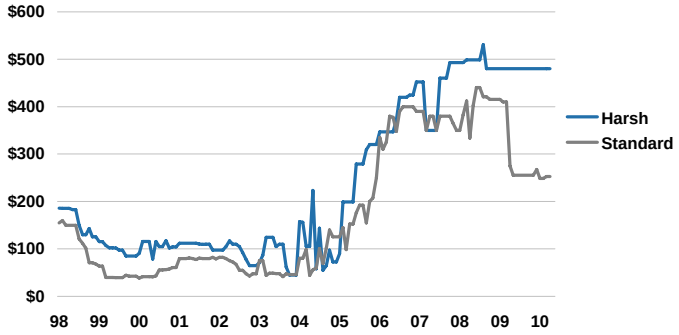


Exhibit 21
Morgan Stanley: Key Floater Rollover Assumptions ($kpd)

Floaters	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
<2,000 ft	168	168	168	168	113	113	113	113	113	113	113	113
2,000-4,000	228	228	228	228	188	188	188	188	188	188	188	188
4,001-7,500	358	358	358	358	263	263	263	263	263	263	263	263
7,500+	453	453	453	453	378	378	378	378	378	378	378	378

North Sea Floaters	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Standard	255	255	255	255	265	275	285	295	305	315	325	335
Harsh	370	370	370	370	375	380	385	390	395	400	405	410

Source: ODS-Petrodata, Morgan Stanley Research estimates

Exhibit 22

Jackup Expected Deliveries (Full Delivery Table by Rig and Yard on Page 31)

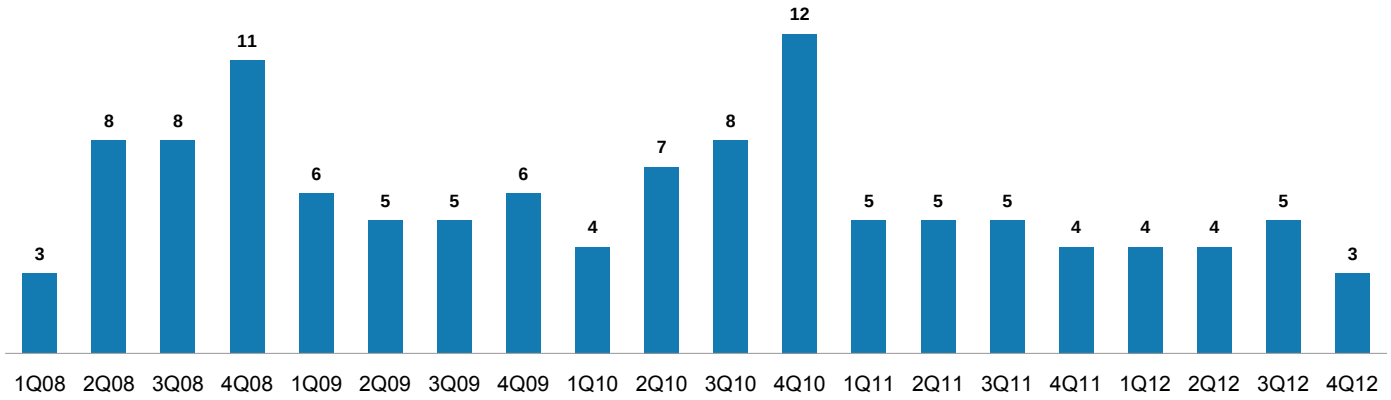


Exhibit 23

Floater Expected Deliveries (Full Delivery Table by Rig and Yard on Page 32)

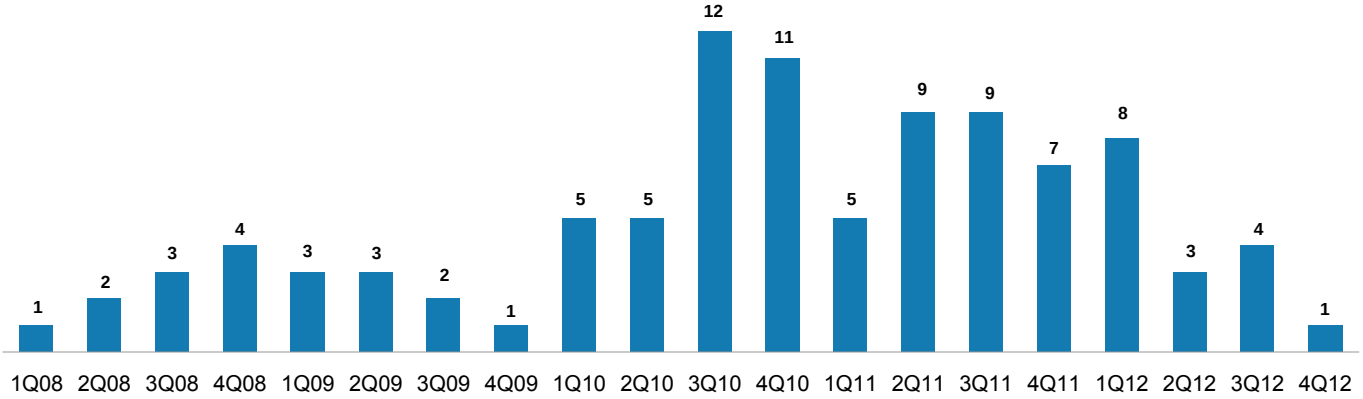


Exhibit 24

Floater Supply

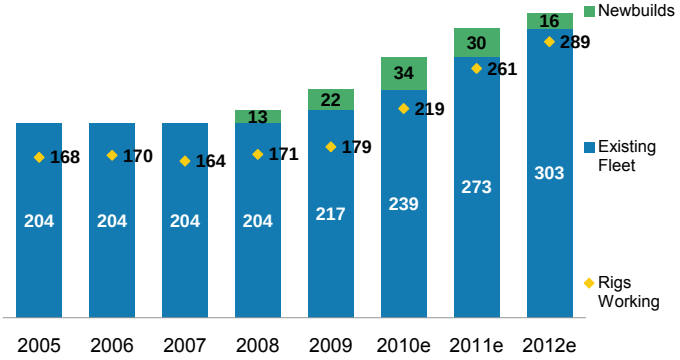
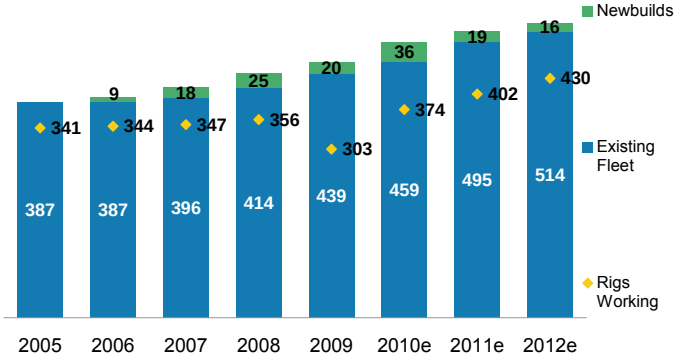


Exhibit 25

Jackup Supply



Source: ODS-Petrodata, Morgan Stanley Research estimates

U.S. and International Rig Counts

Exhibit 26

US Land Rig Count vs. Oil / Gas Strip

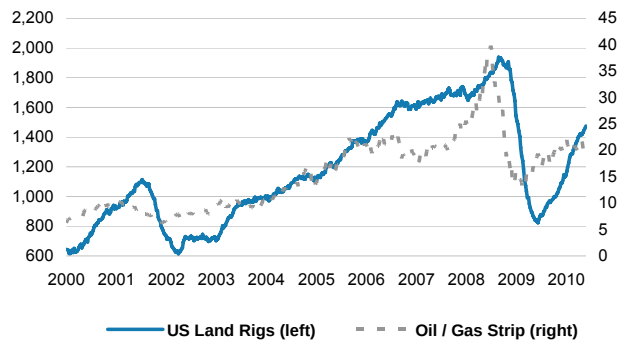


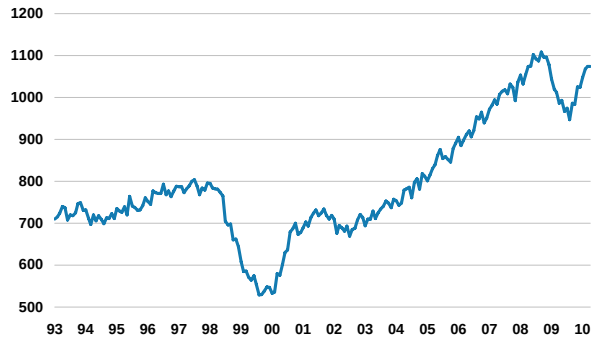
Exhibit 27

North American Weekly Rig Count

05/28/10	This Week	Last Week	Change	Last Year	Recent Peak
US Land	1,489	1,470	19	845	1,855
Gulf of Mexico	46	48	(2)	54	176
US Total	**1,535**	**1,518**	**17**	**899**	**2,031**
Canada	191	173	18	90	727
North America	1,726	1,691	35	989	2,467
US Gas	967	969	(2)	703	1,606
US Oil	555	538	17	187	555
US Horz./Directional	1,021	1,014	7	540	1,211
US Vertical	514	504	10	359	1,064

Exhibit 28

International Rig Count (Updated May 7, 2010)



Note: Adjusted to exclude Iran and Sudan

Exhibit 29

International Monthly Rig Count (Updated May 7, 2010)

Land	04/10	03/10	Change	Last Year	Recent Peak
Europe	45	41	4	30	58
Middle East	222	224	(2)	223	257
Africa	59	59	-	50	59
Latin America	294	305	(11)	278	325
Asia / Pacific	146	150	(4)	132	151
Int'l Land	**766**	**779**	**(13)**	**713**	**815**
Offshore					
Europe	58	53	5	56	71
Middle East	32	37	(5)	30	43
Africa	26	23	3	12	35
Latin America	76	73	3	71	89
Asia / Pacific	116	109	7	104	132
Int'l Offshore	**308**	**295**	**13**	**273**	**321**

Note: Updated first week of every month. Data from Iran and Sudan discontinued on Jan 1, 2006.

Exhibit 30

Morgan Stanley US and International Rig Count Forecast

	1Q09A	2Q09A	3Q09A	4Q09A	1Q10A	2Q10E	3Q10E	4Q10E	2006A	2007A	2008A	2009A	2010E	2011E	2012E
US Land	1,272	887	941	1,073	1,280	1,287	1,276	1,267	1,561	1,696	1,814	1,043	1,277	1,237	1,242
Change % YoY	*-25%*	*-50%*	*-51%*	*-42%*	*0%*	*42%*	*36%*	*19%*	*19%*	*7%*	*6%*	*-42%*	*22%*	*-3%*	*1%*
Gulf of Mexico	54	48	32	34	42	46	48	50	86	71	63	42	46	53	57
US Total	1,326	936	973	1,107	1,322	1,333	1,324	1,316	1,647	1,767	1,877	1,085	1,324	1,290	1,300
US Gas	1,039	730	690	738	868	871	853	836	1,371	1,465	1,489	799	857	801	787
US Oil	275	197	272	358	442	448	457	466	273	297	379	275	453	478	503
US Horz./Directional	752	562	599	705	na	na	na	na	668	768	925	654	na	na	na
US Vertical	584	373	373	401	na	na	na	na	980	999	954	433	na	na	na
Canada	328	91	187	286	511	122	337	358	470	344	379	223	332	300	325
North America	**1,655**	**1,026**	**1,160**	**1,393**	**1,833**	**1,455**	**1,661**	**1,674**	**2,117**	**2,110**	**2,257**	**1,309**	**1,656**	**1,590**	**1,625**
Change % YoY	*-27%*	*-50%*	*-52%*	*-40%*	*11%*	*42%*	*43%*	*20%*	*15%*	*0%*	*7%*	*-42%*	*27%*	*-4%*	*2%*
Europe	90	82	78	85	88	95	98	101	77	78	98	84	95	107	115
Middle East	267	251	243	248	260	257	262	267	238	265	280	252	262	281	304
Africa	59	63	57	67	80	69	70	72	58	66	65	62	73	76	82
Latin America	371	350	350	355	378	393	403	413	324	355	384	356	397	443	495
Asia/Pacific	239	237	241	257	257	263	272	279	228	241	252	243	268	300	331
Int'l Land	743	711	699	733	768	779	793	807	656	720	784	722	787	861	954
Int'l Offshore	282	271	270	277	295	299	312	325	269	286	295	275	308	346	374
Total Int'l	**1,025**	**982**	**969**	**1,011**	**1,063**	**1,077**	**1,105**	**1,132**	**925**	**1,005**	**1,079**	**997**	**1,094**	**1,206**	**1,328**
Change % YoY	*7%*	*8%*	*7%*	*7%*	*-2%*	*-9%*	*-12%*	*-7%*	*2%*	*9%*	*7%*	*-8%*	*10%*	*10%*	*10%*

Source: Baker Hughes, Morgan Stanley Research

Exhibit 31

Global Valuation Summary

Company	MS Rating	Recent Price	Price Target	Mkt Cap ($MM)	P/E 10E	P/E 11E	P/E 12E	EV/EBITDA 10E	EV/EBITDA 11E	EV/EBITDA 12E	2009FY ROE	Net Debt / Ent. Value 2010e	Net Debt / Ent. Value 2011e	Net Debt / Ent. Value 2012e
Oil Services:														
Schlumberger	O	$56.15	$115	$66,976	20.8	12.5	10.0	10.2	7.1	5.7	17.4%	2.0%	1.5%	(1.9%)
Halliburton	O	$24.83	$50	$22,478	17.7	12.4	9.9	7.2	5.7	4.8	9.2%	6.7%	7.0%	4.8%
Baker Hughes	O	$38.14	$80	$22,529	19.3	10.7	8.6	6.4	4.1	3.4	8.4%	17.4%	18.3%	16.6%
Weatherford	O	$14.12	$40	$10,453	23.4	10.1	6.4	8.2	6.3	4.9	3.5%	37.2%	38.3%	35.8%
Trican Well Services	U	C$12.26	C$22	$1,672	30.7	13.6	12.8	9.9	6.8	6.3	(1.4%)	9.9%	8.3%	2.9%
Carbo Ceramics	U	$64.70	$75	$1,496	24.9	19.0	16.2	11.9	9.3	7.6	11.9%	(6.4%)	(5.9%)	(11.9%)
RPC Inc.	O	$11.29	$20	$1,116	16.6	11.3	9.4	5.3	4.0	3.6	(5.1%)	11.7%	6.9%	1.7%
Calfrac Well Services	U	C$19.54	C$30	$800	23.0	12.6	10.8	7.2	5.1	4.3	(1.4%)	17.9%	13.5%	7.2%
Superior Well Services	O	$15.11	$23	$466	37.6	10.8	10.0	5.0	2.9	2.4	(18.2%)	16.1%	3.9%	(8.1%)
Average					*23.8*	*12.6*	*10.5*	*7.9*	*5.7*	*4.8*	*2.7%*	*12.5%*	*10.2%*	*5.2%*
Offshore Drillers:														
Transocean	O	$56.77	$115	$18,163	7.7	10.3	7.5	5.2	5.6	4.4	21.8%	32.8%	31.3%	24.0%
Diamond Offshore	U	$63.10	$70	$8,773	8.8	10.5	12.6	4.8	5.5	6.3	40.8%	4.6%	5.4%	7.7%
Noble Corporation	O	$29.07	$55	$7,437	5.8	7.3	6.1	3.5	3.8	2.7	31.5%	(7.5%)	(16.8%)	(40.4%)
Seadrill Limited	O	$20.68	$33	$8,526	8.0	7.8	8.3	8.1	7.5	7.5	43.2%	39.1%	39.7%	38.9%
ENSCO International	O	$37.40	$60	$5,330	10.7	10.7	7.5	5.2	4.8	3.2	16.3%	(17.3%)	(23.8%)	(39.8%)
Pride International	E-W	$24.77	$35	$4,350	14.7	9.2	12.4	10.4	7.1	7.6	8.4%	19.4%	23.1%	21.6%
Rowan Companies	E-W	$24.76	$30	$2,833	9.9	12.4	9.9	5.0	5.2	3.8	12.7%	9.1%	2.5%	(11.7%)
China Oilfield Services Ltd.	O	HK$9.75	HK$13	$1,922	11.0	9.0	8.5	7.7	6.4	5.8	14.5%	42.4%	42.3%	38.6%
Atwood Oceanics	U	$27.15	$40	$1,749	7.1	6.3	8.0	5.6	5.1	6.0	29.7%	7.9%	12.6%	14.6%
Aban Offshore Ltd.	O	Rs716	Rs1050	$672	9.2	4.1	4.0	9.0	7.0	6.3	NM	74.5%	80.6%	78.6%
Hercules Offshore	NR	$3.12	NA	$358	NM	NM	NM	6.3	4.3	5.8	(7.3%)	66.5%	63.8%	63.2%
Average					*9.3*	*8.8*	*8.5*	*6.4*	*5.7*	*5.4*	*21.2%*	*24.7%*	*23.7%*	*17.7%*
Land Drillers:														
Nabors Industries	O	$19.03	$36	$5,428	20.0	11.2	8.9	6.2	4.8	4.0	8.0%	32.4%	29.3%	23.7%
Helmerich & Payne	U	$37.68	$50	$3,984	15.0	15.1	15.1	5.5	4.9	4.4	15.4%	(4.9%)	(15.6%)	(29.2%)
Patterson-UTI	E-W	$14.03	$20	$2,159	36.8	28.3	28.3	5.4	4.8	4.7	(0.8%)	2.5%	2.4%	(0.4%)
Average					*24.0*	*18.2*	*17.4*	*5.7*	*4.8*	*4.4*	*7.6%*	*10.0%*	*5.3%*	*(2.0%)*
Equipment:														
Tenaris S.A.	O	$37.12	$60	$21,911	19.0	10.9	8.5	10.6	6.5	5.0	14.5%	(0.2%)	(0.1%)	(3.0%)
National Oilwell Varco	O	$38.13	$70	$15,977	10.0	15.2	11.2	4.7	5.7	4.2	12.4%	(21.3%)	(31.5%)	(39.4%)
Vallourec	U	€ 151.55	€ 145	$10,705	23.3	11.4	8.4	11.1	6.6	4.7	16.5%	4.3%	10.7%	3.7%
Cameron International	O	$36.20	$60	$8,840	15.7	13.4	10.6	7.9	6.4	4.9	20.5%	(9.5%)	(17.1%)	(29.1%)
FMC Technologies	E-W	$58.15	$65	$7,071	20.4	21.5	17.1	11.0	11.1	8.6	53.1%	0.6%	(0.7%)	(2.1%)
TMK	E-W	$17.00	$16	$3,710	30.8	8.6	5.4	9.0	5.6	3.8	(15.3%)	50.0%	45.1%	34.9%
Oceaneering International	E-W	$46.27	$80	$2,551	14.6	12.5	10.5	6.1	5.3	4.4	19.3%	1.7%	0.8%	(2.2%)
Dresser-Rand	E-W	$31.83	$55	$2,627	15.9	11.4	8.8	8.3	6.0	4.4	29.0%	5.9%	(2.1%)	(14.1%)
Dril Quip	E-W	$48.71	$60	$1,939	17.1	18.0	14.8	9.9	9.7	7.7	19.4%	(14.1%)	(21.7%)	(27.5%)
Wellstream Holdings	U	£5.42	£5.75	$785	21.2	12.3	9.7	11.0	6.9	5.4	18.2%	0.1%	(3.0%)	(11.4%)
Chart Industries	E-W	$18.42	$33	$528	23.0	10.5	9.2	8.4	4.6	3.6	14.6%	3.7%	(9.8%)	(22.6%)
Average					*19.2*	*13.3*	*10.4*	*8.9*	*6.7*	*5.2*	*18.4%*	*1.9%*	*(2.7%)*	*(10.3%)*
Engineering & Construction:														
Saipem	O	€ 25.41	€ 34	$13,827	15.8	12.5	10.3	9.0	7.2	5.8	22.2%	26.6%	24.7%	18.6%
Technip	O	€ 53.29	€ 70	$7,185	16.4	14.2	10.8	6.7	5.3	3.6	14.3%	(18.0%)	(29.4%)	(53.2%)
Petrofac	E-W	£11.26	£11.80	$5,627	15.7	11.4	9.2	11.1	8.1	6.6	63.2%	(7.8%)	(11.4%)	(13.9%)
Acergy	U	NKr 99	NKr 100	$2,978	16.3	14.6	11.1	6.1	6.0	4.5	27.0%	(2.7%)	(5.2%)	(16.3%)
Tecnicas Reunidas	O	€ 39.70	€ 65	$2,737	12.6	10.8	9.5	7.9	6.1	4.8	64.5%	(47.0%)	(64.9%)	(88.7%)
SBM Offshore	E-W	€ 13.03	€ 16	$2,693	11.4	10.7	10.3	6.3	6.5	6.0	17.9%	35.1%	44.9%	47.9%
Subsea 7	U	NKr 103	NKr 110	$2,335	13.0	12.0	9.7	6.0	5.3	4.2	40.0%	(2.7%)	(10.1%)	(22.4%)
Wood Group	O	£3.34	£5.30	$2,560	12.6	9.4	7.8	6.5	4.9	4.0	17.5%	3.9%	(1.2%)	(9.9%)
Helix Energy Solutions	E-W	$10.89	$22	$1,139	9.0	4.4	5.2	3.7	2.1	1.7	4.2%	43.5%	27.8%	(0.6%)
Sevan Marine	O	NKr 7	NKr 17	$579	NM	8.5	7.0	9.8	7.5	6.8	(15.6%)	63.3%	68.3%	70.0%
Average (excludes Helix and Sevan)					*14.2*	*11.9*	*9.8*	*7.4*	*6.2*	*4.9*	*33.3%*	*(1.6%)*	*(6.6%)*	*(17.2%)*
Reservoir Information / Seismic:														
CGG Veritas	E-W	€ 18.59	€ 22	$3,469	25.8	7.7	5.3	5.3	3.7	2.9	(8.9%)	26.1%	21.3%	12.2%
Petroleum Geo-Services	E-W	NKr 66	NKr 94	$2,018	18.5	7.0	5.8	5.2	2.9	2.2	26.0%	20.8%	9.4%	(7.4%)
ION Geophysical	O	$5.43	$10	$827	NM	13.6	9.1	6.1	3.6	2.6	(15.6%)	18.6%	11.9%	1.3%
Average					*22.2*	*7.3*	*5.5*	*5.3*	*3.3*	*2.6*	*8.6%*	*23.4%*	*15.4%*	*2.4%*

Source: FactSet, Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates; ++ Rating and price target for this company have been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Trading and Valuation Summary: Contract Drillers

Exhibit 32

Offshore Drillers: Summary of Valuation based on EPS and NAV Projections

Water Depth	Type	Avg. Asset Va. ($mm) Repl.	Avg. Asset Va. ($mm) Mkt.
550'	IC	280	155
450'	IC	240	135
400' HD/HE	IC	280	145
400'	IC	230	125
400'	IS	205	90
375'	IC	220	115
350' HD/HE	IC	250	120
350'	IC	200	100
350'	IS	180	80
328'	IC	180	70
300'	IC	170	60
Tarzan	IC	145	60
250'	IC	135	45
250'	MC	110	23
250'	MS	100	17
250'	IS	95	19
200'	IC	115	25
200'	MC	115	21
200'	MS	95	15
150'	IC	95	13

Type	Avg. Asset Va. ($mm) Repl.	Avg. Asset Va. ($mm) Mkt.
2G Semi	300	200
3G Semi	350	255
4G Semi	450	330
5G (7,500-ft)	500	580
6G (10,000-ft) DP	550	610
6G (10,000-ft) HE	650	655
Drillship (mid-1970s)	450	125
Drillship (4,000-ft+) DP	500	225
Drillship (8,000 ft.+) DP	530	590
Drillship (10,000-ft) DP	550	620

North Sea Certification: $10-20 MM

($mm)	Last Price	NAV/ Share	Price/ NAV
2010e			
SDRL	21	8	252%
DO	63	80	79%
RDC	25	28	88%
RIG	57	76	75%
PDE	25	31	80%
NE	29	43	67%
ESV	37	55	68%
ATW	27	43	64%
HERO	3	4	71%
2011e			
SDRL	21	9	232%
DO	63	81	78%
RDC	25	33	76%
RIG	57	88	65%
PDE	25	35	70%
NE	29	49	60%
ESV	37	63	59%
ATW	27	48	56%
HERO	3	5	62%

Exhibit 33

Second-Hand Market Values for Offshore Rigs

	2001 Apr	2002 Apr	2003 Apr	2004 Apr	2005 Apr	2006 Apr	2007 Apr	2008 Apr	2009 Apr	2010 Apr
Jackups built after 1980										
150 feet ind cantilever	25	12	10	15	21	35	40	40	20	13
200 feet mat cantilever	30	19	20	22	27	50	55	55	30	21
250 feet mat slot	25	17	16	18	24	40	45	45	25	17
250 feet ind cantilever	45	30	40	40	50	75	100	100	60	45
300 feet ind cant international	65	50	55	60	70	90	130	150	95	60
300 feet ind cant N Sea	65	55	55	60	70	100	150	160	120	95
New 350 feet IC	133	133	125	125	135	180	210	210	165	160
Semisubmersibles										
Aker H-3 North Sea	45	25	25	20	40	120	225	240	230	200
3rd gen North Sea	100	75	65	55	80	170	250	275	280	255
4th generation	200	190	168	125	150	280	300	350	350	330
5th gen 8,000 ft +	340	325	290	250	310	420	450	600	610	580
New 6th gen 10,000 ft +	n/a	n/a	n/a	n/a	n/a	600	600	675	650	610
Drillships										
Conventional mid 1970s	29	20	19	17	35	90	170	230	160	125
DP 4000 feet+ (not newbuild)	120	85	65	40	100	165	270	300	250	225
5th gen 8,000 ft +	325	325	290	230	350	420	450	600	610	590
New 6th gen 10,000 ft+	n/a	n/a	n/a	n/a	n/a	600	600	750	670	620

Exhibit 34

Price/NAV Range (Since 2001)

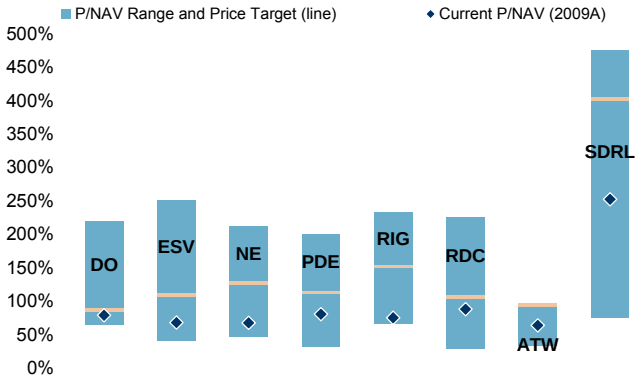


Exhibit 35

P/NAV Trading Range average for RIG/DO

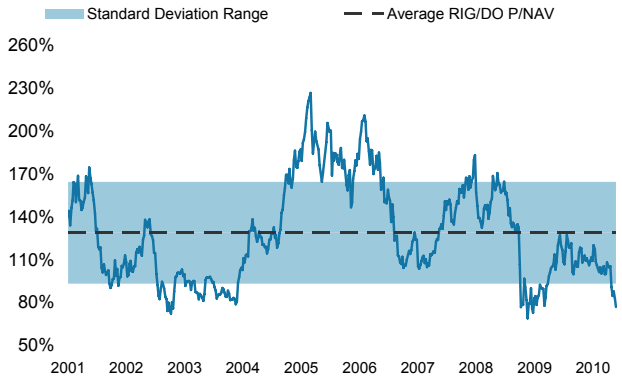
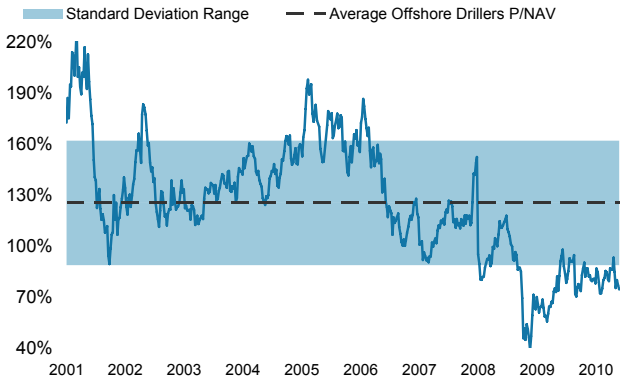


Exhibit 36

P/NAV Trading Range average for NE/ESV/RDC



Source: FactSet, ODS-Petrodata, Morgan Stanley Research

Price Target and Valuation Summary: Oil Services & Drillers

Exhibit 37

Service/Equipment: Price Target Summary

Symbol	MS Rating	Last Price	2012 EPS	2012 P/E	Target P/E	Target Price	Target Upside
	MS	Last	2011	2011		Target	Target
WFT	O	$14.12	$2.20	6.4x	18.2x	$40	183%
BHI	O	$38.14	$4.45	8.6x	18.0x	$80	112%
SLB	O	$56.15	$5.60	10.0x	20.6x	$115	107%
HAL	O	$24.83	$2.50	9.9x	20.0x	$50	104%
HLX	E-W	$10.89	$2.10	5.2x	10.5x	$22	102%
NOV	O	$38.13	$3.40	11.2x	20.6x	$70	85%
IO	O	$5.43	$0.60	9.1x	16.7x	$10	84%
TCW-TSE	U	$12.26	$0.95	12.8x	23.0x	$22	81%
RES	O	$11.29	$1.20	9.4x	16.7x	$20	80%
GTLS	E-W	$18.42	$2.00	9.2x	16.5x	$33	79%
OII	E-W	$46.27	$4.40	10.5x	18.2x	$80	73%
DRC	E-W	$31.83	$3.60	8.8x	15.3x	$55	73%
TS	O	$37.12	$4.35	8.5x	13.8x	$60	66%
CAM	O	$36.20	$3.40	10.6x	17.6x	$60	66%
CFW-TSE	U	$19.54	$1.80	10.8x	16.6x	$30	54%
SWSI	O	$15.11	$1.50	10.0x	15.3x	$23	52%
DRQ	E-W	$48.71	$3.30	14.8x	18.2x	$60	23%
CRR	U	$64.70	$4.00	16.2x	18.8x	$75	18%
FTI	E-W	$58.15	$3.40	17.1x	19.1x	$65	12%

Note: Upside percentage includes next six quarters of expected dividends.

Exhibit 38

Contract Drillers: Price Target Summary

Symbol	MS Rating	Last Price	2012 EPS	2012 P/E	Target P/E	Target Price	Target Upside
RIG	O	$56.77	$7.60	7.5x	15.1x	$115	109%
NE	O	$29.07	$4.80	6.1x	11.5x	$55	93%
HERO	NR	$3.12	-$0.59	-5.3x	-10.1x	$6	92%
NBR	O	$19.03	$2.15	8.9x	16.8x	$36	89%
SDRL	O	$20.68	$2.50	8.3x	13.2x	$33	79%
ESV	O	$37.40	$5.00	7.5x	12.0x	$60	66%
ATW	U	$27.15	$3.40	8.0x	11.8x	$40	47%
PTEN	E-W	$14.03	$0.50	28.3x	40.3x	$20	45%
PDE	E-W	$24.77	$2.00	12.4x	17.5x	$35	41%
HP	U	$37.68	$2.50	15.1x	20.0x	$50	33%
DO	U	$63.10	$5.00	12.6x	14.0x	$70	26%
RDC	E-W	$24.76	$2.50	9.9x	12.0x	$30	21%

Note: HERO uses base case instead of target price. Upside percentage includes next six quarters of expected dividends.

Exhibit 39

Land Drillers: EV/Rig (Current) ($m/rig, monthly)

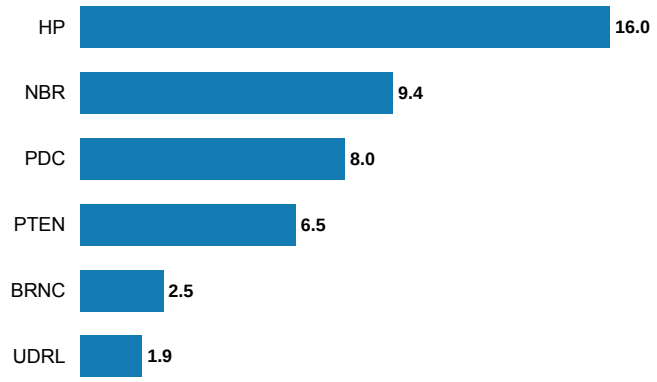


Exhibit 40

PTEN: Historic EV/Rig ($m/rig, monthly)

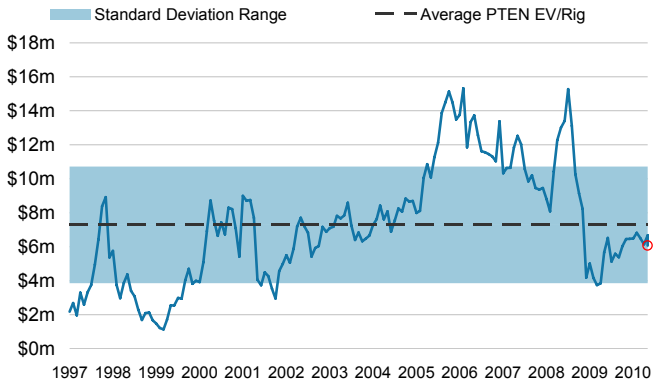
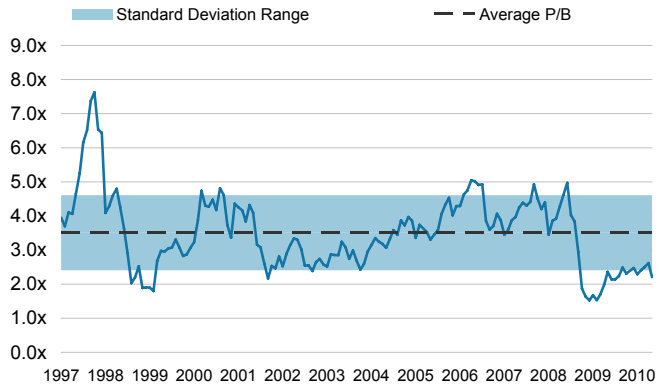


Exhibit 41

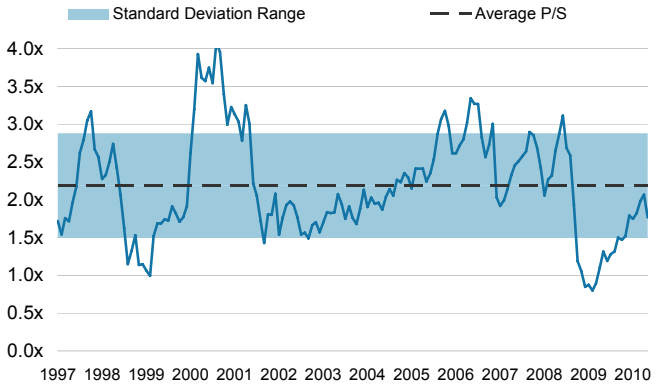
Oil Services and Equipment: Price/Book



Note: Includes Services, Equipment and Land Drillers
Source: FactSet, Company data, Morgan Stanley Research

Exhibit 42

Oil Services and Equipment: Price/Sales



Note: Includes Services, Equipment and Land Drillers

Exhibit 43

Morgan Stanley EPS Estimates versus FactSet Consensus

Reuters Symbol	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	2008A	2009A	2010E	2011E	2012E	09 vs 08	10 vs 09	11 vs 10	12 vs 11
SLB.N	0.78	0.68	0.65	0.67	0.62	0.64	0.64	0.80	4.50	2.78	2.70	4.50	5.60	-38%	-3%	67%	24%
Consensus	0.78	0.68	0.65	0.67	0.62	0.69	0.76	0.85	4.50	2.78	2.91	3.92	4.97	-38%	5%	35%	27%
HAL.N	0.44	0.30	0.31	0.28	0.28	0.35	0.36	0.41	2.90	1.34	1.40	2.00	2.50	-54%	4%	43%	25%
Consensus	0.44	0.30	0.31	0.28	0.28	0.34	0.39	0.45	2.90	1.34	1.45	2.10	2.76	-54%	8%	45%	31%
BHI.N	0.82	0.41	0.26	0.43	0.45	0.40	0.49	0.62	5.35	1.92	1.97	3.55	4.45	-64%	3%	80%	25%
Consensus	0.82	0.41	0.26	0.43	0.45	0.42	0.56	0.66	5.35	1.92	2.10	3.34	4.18	-64%	9%	59%	25%
WFT.N	0.27	0.10	0.10	0.02	0.06	0.06	0.22	0.27	2.00	0.47	0.60	1.40	2.20	-76%	27%	132%	57%
Consensus	0.27	0.10	0.10	0.02	0.06	0.07	0.17	0.25	2.00	0.47	0.56	1.23	1.86	-76%	17%	121%	51%
SWSI.O	-0.57	-0.80	-0.53	-0.58	-0.31	0.04	0.25	0.34	1.64	-2.25	0.40	1.40	1.50	NM	NM	NM	8%
Consensus	-0.57	-0.80	-0.53	-0.58	-0.31	-0.13	-0.01	0.02	1.64	-2.25	-0.47	0.61	0.77	NM	NM	NM	25%
RES.N	0.05	-0.12	-0.11	-0.05	0.14	0.16	0.18	0.20	0.85	-0.24	0.68	1.00	1.20	NM	NM	47%	20%
Consensus	0.05	-0.12	-0.11	-0.05	0.14	0.18	0.21	0.22	0.85	-0.24	0.70	1.06	1.20	NM	NM	52%	13%
CFW.TO	C0.15	-C0.40	C0.08	C0.02	C0.31	-C0.10	C0.26	C0.41	C0.47	-C0.15	C0.85	C1.55	C1.80	-131%	NM	82%	17%
Consensus	C0.15	-C0.40	C0.08	C0.02	C0.31	-C0.21	C0.24	C0.40	C0.47	-C0.15	C0.69	C1.55	C1.60	-131%	NM	123%	3%
TCW.TO	C0.08	-C0.18	-C0.03	C0.06	C0.31	-C0.09	C0.17	C0.26	C0.51	-C0.08	C0.40	C0.90	C0.95	-116%	NM	125%	6%
Consensus	C0.08	-C0.18	-C0.03	C0.06	C0.31	-C0.04	C0.15	C0.20	C0.51	-C0.08	C0.53	C0.92	C0.90	-116%	NM	72%	-2%
CRR.N	0.70	0.41	0.63	0.55	0.82	0.58	0.60	0.59	2.51	2.29	2.60	3.40	4.00	-9%	14%	31%	17%
Consensus	0.70	0.41	0.63	0.55	0.82	0.64	0.66	0.67	2.51	2.29	2.81	3.49	3.78	-9%	23%	24%	8%
IO.N	-0.10	-0.10	-0.06	-0.11	-0.09	0.00	0.06	0.10	0.50	-0.36	0.10	0.40	0.60	-173%	NM	NM	50%
Consensus	-0.10	-0.10	-0.06	-0.11	-0.09	0.02	0.06	0.10	0.50	-0.36	0.09	0.38	0.58	-173%	NM	NM	50%
TS.N	0.62	0.62	0.39	0.38	0.37	0.40	0.52	0.66	3.71	2.00	1.95	3.40	4.35	-46%	-3%	74%	28%
Consensus	0.62	0.62	0.39	0.38	0.37	0.43	0.57	0.72	3.71	2.00	2.28	3.37	3.82	-46%	14%	48%	13%
NOV.N	1.13	0.90	0.95	0.96	1.10	0.96	0.90	0.85	5.13	3.94	3.80	2.50	3.40	-23%	-4%	-34%	36%
Consensus	1.13	0.90	0.95	0.96	1.10	0.92	0.86	0.84	5.13	3.94	3.68	3.25	3.69	-23%	-7%	-12%	13%
CAM.N	0.59	0.60	0.58	0.54	0.51	0.55	0.58	0.66	2.68	2.31	2.30	2.70	3.40	-14%	0%	18%	26%
Consensus	0.59	0.60	0.58	0.54	0.51	0.54	0.59	0.65	2.68	2.31	2.28	2.85	3.46	-14%	-1%	25%	21%
FTI.N	0.62	0.84	0.73	0.75	0.80	0.69	0.68	0.69	2.95	2.94	2.85	2.70	3.40	0%	-3%	-5%	26%
Consensus	0.62	0.84	0.73	0.75	0.80	0.70	0.67	0.70	2.95	2.94	2.87	3.22	3.90	0%	-3%	12%	21%
OII.N	0.80	0.87	0.90	0.83	0.77	0.80	0.80	0.80	3.62	3.40	3.18	3.70	4.40	-6%	-7%	16%	19%
Consensus	0.80	0.87	0.90	0.83	0.77	0.85	0.93	0.93	3.62	3.40	3.47	4.14	4.79	-6%	2%	19%	16%
DRC.N	0.43	0.74	0.91	0.61	0.44	0.41	0.51	0.65	2.30	2.69	2.00	2.80	3.60	17%	-26%	40%	28%
Consensus	0.43	0.74	0.91	0.61	0.44	0.33	0.50	0.72	2.30	2.69	1.96	2.57	3.28	17%	-27%	31%	28%

Source: FactSet, Company data, Morgan Stanley Research

Exhibit 44

Morgan Stanley EPS Estimates versus FactSet Consensus (continued)

Reuters Symbol	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	2008A	2009A	2010E	2011E	2012E	09 vs 08	10 vs 09	11 vs 10	12 vs 11
DRQ.N	0.63	0.68	0.72	0.72	0.74	0.66	0.69	0.76	2.68	2.75	2.85	2.70	3.30	3%	4%	-5%	22%
Consensus	0.63	0.68	0.72	0.72	0.74	0.72	0.73	0.76	2.68	2.75	2.95	3.49	4.39	3%	7%	18%	26%
GTLS.O	0.69	0.71	0.26	0.38	0.08	0.18	0.25	0.29	2.64	2.04	0.80	1.75	2.00	-23%	-61%	118%	14%
Consensus	0.69	0.71	0.26	0.38	0.08	0.15	0.23	0.28	2.64	2.04	0.74	1.59	2.20	-23%	-64%	117%	38%
RIG.N	3.74	2.79	2.65	2.21	2.22	1.73	1.61	1.78	14.40	11.38	7.35	5.50	7.60	-21%	-35%	-25%	38%
Consensus	3.74	2.79	2.65	2.21	2.22	1.80	2.08	2.40	14.40	11.38	8.54	10.27	10.57	-21%	-25%	20%	3%
NE.N	1.62	1.55	1.59	1.69	1.43	1.22	1.08	1.31	5.81	6.44	5.05	4.00	4.80	11%	-22%	-21%	20%
Consensus	1.62	1.55	1.59	1.69	1.43	1.31	1.32	1.42	5.81	6.44	5.44	5.33	4.95	11%	-16%	-2%	-7%
DO.N	2.51	2.71	2.57	2.02	2.08	1.77	1.53	1.83	9.96	9.82	7.21	6.00	5.00	-1%	-27%	-17%	-17%
Consensus	2.51	2.71	2.57	2.02	2.08	1.82	2.17	2.32	9.96	9.82	8.33	8.64	8.03	-1%	-15%	4%	-7%
ESV.N	1.56	1.59	1.05	1.24	1.11	0.74	0.86	0.79	8.21	5.43	3.50	3.50	5.00	-34%	-35%	0%	43%
Consensus	1.56	1.59	1.05	1.24	1.11	0.83	1.10	1.04	8.21	5.43	4.03	4.87	5.58	-34%	-26%	21%	15%
SDRL.N	0.47	0.81	0.73	0.66	0.62	0.58	0.76	0.68	1.05	2.60	2.60	2.65	2.50	149%	0%	2%	-6%
Consensus	0.47	0.81	0.73	0.66	0.62	0.67	0.78	0.81	1.05	2.60	2.81	3.20	3.23	149%	8%	14%	1%
PDE.N	0.88	0.70	0.49	0.16	0.43	0.32	0.45	0.48	3.65	2.23	1.68	2.70	2.00	-39%	-25%	61%	-26%
Consensus	0.88	0.70	0.49	0.16	0.43	0.33	0.45	0.63	3.65	2.23	1.81	3.32	3.78	-39%	-19%	83%	14%
HERO.O	0.05	0.09	0.38	0.15	0.19	-0.17	-0.13	-0.05	1.07	0.68	-0.55	-0.22	-0.59	NM	-19%	-59%	165%
Consensus	-0.05	-0.09	-0.38	-0.15	-0.19	-0.17	-0.14	-0.10	1.07	-0.68	-0.60	-0.43	-0.38	NM	NM	NM	NM
RDC.N	1.14	0.78	0.54	0.53	0.81	0.72	0.55	0.42	4.06	2.98	2.50	2.00	2.50	-27%	-16%	-20%	25%
Consensus	1.14	0.78	0.54	0.53	0.81	0.68	0.55	0.51	4.06	2.98	2.55	2.07	2.33	-27%	-14%	-19%	12%
ATW.N	0.88	1.05	0.75	1.03	1.03	0.95	0.84	1.07	3.34	3.89	3.85	4.30	3.40	17%	-1%	12%	-21%
Consensus	0.88	1.05	0.75	1.03	1.03	1.01	1.05	1.07	3.34	3.89	4.02	4.59	5.09	17%	3%	14%	11%
NBR.N	0.65	0.32	0.18	0.18	0.14	0.20	0.26	0.35	3.12	1.33	0.95	1.70	2.15	-57%	-29%	79%	26%
Consensus	0.65	0.32	0.18	0.18	0.14	0.19	0.27	0.36	3.12	1.33	1.03	1.64	2.03	-57%	-23%	60%	23%
PTEN.O	0.11	0.12	0.12	0.05	0.03	0.09	0.12	0.14	2.34	0.18	0.38	0.50	0.50	-108%	NM	30%	0%
Consensus	0.11	-0.12	-0.12	-0.05	0.03	0.04	0.06	0.07	2.34	-0.18	0.20	0.48	0.61	NM	NM	NM	26%
HP.N	0.96	0.48	0.47	0.59	0.61	0.64	0.67	0.64	4.13	3.28	2.50	2.50	2.50	-21%	-24%	0%	0%
Consensus	0.96	0.48	0.47	0.59	0.61	0.59	0.60	0.62	4.13	3.28	2.36	2.54	2.82	-21%	-28%	8%	11%
HLX.N	0.22	0.31	-0.03	-0.04	0.00	0.16	0.51	0.47	1.94	0.48	1.21	2.45	2.10	-75%	153%	103%	-14%
Consensus	0.22	0.31	-0.03	-0.04	0.00	0.13	0.30	0.31	1.94	0.48	0.72	1.55	2.10	-75%	50%	116%	36%

Source: FactSet, Company data, Morgan Stanley Research

Consensus Earnings Revisions and Short Interest Ratios

Exhibit 45
2010 Consensus EPS Revisions (Past 4-Weeks)

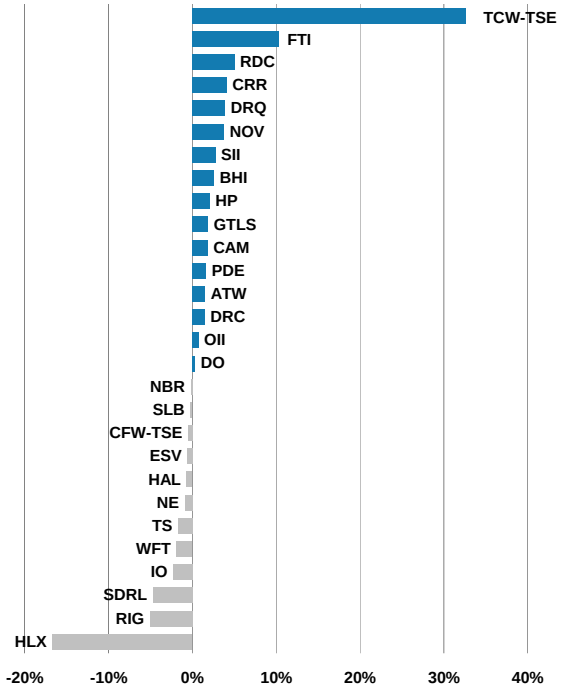


Exhibit 46
Short Interest Ratio

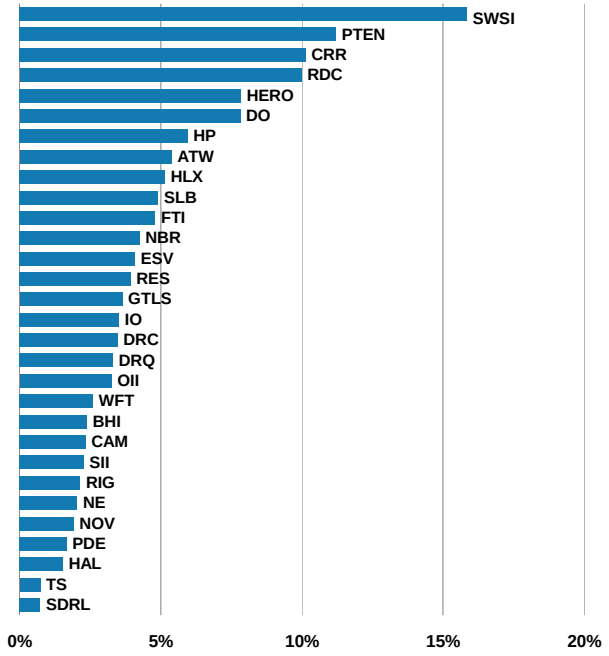


Exhibit 47
2010 Consensus EPS Revisions (Past 3-Months)

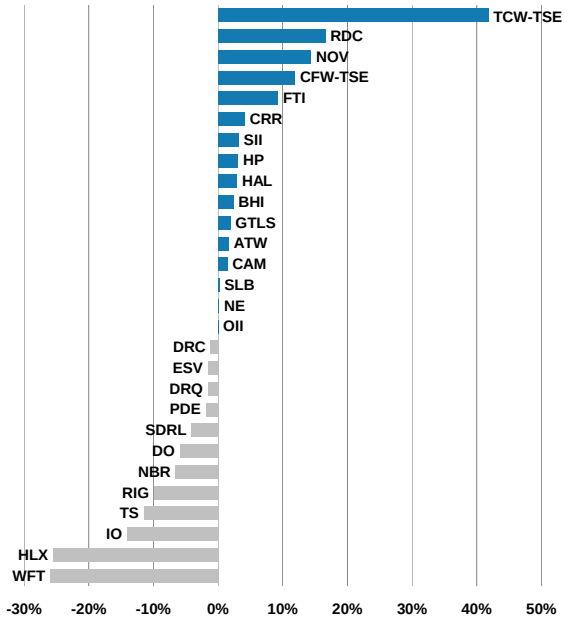
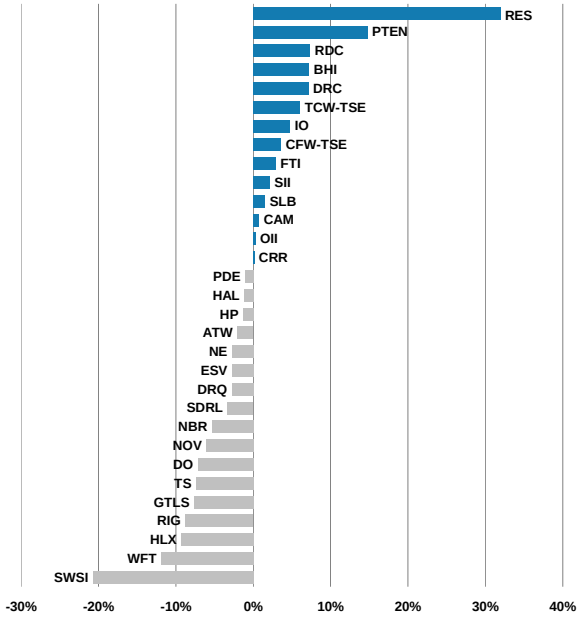


Exhibit 48
2011 Consensus EPS Revisions (Past 3-Months)



Source: FactSet; Morgan Stanley Research

Exhibit 49

Morgan Stanley Revenue Growth Projections by Area for Top Four Service Names

	2010E	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
SLB												
North America	3,276	(38.9%)	15.2%	20.8%	21.0%	40.2%	1.4%	10.6%	(37.3%)	(11.6%)	(19.2%)	(11.1%)
Latin America	4,818	(12.0%)	8.9%	23.1%	26.5%	16.0%	28.5%	28.4%	(0.1%)	14.0%	28.6%	22.7%
Europe/CIS/Afric	7,662	11.5%	4.4%	11.9%	26.7%	43.0%	30.4%	24.1%	(12.6%)	7.2%	28.9%	19.0%
Middle East/Asia	5,593	(10.7%)	9.3%	20.6%	22.4%	22.8%	31.1%	17.3%	(8.6%)	6.8%	26.2%	9.4%
OFS	21,587	(19.1%)	9.2%	19.1%	23.5%	32.5%	21.1%	19.6%	(15.5%)	5.2%	20.5%	14.0%
WesternGeco	1,527	n/a	(19.8%)	4.7%	34.1%	49.0%	19.7%	(4.2%)	(25.2%)	(28.1%)	1.0%	1.0%
Total	23,113	(3.9%)	4.6%	17.4%	24.7%	34.4%	21.0%	16.6%	(16.5%)	2.1%	19.2%	13.3%
Consensus	24,469	(3.9%)	4.6%	17.4%	24.7%	34.4%	21.0%	16.6%	(16.3%)	7.8%	20.0%	13.8%
HAL												
North America	5,476	(24.1%)	1.8%	17.0%	33.5%	34.0%	10.5%	16.9%	(32.1%)	(3.3%)	(0.8%)	10.6%
Latin America	2,176	(7.8%)	7.2%	19.3%	24.2%	12.6%	18.8%	34.9%	(10.1%)	(0.2%)	22.7%	19.4%
Europe/CIS/Afric	4,487	(8.1%)	7.0%	14.0%	18.2%	25.8%	29.4%	17.5%	(9.2%)	13.6%	23.8%	14.2%
Middle East/Asia	3,144	16.7%	(4.8%)	5.2%	20.2%	27.7%	24.0%	20.3%	(9.0%)	9.0%	20.7%	12.7%
Total	15,282	(12.5%)	2.3%	14.3%	26.3%	28.3%	17.8%	19.8%	(19.7%)	4.1%	14.2%	13.6%
Consensus	16,283	(12.5%)	2.3%	14.3%	26.3%	28.3%	17.8%	19.8%	(19.7%)	11.0%	15.7%	14.3%
BHI												
North America	3,402	(13.0%)	14.1%	14.4%	23.7%	29.8%	8.9%	16.6%	(30.8%)	(5.1%)	(1.7%)	7.3%
Latin America	1,171	(18.1%)	1.4%	20.1%	2.5%	17.7%	20.3%	24.8%	0.5%	3.3%	18.9%	22.8%
Europe/CIS/Afric	3,228	11.8%	0.9%	14.7%	13.7%	24.1%	23.6%	10.1%	(13.6%)	10.3%	16.2%	19.3%
Middle East/Asia	1,962	18.9%	11.1%	20.4%	19.3%	22.3%	17.4%	8.2%	(6.9%)	(3.0%)	15.8%	17.1%
BHI Legacy	9,762	(2.1%)	8.1%	16.1%	17.8%	25.7%	15.5%	13.8%	(18.5%)	1.0%	10.2%	15.6%
BJS	2,558	21.4%	24.7%	34.7%	9.9%	13.0%	(23.5%)	(3.3%)	7.5%	(40.8%)	76.0%	15.5%
Total BHI	12,320	(2.1%)	8.1%	16.1%	17.8%	25.7%	15.5%	13.8%	(18.5%)	27.5%	23.8%	15.6%
Consensus	10,634	(2.1%)	8.1%	16.1%	17.8%	25.7%	15.5%	13.8%	(18.5%)	10.0%	23.7%	10.7%
WFT												
North America	2,920	n/a	11.3%	4.1%	27.2%	53.0%	7.2%	13.3%	(38.0%)	5.6%	4.1%	10.0%
Latin America	1,638	n/a	11.3%	118.5%	49.7%	71.3%	21.5%	37.1%	71.7%	(21.1%)	24.8%	25.9%
Europe/CIS/Afric	2,172	n/a	11.3%	5.2%	51.0%	34.0%	43.7%	29.5%	5.0%	34.4%	30.5%	24.7%
Middle East/Asia	2,563	n/a	11.3%	118.5%	57.3%	51.8%	34.8%	31.1%	(1.0%)	8.2%	44.7%	35.1%
Total	9,293	n/a	11.3%	21.4%	37.7%	51.8%	19.0%	22.6%	(8.1%)	5.3%	25.1%	24.4%
Consensus	10,727	n/a	11.3%	21.4%	37.7%	51.8%	19.0%	22.6%	(8.1%)	21.5%	16.3%	17.9%
TOP FOUR												
North America	15,073	(23.2%)	9.6%	15.0%	26.7%	38.0%	7.1%	14.6%	(34.2%)	(4.1%)	(4.1%)	5.7%
Latin America	9,802	(11.5%)	7.1%	25.6%	23.6%	20.4%	23.8%	30.7%	6.9%	1.9%	25.5%	22.5%
Europe/CIS/Afric	17,549	4.8%	4.6%	12.8%	22.4%	33.2%	29.6%	19.9%	(10.4%)	12.2%	25.5%	18.6%
Middle East/Asia	13,262	2.6%	5.3%	21.7%	24.8%	27.6%	27.3%	18.6%	(7.0%)	6.0%	26.9%	16.9%
Total	60,009	(5.9%)	5.3%	16.7%	25.1%	33.0%	18.8%	17.7%	(16.5%)	7.5%	19.8%	15.6%
Consensus	62,112	(5.9%)	5.3%	16.7%	25.1%	33.0%	18.8%	17.7%	(16.5%)	11.3%	18.9%	14.1%
Top 4 Int'l	**40,613**	**0.1%**	**5.4%**	**18.5%**	**23.5%**	**28.3%**	**27.6%**	**21.7%**	**(5.4%)**	**7.5%**	**25.9%**	**19.0%**
SLB	18,073	(2.7%)	7.1%	17.6%	25.2%	29.2%	30.2%	22.8%	(8.4%)	8.8%	28.0%	17.1%
HAL	9,806	(0.4%)	2.8%	12.3%	20.3%	23.0%	25.2%	22.2%	(9.3%)	8.8%	22.6%	14.9%
BHI	6,361	6.9%	4.1%	17.4%	13.6%	22.5%	20.9%	11.6%	(9.1%)	4.6%	16.6%	19.3%
WFT	6,373	n/a	11.3%	61.9%	53.6%	50.4%	34.0%	32.0%	17.9%	5.1%	34.8%	29.5%
Top 4 NAm	**15,073**	**(23.2%)**	**9.6%**	**15.0%**	**26.7%**	**38.0%**	**7.1%**	**14.6%**	**(34.2%)**	**(4.1%)**	**(4.1%)**	**5.7%**
SLB	3,276	(38.9%)	15.2%	20.8%	21.0%	40.2%	1.4%	10.6%	(37.3%)	(11.6%)	(19.2%)	(11.1%)
HAL	5,476	(24.1%)	1.8%	17.0%	33.5%	34.0%	10.5%	16.9%	(32.1%)	(3.3%)	(0.8%)	10.6%
BHI	3,402	(13.0%)	14.1%	14.4%	23.7%	29.8%	8.9%	16.6%	(30.8%)	(5.1%)	(1.7%)	7.3%
WFT	2,920	n/a	11.3%	4.1%	27.2%	53.0%	7.2%	13.3%	(38.0%)	5.6%	4.1%	10.0%

Source: FactSet, Morgan Stanley Research; Note: e = Morgan Stanley Research estimates. Note: 2010 BJS estimate incorporates contribution to BHI only.

Exhibit 50

Morgan Stanley EBIT Margins Projections by Area for Top Four Service Names

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
SLB														
North Am.	7.5%	15.7%	24.1%	12.5%	14.1%	16.7%	24.8%	30.4%	28.7%	23.2%	5.8%	6.2%	16.9%	21.6%
Latin Am.	2.1%	7.5%	13.9%	13.1%	15.6%	12.7%	14.9%	19.3%	22.9%	20.3%	17.8%	18.4%	22.0%	24.6%
Eur/CIS/Afr.	8.3%	12.9%	16.4%	15.7%	17.9%	16.0%	19.9%	25.5%	28.5%	27.4%	23.9%	21.5%	28.4%	29.2%
Mid East/Asia	18.8%	18.8%	21.9%	24.2%	24.8%	26.2%	28.7%	32.1%	35.1%	35.0%	32.3%	30.5%	33.6%	34.0%
OFS	9.8%	14.2%	19.0%	16.0%	17.6%	17.6%	22.2%	27.7%	29.3%	26.8%	21.1%	20.6%	26.9%	28.4%
WesternGeco	n/a	n/a	n/a	4.8%	(1.7%)	10.1%	19.0%	32.8%	35.8%	29.5%	15.4%	11.7%	15.0%	20.0%
Total	6.6%	9.7%	10.9%	9.4%	10.6%	14.7%	20.2%	26.6%	28.8%	26.1%	19.0%	18.6%	25.1%	27.0%
Consensus	6.6%	9.7%	10.9%	9.4%	10.6%	14.7%	20.2%	26.6%	28.8%	26.1%	18.5%	18.6%	21.2%	22.5%
HAL														
North Am.	n/a	n/a	19.8%	14.1%	11.2%	19.0%	26.8%	32.1%	27.8%	24.5%	8.5%	13.3%	14.5%	17.4%
Latin Am.	n/a	n/a	16.7%	13.1%	18.2%	11.4%	15.0%	19.8%	19.4%	21.5%	17.7%	12.8%	18.5%	18.9%
Eur/CIS/Afr.	n/a	n/a	(1.1%)	4.9%	8.5%	10.8%	17.8%	18.8%	20.1%	19.7%	17.9%	17.8%	19.6%	19.8%
Mid East/Asia	n/a	n/a	9.5%	11.3%	15.4%	14.2%	20.2%	24.0%	25.4%	25.7%	24.4%	22.3%	24.2%	24.5%
Total	n/a	n/a	13.3%	11.3%	12.3%	15.2%	22.1%	26.4%	24.5%	23.2%	15.5%	16.4%	18.9%	19.9%
Consensus	n/a	n/a	13.3%	11.3%	12.3%	15.2%	22.1%	26.4%	24.5%	23.2%	13.9%	13.9%	16.9%	17.9%
BHI														
North Am.	n/a	n/a	n/a	n/a	n/a	n/a	21.6%	26.7%	26.5%	24.9%	9.2%	11.5%	13.0%	14.5%
Latin Am.	n/a	n/a	n/a	n/a	n/a	n/a	21.0%	20.3%	19.4%	18.9%	12.4%	9.6%	16.1%	17.8%
Eur/CIS/Afr.	n/a	n/a	n/a	n/a	n/a	n/a	17.6%	21.3%	22.3%	21.7%	17.9%	14.6%	21.4%	22.0%
Mid East/Asia	n/a	n/a	n/a	n/a	n/a	n/a	18.2%	23.0%	23.4%	20.4%	13.4%	11.3%	19.1%	20.8%
BHI Legacy	4.9%	9.0%	15.4%	12.0%	11.5%	14.0%	19.8%	24.0%	24.1%	22.6%	13.1%	12.2%	17.6%	19.0%
BJS	0.5%	12.2%	24.2%	13.5%	12.9%	16.3%	20.2%	26.8%	23.2%	16.1%	6.1%	11.5%	14.0%	14.8%
Total BHI	4.9%	9.0%	15.4%	12.0%	11.5%	14.0%	19.8%	24.0%	24.1%	22.6%	13.1%	10.3%	15.7%	17.0%
Consensus	4.9%	9.0%	15.4%	12.0%	11.5%	14.0%	19.8%	24.0%	24.1%	22.6%	9.4%	11.3%	13.7%	16.0%
WFT														
North Am.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.0%	25.7%	25.2%	7.1%	12.4%	15.1%	17.9%
Latin Am.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18.3%	23.0%	22.9%	13.6%	12.5%	13.6%	13.7%
Eur/CIS/Afr.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	20.6%	24.2%	24.9%	15.6%	14.7%	16.6%	16.3%
Mid East/Asia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	20.2%	22.8%	23.5%	18.7%	18.8%	22.4%	26.1%
Total	5.4%	9.5%	16.7%	11.7%	10.6%	12.5%	15.4%	20.7%	21.0%	21.0%	9.1%	10.7%	14.4%	16.6%
Consensus	5.4%	9.5%	16.7%	11.7%	10.6%	12.5%	15.4%	20.7%	21.0%	21.0%	9.5%	10.6%	14.0%	15.4%
TOP FOUR														
North Am.	7.5%	15.7%	22.0%	13.3%	12.7%	17.8%	24.4%	29.3%	27.2%	24.5%	7.7%	10.9%	14.9%	17.8%
Latin Am.	2.1%	7.5%	15.3%	13.1%	16.9%	12.0%	17.0%	19.4%	21.2%	20.9%	15.4%	13.3%	17.6%	18.7%
Eur/CIS/Afr.	8.3%	12.9%	7.7%	10.3%	13.2%	13.4%	18.4%	21.6%	23.8%	23.4%	18.8%	17.1%	21.5%	21.8%
Mid East/Asia	18.8%	18.8%	15.7%	17.7%	20.1%	20.2%	22.4%	24.8%	26.7%	26.2%	22.2%	20.7%	24.8%	26.3%
Total	5.6%	9.4%	14.1%	11.1%	11.2%	14.1%	19.4%	24.4%	24.6%	23.2%	14.2%	14.5%	19.0%	20.6%
Consensus	5.6%	9.4%	14.1%	11.1%	11.2%	14.1%	19.4%	24.4%	24.6%	23.2%	12.8%	13.6%	16.5%	18.0%
Top 4 Int'l	**9.7%**	**13.1%**	**12.9%**	**13.7%**	**16.7%**	**15.2%**	**19.3%**	**21.9%**	**23.9%**	**23.5%**	**18.8%**	**17.1%**	**21.3%**	**22.3%**
SLB	9.7%	13.1%	17.4%	17.6%	19.4%	18.3%	21.2%	25.7%	28.8%	27.6%	24.7%	23.5%	28.0%	29.3%
HAL	n/a	n/a	8.3%	9.8%	14.1%	12.1%	17.6%	20.9%	21.6%	22.3%	20.0%	17.6%	20.8%	21.1%
BHI	n/a	n/a	n/a	n/a	n/a	n/a	18.9%	21.5%	21.7%	20.4%	14.6%	11.8%	18.8%	20.2%
WFT	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19.7%	23.3%	23.7%	15.9%	15.4%	17.5%	18.7%
Top 4 NAm	**7.5%**	**15.7%**	**22.0%**	**13.3%**	**12.7%**	**17.8%**	**24.4%**	**29.3%**	**27.2%**	**24.5%**	**7.7%**	**10.9%**	**14.9%**	**17.8%**
SLB	7.5%	15.7%	24.1%	12.5%	14.1%	16.7%	24.8%	30.4%	28.7%	23.2%	5.8%	6.2%	16.9%	21.6%
HAL	n/a	n/a	19.8%	14.1%	11.2%	19.0%	26.8%	32.1%	27.8%	24.5%	8.5%	13.3%	14.5%	17.4%
BHI	n/a	n/a	n/a	n/a	n/a	n/a	21.6%	26.7%	26.5%	24.9%	9.2%	11.5%	13.0%	14.5%
WFT	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.0%	25.7%	25.2%	7.1%	12.4%	15.1%	17.9%

Source: FactSet, Morgan Stanley Research estimates. Note: 2010 BJS estimate incorporates contribution to BHI only

Exhibit 51

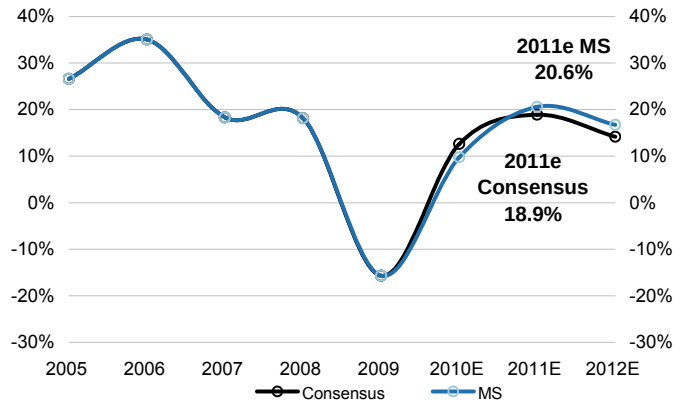
Oil Services Large-Cap: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
SLB	MS	23,269	27,120	22,641	23,113	27,553	31,222	24.7%	34.4%	21.0%	16.6%	(16.5%)	2.1%	19.2%	13.3%
	Consensus	23,269	27,120	22,641	24,469	29,357	33,407	24.7%	34.4%	21.0%	16.6%	(16.5%)	8.1%	20.0%	13.8%
HAL	MS	15,264	18,279	14,675	15,282	17,453	19,820	26.3%	28.3%	17.8%	19.8%	(19.7%)	4.1%	14.2%	13.6%
	Consensus	15,264	18,279	14,675	16,283	18,835	21,533	26.3%	28.3%	17.8%	19.8%	(19.7%)	11.0%	15.7%	14.3%
BHI	MS	10,428	11,864	9,664	12,320	15,257	17,631	17.7%	25.6%	15.5%	13.8%	(18.5%)	27.5%	23.8%	15.6%
	Consensus	10,428	11,864	9,664	10,634	13,155	14,568	17.7%	25.6%	15.5%	13.8%	(18.5%)	10.0%	23.7%	10.7%
WFT	MS	7,832	9,601	8,827	9,293	11,628	14,461	37.7%	51.8%	19.0%	22.6%	(8.1%)	5.3%	25.1%	24.4%
	Consensus	7,832	9,601	8,827	10,727	12,480	14,714	37.7%	51.8%	19.0%	22.6%	(8.1%)	21.5%	16.3%	17.9%
Avg.	**MS**	**14,198**	**16,716**	**13,952**	**15,002**	**17,973**	**20,783**	**26.6%**	**35.0%**	**18.3%**	**18.2%**	**(15.7%)**	**9.7%**	**20.6%**	**16.7%**
	Consensus	**14,198**	**16,716**	**13,952**	**15,528**	**18,457**	**21,056**	**26.6%**	**35.0%**	**18.3%**	**18.2%**	**(15.7%)**	**12.6%**	**18.9%**	**14.2%**

Note: top line figures for SLB excludes Sema prior to 2004, top line figures for HAL excludes KBR prior to 2007

Exhibit 52

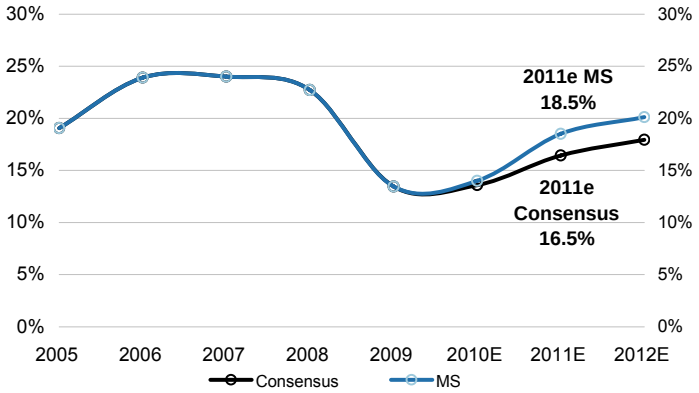
Oil Services Large-Cap: Revenue Growth



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of SLB, HAL, WFT and BHI

Exhibit 53

Oil Services Large-Cap: EBIT Margins



Note: Includes historical figures and MS vs. consensus projection of EBIT margins for the average of SLB, HAL, WFT and BHI

Exhibit 54

Oil Services Large-Cap: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
SLB	MS	20.2%	26.6%	28.8%	26.1%	19.0%	18.6%	25.1%	27.0%	225	(277)	(708)	(35)	648	187
	Consensus	20.2%	26.6%	28.8%	26.1%	19.0%	18.6%	21.2%	22.5%	225	(277)	(708)	(33)	255	132
HAL	MS	22.1%	26.0%	24.5%	23.2%	15.5%	16.4%	18.9%	19.9%	(151)	(134)	(764)	87	245	108
	Consensus	22.1%	26.0%	24.5%	23.2%	15.5%	13.9%	16.9%	17.9%	(151)	(134)	(764)	(165)	297	104
BHI	MS	18.6%	22.4%	21.7%	20.6%	10.2%	10.3%	15.7%	17.0%	(67)	(112)	(1,038)	12	534	132
	Consensus	18.6%	22.4%	21.7%	20.6%	10.2%	11.3%	13.7%	16.0%	(67)	(112)	(1,038)	107	245	225
WFT	MS	15.4%	20.7%	21.0%	21.0%	9.1%	10.7%	14.4%	16.6%	29	5	(1,191)	159	373	217
	Consensus	15.4%	20.7%	21.0%	21.0%	9.1%	10.6%	14.0%	15.4%	29	5	(1,191)	153	340	138
Avg.	**MS**	**19.1%**	**23.9%**	**24.0%**	**22.7%**	**13.5%**	**14.0%**	**18.5%**	**20.1%**	**9**	**(129)**	**(925)**	**56**	**450**	**161**
	Consensus	**19.1%**	**23.9%**	**24.0%**	**22.7%**	**13.5%**	**13.6%**	**16.5%**	**18.0%**	**9**	**(129)**	**(925)**	**16**	**284**	**150**

Note: figures for SLB excludes Sema prior to 2004, figures for HAL excludes KBR prior to 2007

Source: FactSet, Company data, Morgan Stanley Research

Exhibit 55

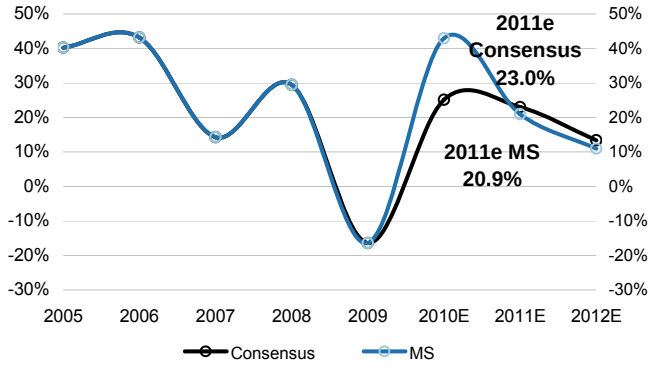
Oil Services Small-Cap: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
RES	MS	690	877	588	991	1,314	1,425	25.9%	39.5%	15.7%	27.1%	-33.0%	68.6%	32.5%	8.5%
	Consensus	690	877	588	736	898	1,236	25.9%	39.5%	15.7%	27.1%	-33.0%	25.2%	22.1%	37.6%
SWSI	MS	351	521	399	536	561	607	73.2%	85.7%	43.4%	48.5%	-23.3%	34.1%	4.7%	8.2%
	Consensus	351	521	399	471	635	574	73.2%	85.7%	43.4%	48.5%	-23.3%	18.0%	34.7%	-9.5%
TCW	MS	C836	C1,016	C811	C1,173	C1,487	C1,659	57.0%	32.2%	-1.3%	21.5%	-20.1%	44.6%	26.8%	11.5%
	Consensus	C836	C1,016	C811	C1,057	C1,267	C1,409	57.0%	32.2%	-1.3%	21.5%	-20.1%	30.3%	19.8%	11.2%
CFW	MS	C460	C557	C592	C841	C1,028	C1,153	30.2%	35.7%	8.0%	21.0%	6.2%	42.1%	22.3%	12.1%
	Consensus	C460	C557	C592	C807	C942	C1,112	30.2%	35.7%	8.0%	21.0%	6.2%	36.5%	16.7%	18.1%
CRR	MS	300	388	342	429	508	582	14.8%	22.9%	5.7%	29.3%	-11.8%	25.4%	18.4%	14.6%
	Consensus	300	388	342	396	481	528	14.8%	22.9%	5.7%	29.3%	-11.8%	15.9%	21.5%	9.6%
Avg.	**MS**	**528**	**672**	**546**	**794**	**980**	**1,085**	**40.2%**	**43.2%**	**14.3%**	**29.5%**	**-16.4%**	**43.0%**	**20.9%**	**11.0%**
	Consensus	**528**	**672**	**546**	**694**	**845**	**972**	**40.2%**	**43.2%**	**14.3%**	**29.5%**	**-16.4%**	**25.2%**	**23.0%**	**13.4%**

Note: some consensus numbers might lack relevance due to the low number of estimates; the top line average does not take into account currencies (USD vs. CAD), and is rather a rough indicator of how much we differ from consensus on total top line growth for this segment of the industry.

Exhibit 56

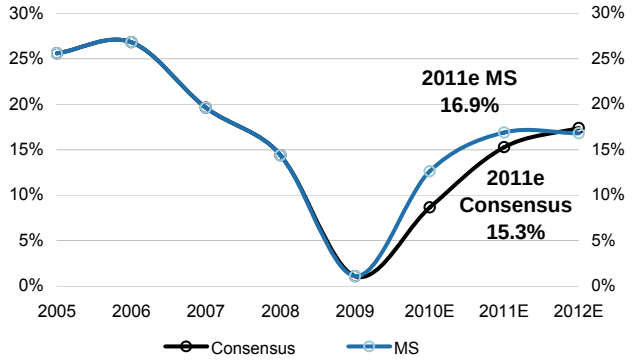
Oil Services Small-Cap: Revenue Growth



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of RES, SWSI, TCW, CFW, and CRR

Exhibit 57

Oil Services Small-Cap: EBIT Margins



Note: Includes historical figures and MS vs. consensus projection of EBIT margins for the average of RES, SWSI, TCW, CFW, and CRR

Exhibit 58

Oil Services Small-Cap: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
RES	MS	23.1%	30.9%	20.3%	14.8%	-4.0%	12.6%	13.6%	14.2%	-1066	-544	-1879	1658	96	66
	Consensus	23.1%	30.9%	20.3%	14.8%	-4.0%	4.3%	14.9%	29.2%	-1066	-544	-1879	828	1058	1431
SWSI	MS	18.0%	21.7%	17.6%	13.3%	-20.0%	7.4%	17.8%	17.5%	-405	-436	-3328	2744	1032	-27
	Consensus	18.0%	21.7%	17.6%	13.3%	-20.0%	0.9%	10.7%	7.0%	-405	-436	-3328	2092	974	-368
TCW	MS	31.3%	29.4%	15.8%	9.0%	-2.7%	6.8%	11.1%	10.4%	-1360	-678	-1174	951	427	-64
	Consensus	31.3%	29.4%	15.8%	9.0%	-2.7%	7.0%	12.4%	11.5%	-1360	-678	-1174	971	535	-91
CFW	MS	19.9%	19.1%	13.7%	5.5%	1.5%	8.8%	12.0%	11.8%	-539	-816	-407	731	324	-16
	Consensus	19.9%	19.1%	13.7%	5.5%	1.5%	7.6%	12.4%	15.9%	-539	-816	-407	612	485	352
CRR	MS	35.6%	32.9%	30.5%	29.2%	30.6%	27.5%	29.9%	29.9%	-232	-132	135	-303	240	-1
	Consensus	35.6%	32.9%	30.5%	29.2%	30.6%	23.4%	25.9%	23.3%	-232	-132	135	-715	250	-266
Avg.	**MS**	**25.6%**	**26.8%**	**19.6%**	**14.4%**	**1.1%**	**12.6%**	**16.9%**	**16.8%**	**-720**	**-521**	**-1331**	**1156**	**424**	**-8**
	Consensus	**25.6%**	**26.8%**	**19.6%**	**14.4%**	**1.1%**	**8.6%**	**15.3%**	**17.4%**	**-720**	**-521**	**-1331**	**758**	**660**	**212**

Note: some consensus numbers might lack relevance due to the low number of estimates

Source: FactSet, Company data, Morgan Stanley Research.

Exhibit 59

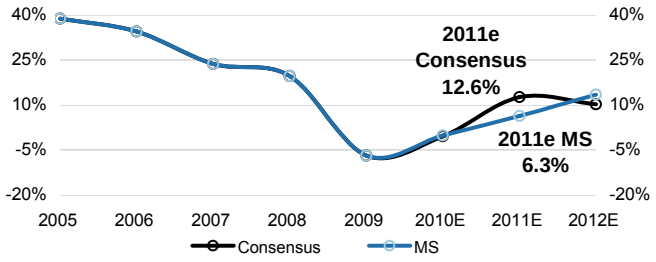
Equipment: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
NOV	MS	11,614	14,034	12,712	11,948	10,218	11,629	85.3%	49.2%	38.0%	20.8%	(9.4%)	(6.0%)	(14.5%)	13.8%
	Consensus	11,614	14,034	12,712	11,980	12,632	13,265	85.3%	49.2%	38.0%	20.8%	(9.4%)	(5.8%)	5.4%	5.0%
CAM	MS	4,666	5,849	5,223	6,053	6,681	7,351	20.3%	48.7%	24.7%	25.3%	(10.7%)	15.9%	10.4%	10.0%
	Consensus	4,666	5,849	5,223	6,006	6,689	7,584	20.3%	48.7%	24.7%	25.3%	(10.7%)	15.0%	11.4%	13.4%
FTI	MS	3,648	4,557	4,405	4,239	4,376	4,949	20.2%	28.0%	20.3%	24.9%	(3.3%)	(3.8%)	3.2%	13.1%
	Consensus	3,648	4,557	4,405	4,261	4,860	5,383	20.2%	28.0%	20.3%	24.9%	(3.3%)	(3.3%)	14.1%	10.8%
DRC	MS	1,665	2,195	2,290	2,102	2,419	2,903	31.9%	24.3%	10.9%	31.8%	4.3%	(8.2%)	15.1%	20.0%
	Consensus	1,665	2,195	2,290	2,019	2,346	2,733	31.9%	24.3%	10.9%	31.8%	4.3%	(11.8%)	16.2%	16.5%
OII	MS	1,743	1,977	1,822	1,853	2,099	2,325	28.0%	28.2%	36.2%	13.4%	(7.9%)	1.7%	13.3%	10.7%
	Consensus	1,743	1,977	1,822	1,895	2,097	2,371	28.0%	28.2%	36.2%	13.4%	(7.9%)	4.0%	10.7%	13.1%
DRQ	MS	496	543	540	602	631	732	53.8%	29.9%	11.9%	9.5%	(0.5%)	11.4%	4.8%	16.0%
	Consensus	496	543	540	570	657	706	53.8%	29.9%	11.9%	9.5%	(0.5%)	5.6%	15.2%	7.5%
GTLS	MS	666	744	592	519	581	643	31.9%	33.3%	24.0%	11.7%	(20.5%)	(12.3%)	12.0%	10.6%
	Consensus	666	744	592	551	634	667	31.9%	33.3%	24.0%	11.7%	(20.5%)	(6.9%)	15.1%	5.1%
Avg.	**MS**	**3,500**	**4,271**	**3,941**	**3,902**	**3,858**	**4,362**	**38.8%**	**34.5%**	**23.7%**	**19.7%**	**(6.9%)**	**(0.2%)**	**6.3%**	**13.5%**
	Consensus	**3,500**	**4,271**	**3,941**	**3,898**	**4,274**	**4,673**	**38.8%**	**34.5%**	**23.7%**	**19.7%**	**(6.9%)**	**(0.4%)**	**12.6%**	**10.2%**

Note: top line for NOV includes GRP for all periods, while FTI excludes foodtech & airport; some consensus numbers might lack relevance due to the low number of estimates

Exhibit 60

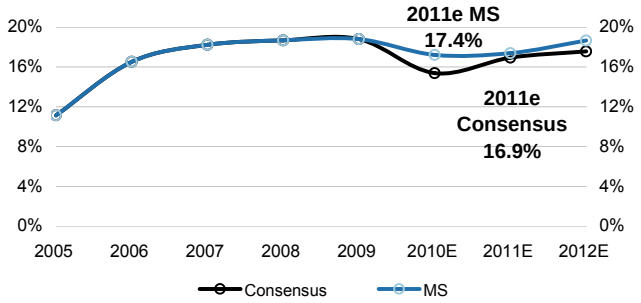
Equipment: Revenue Growth



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of NOV, CAM, FTI, TS, DRC, DRQ and GTLS

Exhibit 61

Equipment: EBIT Margins



Note: Includes historical figures and MS vs. consensus projection of top line growth for the average of NOV, CAM, FTI, TS, DRC, DRQ and GTLS

Exhibit 62

Equipment: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
NOV	MS	13.2%	18.3%	22.6%	21.5%	20.1%	19.2%	15.5%	18.4%	428	(116)	(140)	(84)	(372)	292
	Consensus	13.2%	18.3%	22.6%	21.5%	20.1%	17.3%	17.5%	17.9%	428	(116)	(140)	(280)	27	40
CAM	MS	10.4%	13.9%	15.8%	15.7%	15.5%	13.9%	14.7%	16.0%	188	(5)	(21)	(166)	82	130
	Consensus	10.4%	13.9%	15.8%	15.7%	15.5%	13.4%	14.7%	16.0%	188	(5)	(21)	(209)	123	130
FTI	MS	4.5%	9.3%	11.0%	12.1%	13.2%	13.6%	12.0%	13.2%	167	111	114	40	(159)	115
	Consensus	4.5%	9.3%	11.0%	12.1%	13.2%	11.4%	11.6%	11.9%	167	111	114	(188)	29	30
DRC	MS	9.6%	12.5%	14.5%	15.0%	15.5%	13.7%	15.9%	16.6%	197	56	45	(181)	225	62
	Consensus	9.6%	12.5%	14.5%	15.0%	15.5%	13.6%	14.6%	16.3%	197	56	45	(189)	94	172
OII		17.4%	21.5%	22.0%	22.1%	22.8%	23.3%	23.4%	24.6%	52	7	72	51	13	123
	Consensus	17.4%	21.5%	22.0%	22.1%	22.8%	15.6%	16.7%	17.8%	52	7	72	(718)	106	110
DRQ	MS	14.4%	27.6%	27.9%	26.8%	27.3%	26.0%	23.4%	24.7%	28	(115)	49	(124)	(257)	125
	Consensus	14.4%	27.6%	27.9%	26.8%	27.3%	27.6%	28.8%	27.1%	28	(115)	49	33	124	(169)
GTLS	MS	8.5%	12.4%	13.9%	17.7%	17.2%	10.8%	16.7%	17.1%	148	378	(46)	(641)	582	49
	Consensus	8.5%	12.4%	13.9%	17.7%	17.2%	8.9%	14.7%	16.0%	148	378	(46)	(837)	584	134
Avg.	**MS**	**11.1%**	**16.5%**	**18.2%**	**18.7%**	**18.8%**	**17.2%**	**17.4%**	**18.7%**	**172**	**45**	**10**	**(158)**	**16**	**128**
	Consensus	**11.1%**	**16.5%**	**18.2%**	**18.7%**	**18.8%**	**15.4%**	**16.9%**	**17.6%**	**172**	**45**	**10**	**(341)**	**155**	**64**

Note: figures for NOV include GRP for all periods, while FTI excludes foodtech & airport; some consensus numbers might lack relevance due to the low number of estimates

Source: FactSet, Company data, Morgan Stanley Research.

Exhibit 63

Offshore Construction, Tubulars, Seismic: Revenue Growth Assumptions

		Top Line ($mm)						Top Line Growth							
		2007	2008	2009	2010E	2011E	2012E	2005	2006	2007	2008	2009	2010E	2011E	2012E
Offshore Construction															
WG.L	MS	4,433	5,243	4,927	4,887	5,347	5,836	32.1%	25.6%	27.8%	18.3%	(6.0%)	(0.8%)	9.4%	9.1%
	Consensus	4,433	5,243	4,927	4,775	5,127	5,469	32.1%	25.6%	27.8%	18.3%	(6.0%)	(3.1%)	7.4%	6.7%
SBMO.AS	MS	2,871	3,037	2,957	2,837	2,885	2,883	(1.0%)	40.2%	44.3%	5.8%	(2.6%)	(4.0%)	1.7%	(0.1%)
	Consensus	2,871	3,037	2,957	2,871	2,994	3,107	(1.0%)	40.2%	44.3%	5.8%	(2.6%)	(2.9%)	4.3%	3.8%
ACY.OL	MS	2,663	2,489	2,209	2,220	2,690	2,836	5.0%	60.7%	18.7%	(6.5%)	(11.3%)	0.5%	21.2%	5.4%
	Consensus	2,663	2,489	2,209	2,309	2,555	2,822	5.0%	60.7%	18.7%	(6.5%)	(11.3%)	4.5%	10.6%	10.5%
SUB.OL	MS	2,187	2,373	2,439	2,228	2,568	2,798	NA	29.8%	31.0%	8.5%	2.8%	(8.7%)	15.2%	9.0%
	Consensus	2,187	2,373	2,439	2,174	2,438	2,702	NA	35.9%	31.0%	8.5%	2.8%	(10.9%)	12.1%	10.8%
TECF.PA	MS	11,465	10,420	9,593	8,264	9,441	10,159	(9.1%)	43.3%	26.0%	(9.1%)	(7.9%)	(13.9%)	14.2%	7.6%
	Consensus	11,465	10,420	9,593	8,283	9,066	9,896	(9.1%)	43.3%	26.0%	(9.1%)	(7.9%)	(13.7%)	9.5%	9.1%
SPMI.MI	MS	13,903	14,109	14,734	14,586	16,375	18,522	(8.3%)	85.2%	40.2%	1.5%	4.4%	(1.0%)	12.3%	13.1%
	Consensus	13,903	14,109	14,734	14,002	14,995	16,274	(8.3%)	85.2%	40.2%	1.5%	4.4%	(5.0%)	7.1%	8.5%
Avg.	**MS**	**6,254**	**6,279**	**6,143**	**5,837**	**6,551**	**7,172**	**3.7%**	**47.4%**	**31.3%**	**3.1%**	**(3.4%)**	**(4.6%)**	**12.3%**	**7.4%**
	Consensus	**6,254**	**6,279**	**6,143**	**5,736**	**6,196**	**6,712**	**3.7%**	**48.5%**	**31.3%**	**3.1%**	**(3.4%)**	**(5.2%)**	**8.5%**	**8.2%**
Tubulars															
TS	MS	10,180	12,132	8,165	7,808	11,728	14,072	67.0%	24.4%	31.7%	19.2%	(32.7%)	(4.4%)	50.2%	20.0%
	Consensus	10,180	12,132	8,165	9,339	11,690	13,217	67.0%	24.4%	31.7%	19.2%	(32.7%)	14.4%	25.2%	13.1%
VLLP.PA	MS	9,010	9,052	6,444	5,799	8,231	9,722	23.3%	43.5%	22.6%	0.5%	(28.8%)	(10.0%)	41.9%	18.1%
	Consensus	9,010	9,052	6,444	5,941	7,455	9,510	23.3%	43.5%	22.6%	0.5%	(28.8%)	(7.8%)	25.5%	27.6%
TRMKq.L	MS	4,179	5,690	3,444	5,214	6,616	7,803	NA	NA	NA	36.2%	(39.5%)	51.4%	26.9%	17.9%
	Consensus	4,179	5,690	3,444	5,101	6,141	7,034	NA	NA	NA	36.2%	(39.5%)	48.1%	20.4%	14.5%
Avg.	**MS**	**7,790**	**8,958**	**6,017**	**6,273**	**8,858**	**10,532**	**45.2%**	**33.9%**	**27.2%**	**18.6%**	**(33.7%)**	**12.3%**	**39.7%**	**18.7%**
	Consensus	**7,790**	**8,958**	**6,017**	**6,794**	**8,429**	**9,920**	**45.2%**	**33.9%**	**27.2%**	**18.6%**	**(33.7%)**	**18.2%**	**23.7%**	**18.4%**
Seismic															
GEPH.PA	MS	3,252	3,852	3,141	2,923	3,512	3,802	25.9%	54.4%	94.5%	18.4%	(18.5%)	(6.9%)	20.1%	8.3%
	Consensus	3,252	3,852	3,141	2,149	2,410	2,743	25.9%	54.4%	94.5%	18.4%	(18.5%)	(31.6%)	12.2%	13.8%
PGS.OL	MS	1,623	1,918	1,485	1,172	1,537	1,637	(9.0%)	16.9%	21.5%	18.2%	(22.5%)	(21.1%)	31.2%	6.5%
	Consensus	1,623	1,918	1,485	1,247	1,445	1,653	(9.0%)	16.9%	21.5%	18.2%	(22.5%)	(16.1%)	15.9%	14.4%
IO.N	MS	713	680	420	501	603	761	46.7%	38.8%	41.6%	(4.7%)	(38.2%)	19.3%	20.4%	26.2%
	Consensus	713	680	420	479	513	761	46.7%	38.8%	41.6%	(4.7%)	(38.2%)	14.0%	7.2%	48.4%
Avg.	**MS**	**2,438**	**2,885**	**2,313**	**2,048**	**2,525**	**2,720**	**8.4%**	**35.6%**	**58.0%**	**18.3%**	**(20.5%)**	**(14.0%)**	**25.7%**	**7.4%**
	Consensus	**2,438**	**2,885**	**2,313**	**1,698**	**1,927**	**2,198**	**8.4%**	**35.6%**	**58.0%**	**18.3%**	**(20.5%)**	**(23.8%)**	**14.0%**	**14.1%**

Exhibit 64

Offshore Construction, Tubulars, Seismic: EBIT Margins and EPS Assumptions

		EBIT Margins								EPS					
		2005	2006	2007	2008	2009	2010E	2011E	2012E	2007	2008	2009	2010E	2011E	2012E
Offshore Construction															
WG.L	MS	5.4%	6.2%	7.2%	8.4%	7.3%	6.9%	8.0%	8.4%	$0.37	$0.52	$0.42	$0.39	$0.51	$0.62
	Consensus	5.4%	6.2%	7.2%	8.4%	7.3%	6.7%	7.4%	8.0%	$0.37	$0.52	$0.42	$0.37	$0.46	$0.55
SBMO.AS	MS	12.4%	12.8%	10.6%	8.4%	9.9%	11.7%	13.2%	15.1%	$1.82	$1.39	$1.46	$1.41	$1.50	$1.56
	Consensus	12.4%	12.8%	10.6%	8.4%	9.9%	11.0%	12.2%	13.3%	$1.82	$1.39	$1.46	$1.35	$1.58	$1.91
ACY.OL	MS	9.0%	14.4%	13.0%	17.2%	15.5%	10.2%	13.2%	13.2%	$0.63	$1.46	$1.16	$0.75	$1.30	$1.44
	Consensus	9.0%	14.4%	13.0%	17.2%	15.5%	11.0%	12.6%	13.3%	$0.63	$1.46	$1.16	$0.83	$1.09	$1.26
SUB.OL	MS	8.2%	11.8%	14.4%	17.9%	16.8%	10.6%	13.3%	14.0%	$1.38	$1.74	$1.72	$1.07	$1.51	$1.76
	Consensus	8.2%	11.8%	14.4%	17.9%	16.8%	11.1%	12.6%	13.7%	$1.38	$1.74	$1.72	$1.02	$1.35	$1.60
TECF.PA	MS	4.3%	4.8%	3.1%	8.5%	10.2%	9.1%	9.7%	10.1%	€ 1.03	€ 4.00	€ 3.90	€ 3.24	€ 3.99	€ 4.54
	Consensus	4.3%	4.8%	3.1%	8.5%	10.2%	9.3%	9.4%	9.5%	€ 1.03	€ 4.00	€ 3.90	€ 3.35	€ 3.79	€ 4.21
SPMI.MI	MS	8.1%	8.0%	9.1%	10.7%	11.2%	10.9%	12.0%	12.5%	€ 1.31	€ 1.64	€ 1.66	€ 1.67	€ 2.14	€ 2.63
	Consensus	8.1%	8.0%	9.1%	10.7%	11.2%	11.0%	11.3%	11.6%	€ 1.31	€ 1.64	€ 1.66	€ 1.59	€ 1.76	€ 2.01
Avg.	**MS**	**7.9%**	**9.7%**	**9.6%**	**11.9%**	**11.8%**	**9.9%**	**11.6%**	**12.2%**	**15%**	**81%**	**(6%)**	**(16%)**	**34%**	**15%**
	Consensus	**7.9%**	**9.7%**	**9.6%**	**11.9%**	**11.8%**	**10.0%**	**10.9%**	**11.6%**	**15%**	**81%**	**(6%)**	**(18%)**	**22%**	**17%**
Tubulars															
TS	MS	31.3%	36.1%	29.3%	29.1%	22.1%	19.7%	23.9%	25.3%	$3.16	$3.71	$2.00	$1.95	$3.40	$4.35
TS	Consensus	31.3%	36.1%	29.3%	29.1%	22.1%	22.4%	26.3%	26.5%	$3.16	$3.71	$2.00	$2.43	$3.51	$4.15
VLLP.PA	MS	22.2%	27.8%	26.4%	23.6%	17.6%	11.2%	18.7%	20.2%	€ 18.89	€ 18.30	€ 9.83	€ 5.67	€ 13.27	€ 17.10
	Consensus	22.2%	27.8%	26.4%	23.6%	17.6%	13.3%	19.3%	22.1%	€ 18.89	€ 18.30	€ 9.83	€ 6.70	€ 12.27	€ 17.76
TRMKq.L	MS	NA	NA	18.4%	13.3%	4.8%	14.4%	16.1%	18.7%	$2.23	$1.21	-$0.79	$1.10	$2.28	$3.82
	Consensus	NA	NA	18.4%	13.3%	4.8%	13.4%	15.6%	16.8%	$2.23	$1.21	-$0.79	$0.97	$2.12	$2.48
Avg.	**MS**	**26.8%**	**32.0%**	**24.7%**	**22.0%**	**14.8%**	**15.1%**	**19.6%**	**21.4%**	**4%**	**(10%)**	**(86%)**	**(95%)**	**105%**	**41%**
	Consensus	**26.8%**	**32.0%**	**24.7%**	**22.0%**	**14.8%**	**16.4%**	**20.4%**	**21.8%**	**4%**	**(10%)**	**(86%)**	**(78%)**	**82%**	**27%**
Seismic															
GEPH.PA	MS	8.8%	20.7%	20.8%	20.9%	7.6%	9.5%	17.2%	19.7%	$2.49	$3.51	$0.41	$0.65	$2.22	$2.99
	Consensus	8.8%	20.7%	20.8%	20.9%	7.6%	12.0%	19.9%	24.8%	$2.49	$3.51	$0.41	$0.60	$1.71	$2.71
PGS.OL	MS	19.6%	31.3%	32.6%	33.0%	25.7%	18.8%	31.3%	31.6%	$1.81	$2.71	$1.51	$0.63	$1.62	$1.82
	Consensus	19.6%	31.3%	32.6%	33.0%	25.7%	15.8%	23.6%	29.3%	$1.81	$2.71	$1.51	$0.66	$1.21	$1.76
IO.N	MS	7.2%	7.9%	8.7%	9.9%	(4.8%)	7.1%	14.0%	15.5%	$0.52	$0.50	-$0.36	$0.10	$0.40	$0.60
	Consensus	7.2%	7.9%	8.7%	9.9%	(4.8%)	6.8%	16.4%	15.5%	$1.81	$0.50	-$0.36	$0.09	$0.38	$0.60
Avg.	**MS**	**14.2%**	**26.0%**	**26.7%**	**26.9%**	**16.6%**	**14.1%**	**24.2%**	**25.7%**	**24%**	**45%**	**(66%)**	**(1%)**	**200%**	**24%**
	Consensus	**14.2%**	**26.0%**	**26.7%**	**26.9%**	**16.6%**	**13.9%**	**21.7%**	**27.0%**	**24%**	**45%**	**(66%)**	**(6%)**	**135%**	**52%**

Source: FactSet, Company data, Morgan Stanley Research

Exhibit 65

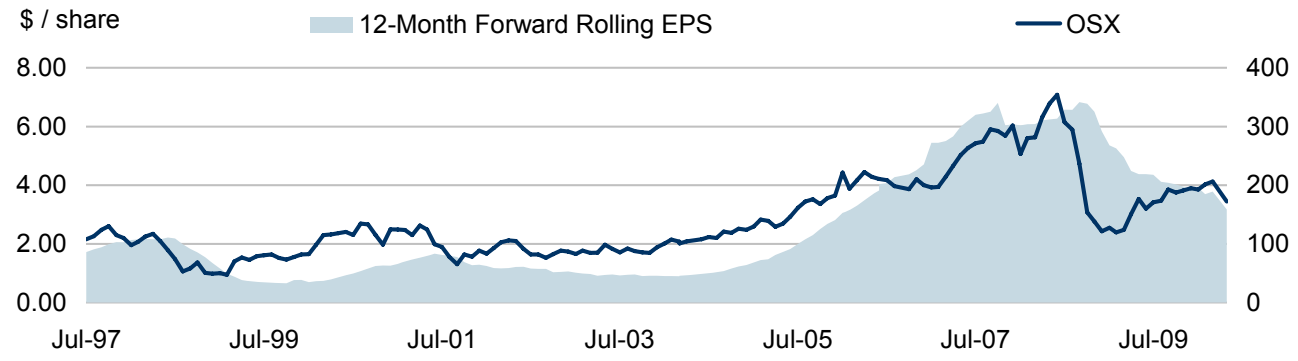
12-Month Forward Rolling Consensus EPS

Company	Symbol	Recent Price	Consensus 12-Month Rolling EPS	Consensus 12-Month Rolling CEPS	Price-to-12-Month Rolling EPS High	Low	Avg	Std Dev	Current	Price-to-12-Month Rolling CEPS High	Low	Avg	Std Dev	Current
Oil Services:														
Schlumberger	SLB	56.15	3.32	5.06	51.9	10.0	26.6	9.3	16.9	25.1	7.0	14.2	3.7	11.1
Halliburton	HAL	24.83	1.72	2.89	41.5	6.2	19.6	7.6	14.5	21.0	5.0	12.0	3.5	8.6
Baker Hughes	BHI	38.14	2.60	4.99	55.7	6.6	23.3	10.3	14.7	17.3	4.7	11.9	2.6	7.6
BJ Services	BJS	23.18	0.75	1.78	47.6	6.3	19.9	9.3	30.8	25.1	4.3	12.4	4.1	13.0
Weatherford	WFT	14.12	0.83	2.15	51.8	5.4	30.8	13.0	17.0	31.3	3.6	14.9	4.9	6.6
Smith International	SII	37.56	1.44	2.85	56.4	6.2	23.0	10.2	26.1	27.8	4.8	14.3	4.1	13.2
Calfrac Well Services	CFW-CA	18.58	1.04	1.61	48.7	7.5	17.3	10.1	17.9	49.3	3.7	17.6	14.8	11.6
Trican Well Services	TCW-CA	11.66	0.69	3.09	53.7	6.8	16.5	8.7	16.9	17.1	2.6	6.5	3.5	3.8
Superior Well Services	SWSI	15.11	(0.03)	1.61	33.8	3.1	14.4	7.1	NM	22.4	1.8	11.2	5.8	9.4
RPC, Inc.	RES	11.29	0.85	2.32	52.1	8.2	17.1	7.4	13.3	15.8	3.2	8.1	2.1	4.9
Carbo Ceramics	CRR	64.70	3.09	2.53	29.1	11.6	20.9	4.2	21.0	23.4	8.1	15.9	3.7	25.6
ION Geophysical	IO	5.43	0.21	0.88	57.9	4.5	27.3	10.8	26.3	49.6	1.3	18.2	11.4	6.2
Average (excludes IO, TCW, CFW)					***50.8***	***6.8***	***23.9***	***10.0***	***20.0***	***24.6***	***4.9***	***13.3***	***3.8***	***10.0***
Drillers:														
Atwood Oceanics	ATW	27.15	4.39	4.95	44.2	3.3	15.4	9.3	6.2	48.0	3.0	11.9	6.4	5.5
Diamond Offshore	DO	63.10	8.46	11.57	5.1	18.3	10.0	-	7.5	4.4	11.2	3.3	-	5.5
ENSCO International	ESV	37.40	4.37	5.98	43.1	3.4	16.1	9.4	8.6	30.0	2.9	11.5	6.0	6.2
Noble Corporation	NE	29.07	5.39	7.40	49.0	3.1	24.3	14.0	5.4	31.6	2.6	15.5	7.2	3.9
Pride International	PDE	24.77	2.42	3.49	48.8	4.9	18.4	10.9	10.2	12.4	2.2	7.2	2.0	7.1
Rowan Companies	RDC	24.76	2.36	3.91	50.0	3.3	18.1	12.8	10.5	27.7	2.5	11.5	5.6	6.3
Transocean	RIG	56.77	9.24	14.46	32.5	3.1	14.1	6.3	6.1	22.4	2.4	9.1	3.3	3.9
Hercules Offshore	HERO	3.12	(0.53)	1.16	15.4	3.6	8.8	3.0	NM	14.3	1.1	6.3	3.0	2.7
Nabors Industries	NBR	19.03	1.28	3.85	47.0	4.7	18.6	9.8	14.9	23.0	2.5	10.5	5.0	4.9
Helmerich & Payne	HP	37.68	2.48	4.95	40.1	5.5	18.1	9.6	15.2	11.6	3.7	7.7	1.6	7.6
Patterson-UTI	PTEN	14.03	0.31	2.50	54.2	5.3	19.1	12.0	45.1	18.2	3.8	9.4	3.5	5.6
Seadrill	SDRL	20.68	2.97	4.10	43.6	2.9	14.7	8.7	7.0	40.3	2.4	12.4	8.1	5.0
Average					***39.4***	***5.1***	***16.3***	***8.8***	***12.4***	***23.6***	***3.3***	***9.7***	***4.3***	***5.4***
Equipment:														
Tenaris	TS	37.12	2.72	3.44	23.1	4.5	12.6	3.5	13.6	15.5	3.8	9.4	2.7	10.8
National Oilwell Varco	NOV	38.13	3.51	4.68	50.7	4.9	28.1	13.1	10.9	42.9	4.1	21.3	9.3	8.1
Cameron International	CAM	36.20	2.51	3.04	48.9	7.2	31.2	13.2	14.4	31.4	6.2	18.2	5.2	11.9
FMC Technologies	FTI	58.15	3.01	3.86	25.0	8.5	19.5	3.3	19.3	23.3	7.0	13.4	3.0	15.1
Oceaneering International	OII	46.27	3.74	6.16	21.4	6.5	15.8	2.8	12.4	15.2	4.5	8.3	2.2	7.5
Dril-Quip	DRQ	48.71	3.17	3.34	45.9	6.5	22.7	7.7	15.4	37.4	5.8	16.3	5.1	14.6
Dresser-Rand	DRC	31.83	2.20	2.72	24.5	6.8	15.8	4.1	14.4	16.7	5.4	11.6	2.5	11.7
Chart Industries	GTLS	18.42	1.08	1.89	23.2	4.1	13.1	4.7	17.0	15.0	3.0	9.0	3.1	9.8
Average					***32.8***	***6.1***	***19.8***	***6.5***	***14.7***	***24.7***	***5.0***	***13.4***	***4.1***	***11.2***
Engineering & Construction:														
Helix Energy Solutions	HLX	10.89	1.05	3.48	34.9	2.2	15.4	7.0	10.3	18.4	1.1	8.2	3.8	3.1

CEPS = cash EPS is equal to net income + depreciation and amortization + convertible interest (where applicable)

Exhibit 66

OSX versus Weighted 12-Month Forward Rolling Consensus EPS of OSX Constituents



Source: FactSet, Morgan Stanley Research

Commodity Data

Exhibit 67
US Natural Gas Storage

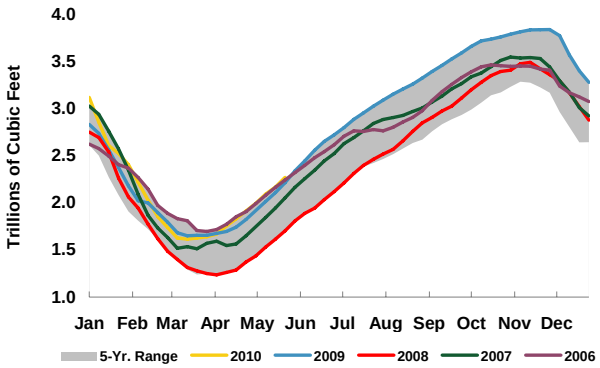


Exhibit 68
US LNG Monthly Imports (Bcf/d)

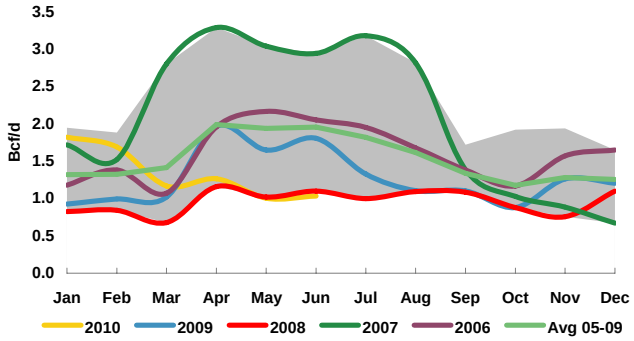


Exhibit 69
Natural Gas Injection Rate

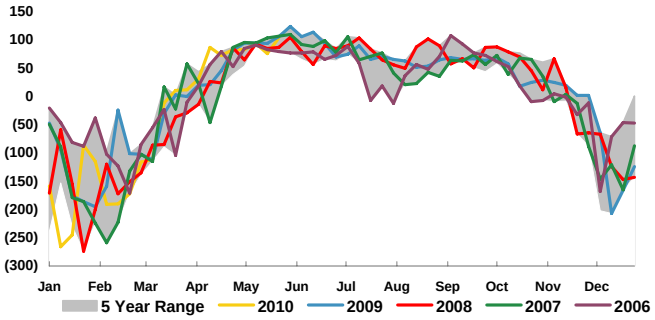


Exhibit 70
US Total Oil Inventories

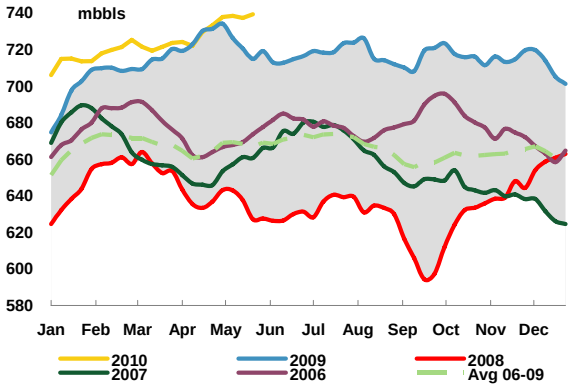


Exhibit 71
Weekly US Natural Gas Storage (Injection/(Withdrawal))

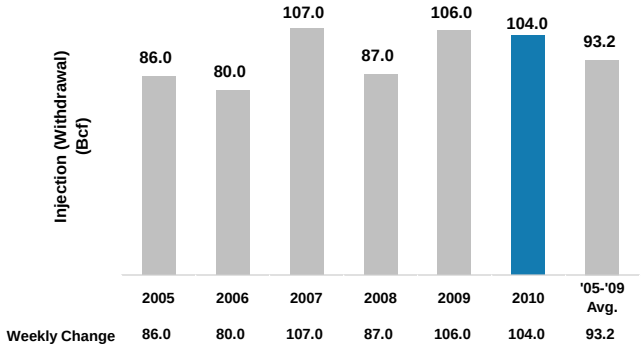


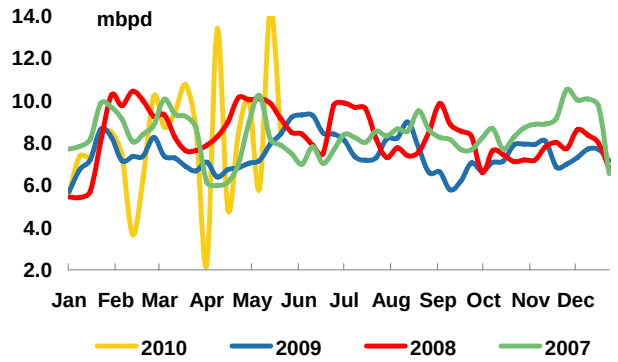
Exhibit 72
US Oil Inventory Data

	05/21/10	Prior Week	Weekly Change	Previous Year	5-Yr. Avg.
API					
Crude Oil	**364.1**	363.5	0.6	364.7	337.8
Motor Gasoline	**218.2**	221.4	(3.2)	205.4	210.0
Middle Distillates	**192.4**	190.2	2.2	187.4	164.2
Distillates	*148.2*	*146.6*	*1.5*	*147.2*	*123.8*
Kerosene	*44.2*	*43.6*	*0.7*	*40.2*	*40.3*
Naphtha	-	-	-	-	-
Residual	**44.1**	43.6	0.5	39.5	38.2
Unfinished	**82.6**	83.0	(0.4)	89.9	89.5
Total Oil	**901.4**	**901.7**	**(0.3)**	**886.9**	**839.7**
DOE					
Crude Oil	**365.1**	362.7	2.5	363.1	338.5
Motor Gasoline	**221.6**	221.8	(0.2)	203.4	208.2
Distillates	**152.5**	152.8	(0.3)	148.4	122.5
Total Oil	**739.3**	**737.3**	**2.0**	**714.9**	**669.1**

Source: Energy Information Administration (EIA), Department of Energy (DOE), Waterborne, American Petroleum Institute (API), Morgan Stanley Research

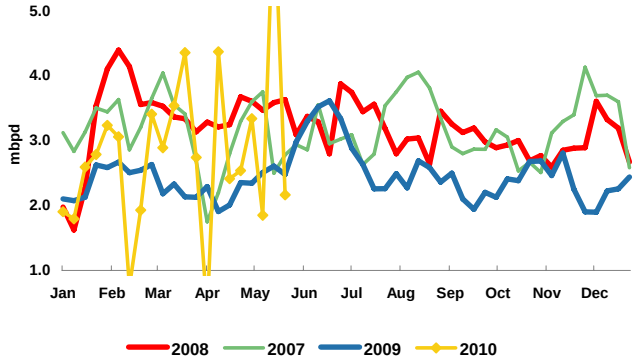
Commodity Data (continued)

Exhibit 73
Middle East Total Fixings



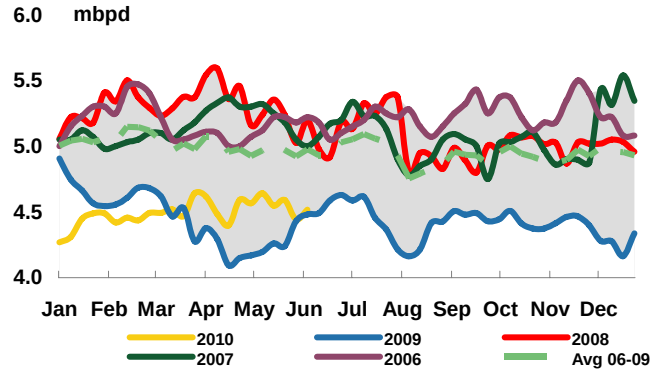
Note: 4-week average

Exhibit 74
Middle East Westbound Fixings



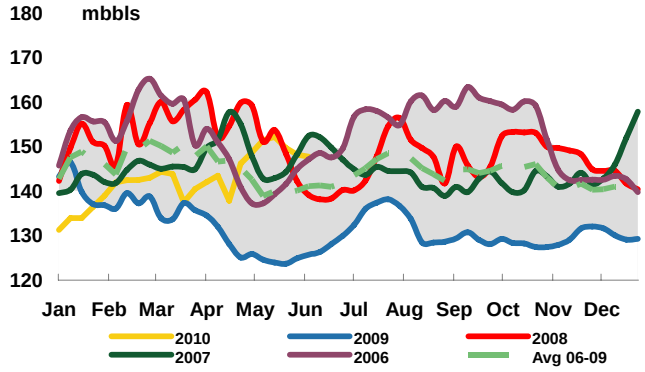
Note: 4-week average

Exhibit 75
Middle East Westbound Sailings



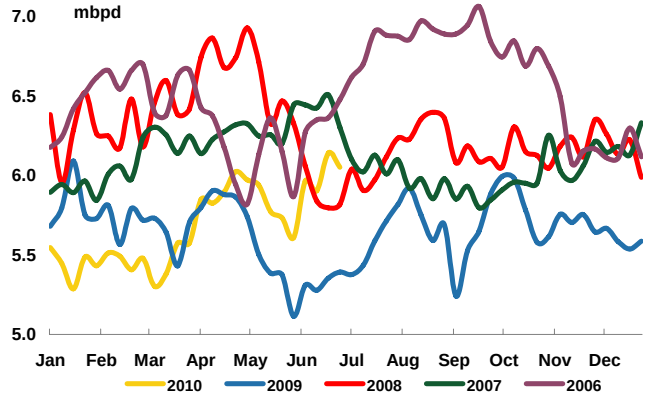
Note: 4-week average

Exhibit 76
Middle East Westbound Oil in Transit



Note: 4-week average

Exhibit 77
North American Long Haul Arrivals



Note: 4-week average

Source: Oil Movements, CRS, Morgan Stanley Research

Exhibit 78
VLCC Rates

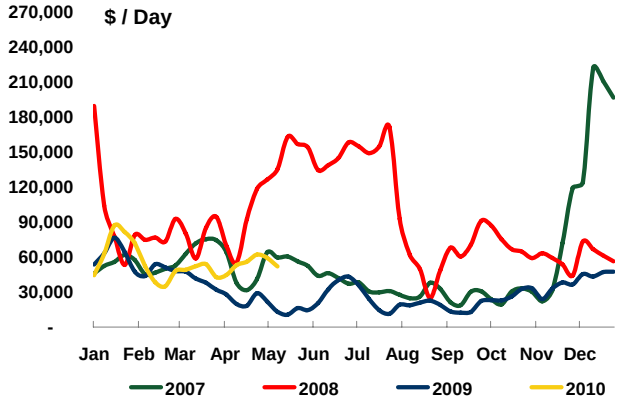


Exhibit 79

Future Deliveries of Newbuild Jackups

	Owner	Manager	Rig Name	Design	Water Depth (ft)	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract
1	COSL	COSL	COSL 921	Friede & Goldman L-780 MOD II	200	--	3Q10	Qingdao	China	2010	--
2	COSL	COSL	COSL 922	Friede & Goldman L-780 MOD II	200	--	4Q10	Tanggu	China	2010	--
3	COSL	COSL	COSL 923	Friede & Goldman L-780 MOD II	200	--	4Q10	Tanggu	China	2010	--
4	COSL	COSL	COSL 924	Friede & Goldman L-780 MOD II	200	--	4Q10	Tanggu	China	2010	--
5	CPTDC	CPTDC	Unnamed	CPLEC CP 300	200	--	3Q11	CPLEC	China	2011	CNPC
6	EODC	EGAS	El Qaher I	Baker Marine Pacific Class 375	375	$213	4Q10	Jurong	Sing.	2010	--
7	EODC	EGAS	El Qaher II	Baker Marine Pacific Class 375	375	$213	1Q11	Jurong	Sing.	2011	--
8	Egyptian Drilling	Egyptian Drilling	Sneferu	Baker Marine Pacific Class 375	375	$201	2Q10	Jurong	Sing.	2010	Maersk
9	Egyptian Drilling	Egyptian Drilling	Setty	Baker Marine Pacific Class 375	375	$220	3Q10	Jurong	Sing.	2010	--
10	Essar	Essar	Unnamed	F&G JU-2000-A	350	$229	2Q11	ABG Shipyard	India	2011	--
11	Essar	Essar	Unnamed	F&G JU-2000-A	350	$229	4Q11	ABG Shipyard	India	2011	--
12	Gazflot	Gazflot	Arkticheskaya	Corall SPBU 6500/10-100	328	$100	2Q10	Zvezdochka	Russia	2010	--
13	Great Offshore	Great Offshore	Great Offshore JU V351	LeTourneau Super 116E	350	$165	4Q10	Bharati Shipyard	India	2010	--
14	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	1Q12	ZPMC	China	2012	--
15	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	1Q12	ZPMC	China	2012	--
16	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	2Q12	ZPMC	China	2012	--
17	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	2Q12	ZPMC	China	2012	--
18	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	2Q12	ZPMC	China	2012	--
19	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	3Q12	ZPMC	China	2012	--
20	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	3Q12	ZPMC	China	2012	--
21	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	3Q12	ZPMC	China	2012	--
22	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	3Q12	ZPMC	China	2012	--
23	IOEC	Kito Enterprises	Unnamed	ZPMC ZP 350	350	--	4Q12	ZPMC	China	2012	--
24	Jack-up Barge BV	Swift Drilling	Swift 10	GustoMSC SEA 2750 LD	147	--	4Q10	Drydocks World	Indonesia	2010	Shell
25	MENAdrill	Hercules Offshore	MENAdrill Hercules I	Friede & Goldman Super M2	300	$182	3Q10	MIS Shipyard	Sing.	2010	--
26	MENAdrill	Hercules Offshore	Unnamed	Friede & Goldman Super M2	300	$182	4Q10	MIS Shipyard	Sing.	2010	--
27	Mosvold ME Jackup	Mosvold ME Jackup	Mosvold 106	F&G Super M2	300	$184	1Q11	MIS Shipyard	M.E.	2011	--
28	Mosvold ME Jackup	Mosvold ME Jackup	Mosvold 108	F&G Super M2	300	$184	3Q11	MIS Shipyard	M.E.	2011	--
29	NIDC	NIDC	Unnamed	----	300	$117	3Q11	Khorramshahr	M.E.	2011	Pars Oil & Gas
30	NIDC	NIDC	Unnamed	----	300	$117	3Q11	Khorramshahr	M.E.	2011	Pars Oil & Gas
31	Perforadora Central	Perforadora Central	Tuxpan	LeTourneau Super 116E	350	$190	1Q10	AMFELS	USA	2010	--
32	Petrobras	Odebrecht	P-59	LeTourneau	350	--	1Q12	Bahia	Brazil	2012	Petrobras
33	Petrobras	Odebrecht	P-60	LeTourneau	350	--	2Q12	Bahia	Brazil	2012	Petrobras
34	PetroProd	Larsen Oil & Gas	Unnamed	GustoMSC CJ-70-X-150A	492	$607	1Q11	Jurong	Sing.	2011	--
35	PetroVietnam	PetroVietnam	Unnamed	LeTourneau Super 116E	377	$180	4Q12	PV Shipyard	Vietnam	2012	PetroVietnam
36	Riginvest	Riginvest	Unnamed	LeTourneau Super 116E	350	$186	4Q12	Lamprell	M.E.	2012	--
37	Rowan	Rowan	Rowan Fort Worth II	LeTourneau Super 116E	350	$175	2Q10	AMFELS	USA	2010	McMoRan
38	Rowan	Rowan	Rowan EXL 2	LeTourneau Super 116E	350	$175	3Q10	AMFELS	USA	2010	--
39	Rowan	Rowan	Rowan EXL 3	LeTourneau Super 116E	350	$175	1Q11	AMFELS	USA	2011	--
40	Rowan	Rowan	Rowan EXL 4	LeTourneau Super 116E	350	$175	1Q12	AMFELS	USA	2012	--
41	Rowan	Rowan	Joe Douglas	LeTourneau 240-C (HT/HP)	400	$200	4Q11	LeTourneau	USA	2011	--
42	Saipem	Saipem	Unnamed	GustoMSC CJ-46-X 100D	350	$154	2Q10	Drydocks World	Indonesia	2010	--
43	Saudi Aramco	Saudi Aramco	Unnamed	KFELS MOD V Super B Class	300	--	3Q12	Keppel FELS	Indonesia	2012	Saudi Aramco
44	Scorpion Offshore	Scorpion Offshore	Offshore Mischief	LeTourneau Super 116E	350	$201	2Q10	Lamprell	M.E.	2010	Anadarko
45	SeaDrill	SeaDrill	West Callisto	KFELS Mod V B	400	$213	3Q10	Keppel FELS	Sing.	2010	Premier
46	SeaDrill	SeaDrill	West Juno	KFELS Mod V B	400	$216	4Q10	Keppel FELS	Sing.	2010	--
47	SeaDrill	SeaDrill	West Leda	Baker Marine Pacific Class 375	375	$219	3Q10	Jurong	Sing.	2010	Pertalahan
48	Shanghai Offshore Petrole	Shanghai Offshore Petrole	Kan Tan VI	Baker Marine Pacific Class 375	375	$229	1Q11	Jurong	Sing.	2011	--
49	Shengli Offshore	Shengli Offshore	Shengli X	----	164	--	3Q10	Dalian	China	2010	Shengli Offshore
50	Sino Tharwa Drilling	Sino Tharwa	Bahari-1	Friede & Goldman JU-2000E	400	$250	4Q10	Dalian	China	2010	--
51	Skeie	Skeie	SKDP1	KFELS N Class	400	$506	3Q10	Keppel FELS	Sing.	2010	--
52	Skeie	Skeie	SKDP2	KFELS N Class	430	$528	4Q10	Keppel FELS	Sing.	2010	--
53	Skeie	Skeie	SKDP3	KFELS N Class	430	$582	2Q11	Keppel FELS	Sing.	2011	--
54	Swecomex	Swecomex	Unnamed	Friede & Goldman JU-2000E	400	$195	2Q11	Operadora Cicsa	Mexico	2011	--
55	Thule Drilling	Thule Drilling	Thule Energy	F&G Super M2	300	$160	2Q11	QGM Group	M.E.	2011	--
56	Thule Drilling	Thule Drilling	Thule Force	F&G Super M2	300	$160	3Q11	QGM Group	M.E.	2011	--
57	Thule Drilling	Royal Oyster Group	Thule Power	Baker Marine BMC-200-H	250	--	2Q10	QGM Group	M.E.	2010	--
58	UMW Standard Drilling	UMW Standard Drilling	Naga-3	MSC CJ46-X 100D	350	$154	2Q10	Drydocks World	Indonesia	2010	--
59	Vietsovpetro	Vietsovpetro	Tam Dao 02	Baker Marine Pacific Class 375	375	$226	4Q10	Jurong	Sing.	2010	Vietsovpetro
60	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	--	4Q10	Yantai Raffles	China	2010	--
61	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	--	2Q11	Yantai Raffles	China	2011	--
62	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	--	4Q11	Yantai Raffles	China	2011	--
63	Yantai Raffles	Momentum Engineering	Unnamed	Friede & Goldman Super M2	300	--	4Q11	Yantai Raffles	China	2011	Dragon Oil

Source: Company data, ODS-Petrodata, Morgan Stanley Research

Exhibit 80

Future Deliveries of Newbuild Floaters

	Owner	Manager	Rig Name	Design	Water Depth (ft)	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract
Newbuilds:											
1	Atwood Oceanics	Atwood Oceanics	Atwood Osprey	Friede & Goldman Ex-D Millenium	6,000	$625	1Q11	Jurong	Sing.	2011	Chevron
2	Atwood Oceanics	Atwood Oceanics	Unnamed	Friede & Goldman Ex-D Millenium	10,000	$750	2Q12	Jurong	Sing.	2012	--
3	CNOOC	COSL	Hai Yang Shi You 981	Friede & Goldman ExD	7,500	$599	1Q11	Shanghai Waigaoqiao	China	2011	CNOOC
4	COSL	COSL	COSLPioneer	GM-4000	2,460	$415	3Q10	Yantai Raffles	China	2010	--
5	COSL	COSL	COSLInnovator	GM-4000	2,460	$460	3Q11	Yantai Raffles	China	2011	Statoil
6	COSL	COSL	COSLPromoter	GM-4000	2,460	$460	3Q12	Yantai Raffles	China	2012	Statoil
7	Delba	Delba	Delba III	GustoMSC TDS 2500	7,874	$611	2Q11	IMAC	Abu Dhabi	2011	Petrobras
8	Delba	Delba	Delba IV	GustoMSC TDS-2500	7,874	--	3Q13	COSCO	China	2013	Petrobras
9	Delba	Delba	Delba V	Friede & Goldman ExD	8,000	--	3Q12	--	--	2012	Petrobras
10	Delba	Delba	Delba VI	----	8,000	--	3Q12	--	--	2012	Petrobras
11	Delba	Delba	Delba VII	Samsung Heavy Industries	10,000	$700	2Q12	Samsung Heavy	Korea	2012	Petrobras
12	Delba	Delba	Delba VIII	Samsung Heavy Industries	10,000	$740	2Q12	Samsung Heavy	Korea	2012	Petrobras
13	Dryships	Ocean Rig	Ocean Rig Olympic	Samsung Heavy Industries	10,000	$790	3Q11	Samsung Heavy	Korea	2011	--
14	Dryships	Ocean Rig	Ocean Rig Mykonos	Samsung Heavy Industries	10,000	$792	4Q11	Samsung Heavy	Korea	2011	--
15	Dryships	Ocean Rig	Ocean Rig Corcovado	Samsung Heavy Industries	10,000	$748	1Q11	Samsung Heavy	Korea	2011	--
16	Dryships	Ocean Rig	Ocean Rig Poseidon	Samsung Heavy Industries	10,000	$748	2Q11	Samsung Heavy	Korea	2011	--
17	ENSCO	ENSCO	ENSCO 8502	ENSCO 8500	8,500	$385	3Q10	Keppel FELS	Sing.	2010	Nexen
18	ENSCO	ENSCO	ENSCO 8503	ENSCO 8500	8,500	$427	4Q10	Keppel FELS	Sing.	2010	Cobalt
19	ENSCO	ENSCO	ENSCO 8504	ENSCO 8500	8,500	$515	3Q11	Keppel FELS	Sing.	2011	--
20	ENSCO	ENSCO	ENSCO 8505	ENSCO 8500	8,500	$537	1Q12	Keppel FELS	Sing.	2012	--
21	ENSCO	ENSCO	ENSCO 8506	ENSCO 8500	8,500	$560	3Q12	Keppel FELS	Sing.	2012	--
22	Etesco	Etesco	ET-VIII	Samsung Heavy Industries	10,000	$820	1Q12	Samsung Heavy	Korea	2012	Petrobras
23	Frontier/Shell	Frontier Drilling	Bully I	GustoMSC PRD12,000 (Harsh)	12,000	$610	3Q10	Keppel FELS	Sing.	2010	Frontier/Shell
24	Frontier/Shell	Frontier Drilling	Bully II	GustoMSC PRD12,000 (Harsh)	12,000	$632	4Q10	Keppel FELS	Sing.	2010	Frontier/Shell
25	Gazflot	Gazflot	Polyarnaya Zvezda	Moss Maritime CS-50	1,148	$573	4Q10	Samsung Heavy	Korea	2010	Gazflot
26	Gazflot	Gazflot	Severnoye Siyanie	Moss Maritime CS-50	1,148	$573	2Q11	Samsung Heavy	Korea	2011	Gazflot
27	Grupo R	IPC	La Muralla III	GVA 7500-N	10,000	$633	3Q10	Daewoo	Korea	2010	PEMEX
28	Grupo R	IPC	La Muralla IV	GVA 7500-N	10,000	$709	3Q11	Daewoo	Korea	2011	--
29	Grupo R	IPC	La Muralla V	F&G Ex-D	10,000	$627	3Q10	Jurong	Sing.	2010	PEMEX
30	Larsen Oil & Gas	Songa	Songa Eclipse	F&G Ex-D	10,000	$640	2Q11	Jurong	Sing.	2011	--
31	Maersk	Maersk Drilling	Unnamed	KFELS/MSC DSS 21	10,000	$415	3Q10	Keppel FELS	Sing.	2010	--
32	MARACC	Offshore Offshore	Island Innovator	Global Maritime GM-4000	2,460	$560	4Q11	COSCO	China	2011	--
33	Metrostar	Odfjell Drilling	Deepsea Metro I	GustoMSC P10000	10,000	$668	2Q11	Hyundai Heavy	Korea	2011	--
34	Metrostar	Odfjell Drilling	Deepsea Metro II	GustoMSC P10000	10,000	$668	4Q11	Hyundai Heavy	Korea	2011	--
32	Noble Corp.	Noble Corp.	Noble Jim Day	Bingo 9000	12,000	$550	2Q10	Jurong	Sing.	2010	Marathon
33	Noble Corp.	Noble Corp.	Unnamed	Huisman Globetrotter	10,000	$585	3Q11	Dalian	China	2011	--
34	Odebrecht	Odebrecht	Norbe VI	GustoMSC TDS-2000Plus	7,874	$550	4Q10	IMAC	Abu Dhabi	2010	Petrobras
35	Odebrecht	Odebrecht	Norbe VIII	DSME 10000	10,000	$690	2Q11	Daewoo	Korea	2011	Petrobras
36	Odebrecht	Odebrecht	Norbe IX	DSME 10000	10,000	$690	2Q11	Daewoo	Korea	2011	Petrobras
37	Odebrecht	Odebrecht	Norbe X	----	10,000	$579	1Q12	Daewoo	Korea	2012	--
38	Odebrecht	Odebrecht	Norbe XI	----	10,000	$579	1Q12	Daewoo	Korea	2012	--
39	Odfjell Drilling	Odfjell Drilling	Deepsea Stavanger	GVA 7500-N-E	10,000	$674	2Q10	Daewoo	Korea	2010	--
40	Petrobras	Schahin	Petrobras II 10000	Samsung 10000	10,000	$830	2Q10	Samsung Heavy	Korea	2010	Petrobras
41	Petroserv	Petroserv	Unnamed (drillship)	----	10,000	$755	4Q11	Daewoo	Korea	2011	Petrobras
42	Petroserv	Petroserv	Unnamed (semi)	GVA 7500-N	10,000	$526	4Q12	Daewoo	Korea	2011	--
43	Pride International	Pride International	Deep Ocean Ascension	Saipem 1000 (Harsh)	10,000	$750	3Q10	Samsung Heavy	Korea	2010	BP
44	Pride International	Pride International	Deep Ocean Clarion	Samsung Heavy Industries	12,000	$715	1Q11	Samsung Heavy	Korea	2011	BP
45	Pride International	Pride International	Deep Ocean Mendocino	Samsung Heavy Industries	12,000	$725	1Q11	Samsung Heavy	Korea	2011	Petrobras
46	Pride International	Pride International	Deep Ocean Molokai	Samsung Heavy Industries	12,000	$745	4Q11	Samsung Heavy	Korea	2011	--
47	Queiroz Galvao	Queiroz Galvao	Lone Star	GustoMSC TDS-2000Plus	7,874	$480	3Q10	IMAC	Abu Dhabi	2010	Petrobras
48	Queiroz Galvao	Queiroz Galvao	Alpha Star	KFELS/MSC DSS 38	9,000	--	1Q12	Keppel FELS	Sing.	2012	Petrobras
49	Rozneft	Rozneft	Bolshaya Medveditsa	----	6,562	$700	3Q14	Zvezda	Russia	2014	Rozneft
50	Saipem	Saipem	Scarabeo 8	Moss Maritime CS-50 MkII (N)	9,843	$615	3Q10	Fincantieri	Italy	2010	Eni
51	Saipem	Saipem	Saipem 12000	Samsung/Saipem 12,000	12,000	$660	2Q10	Samsung Heavy	Korea	2010	Total
52	Saipem	Saipem	Scarabeo 9	D90 DRR DP3	12,000	$742	4Q10	Yantai Raffles	China	2010	Eni
53	Schahin	Schahin	Amazonia	Friede & Goldman ExD	7,875	$500	4Q10	Yantai Raffles	China	2010	Petrobras
54	Schahin	Schahin	Pantanal	Friede & Goldman ExD	6,560	$500	4Q10	Yantai Raffles	China	2010	Petrobras
55	Schahin	Schahin	Unnamed	Samsung Heavy Industries	10,000	$682	3Q11	Samsung Heavy	Korea	2011	Petrobras
56	Schahin	Schahin	Unnamed	Samsung Heavy Industries	10,000	$709	1Q12	Samsung Heavy	Korea	2012	Petrobras
57	SeaDragon Offshore	Vantage Drilling	SeaDragon I	Moss CS50 6G	10,000	$510	4Q10	Jurong	Sing.	2010	PEMEX
58	SeaDragon Offshore	Vantage Drilling	SeaDragon II	Moss CS50 6G	10,000	$510	3Q11	Jurong	Sing.	2011	--
59	SeaDrill	SeaDrill	West Orion	Friede & Goldman ExD	10,000	$558	3Q10	Jurong	Sing.	2010	Petrobras
60	SeaDrill	SeaDrill	West Gemini	Samsung/Saipem 10,000	10,000	$615	3Q10	Samsung Heavy	Korea	2010	Total
61	SeaDrill	SeaDrill	West Capricorn	Friede & Goldman ExD	10,000	$640	4Q11	Jurong	Sing	2011	--
62	Sevan	Sevan	Sevan Driller	SSP Drilling Unit	7,874	$590	2Q10	COSCO	China	2010	Petrobras
63	Sevan	Sevan	Sevan Brasil	Sevan Drilling Sevan 650	7,874	--	1Q12	COSCO	China	2012	Petrobras
64	Sevan	Sevan	Sevan ONGC	Sevan Drilling Sevan 650	10,000	--	1Q12	COSCO	China	2012	ONGC
65	Stena	Stena	Stena DrillMAX ICE	Stena/Samsung (Harsh)	10,000	$1,150	4Q11	Samsung Heavy	Korea	2011	--
66	Tanker Pacific	Pacific Drilling	Pacific Bora	Samsung 10000	10,000	$632	4Q10	Samsung Heavy	Korea	2010	--
67	Tanker Pacific	Pacific Drilling	Pacific Scirocco	Samsung 12000	10,000	$650	2Q11	Samsung Heavy	Korea	2011	--
68	Tanker Pacific	Pacific Drilling	Pacific Mistral	Samsung 10000	10,000	$650	2Q11	Samsung Heavy	Korea	2011	--
69	Tanker Pacific	Pacific Drilling	Pacific Santa Ana	Samsung 12000	10,000	$650	3Q11	Samsung Heavy	Korea	2011	Chevron
70	TMT	Vantage Drilling	DragonQuest	Daewoo Shipbuilding & Marine	12,000	$761	3Q11	Daewoo	Korea	2011	Petrobras
71	TMT	Vantage Drilling	Cobalt Explorer	Daewoo Shipbuilding & Marine	10,000	$672	3Q13	Daewoo	Korea	2013	--
72	Transocean	Transocean	Deepwater Champion	GustoMSC P10,000 (Harsh)	10,000	$796	3Q10	Hyundai Heavy	Korea	2010	ExxonMobil
73	Transocean	Transocean	Discoverer India	Enterprise-Class	10,000	$785	4Q10	Daewoo	Korea	2010	Reliance
74	Vantage Energy	Vantage Drilling	Platinum Explorer	Daewoo Shipbuilding & Marine	12,000	$761	4Q10	Daewoo	Korea	2010	ONGC

Source: Company data, ODS-Petrodata, Morgan Stanley Research

Performance Review

Exhibit 81

Segment and Index Performance

	Last Week	Last Month	2010	2009	2008	2007
Services	0.1%	-15.1%	-1.0%	48.2%	-59.8%	35.5%
Offshore Construction	1.2%	-17.3%	-6.4%	113.1%	-70.7%	44.5%
Equipment	0.3%	-16.9%	-6.7%	120.4%	-62.3%	52.0%
Seismic	-3.3%	-23.2%	-7.7%	118.1%	-73.4%	33.4%
Land Drillers	9.1%	-12.2%	-11.3%	45.0%	-47.7%	-4.4%
Logistics	-4.3%	-18.9%	-16.6%	29.9%	-42.8%	22.1%
Offshore Drillers	-0.5%	-26.0%	-20.6%	84.4%	-65.8%	78.4%
S&P 500	0.2%	-8.6%	-2.3%	23.5%	-38.5%	3.5%
XNG	1.6%	-10.4%	-6.2%	43.7%	-34.5%	29.6%
WTI (Oil)	5.6%	-11.1%	-6.8%	77.9%	-53.5%	57.2%
XOI	-0.1%	-12.9%	-9.8%	9.0%	-37.2%	31.3%
OSX	-3.7%	-22.0%	-11.7%	60.6%	-59.8%	50.9%
Henry Hub (Gas)	7.6%	-0.2%	-21.5%	-2.2%	-24.4%	18.8%

Exhibit 82

Relative Performance of the OSX to S&P 500 (52-wk)

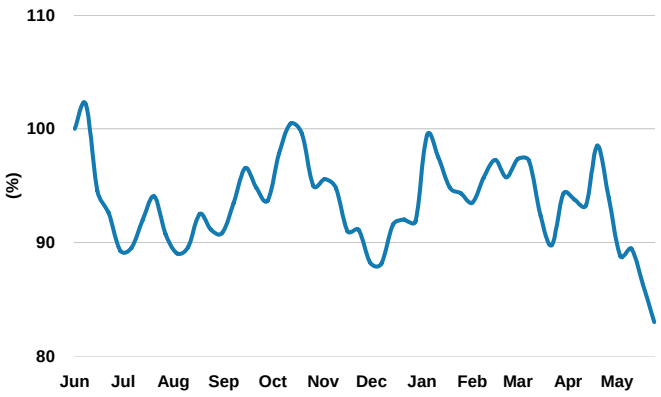
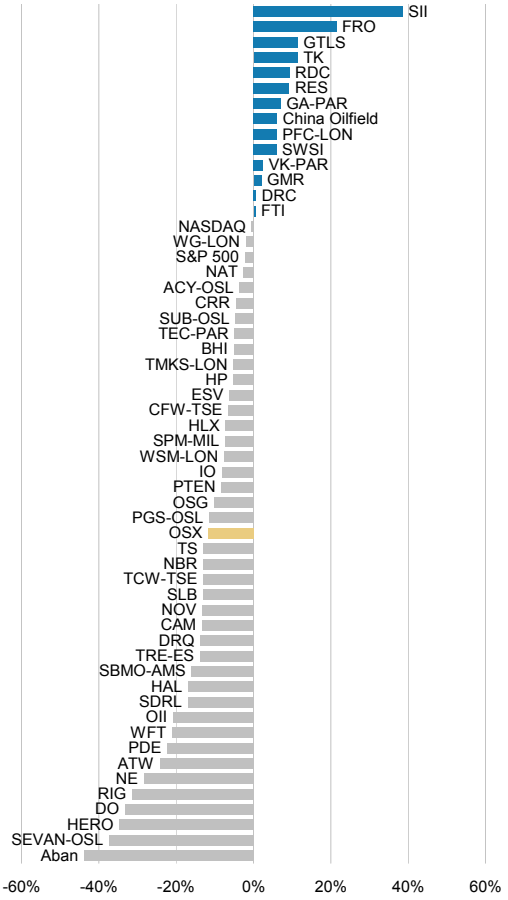


Exhibit 83

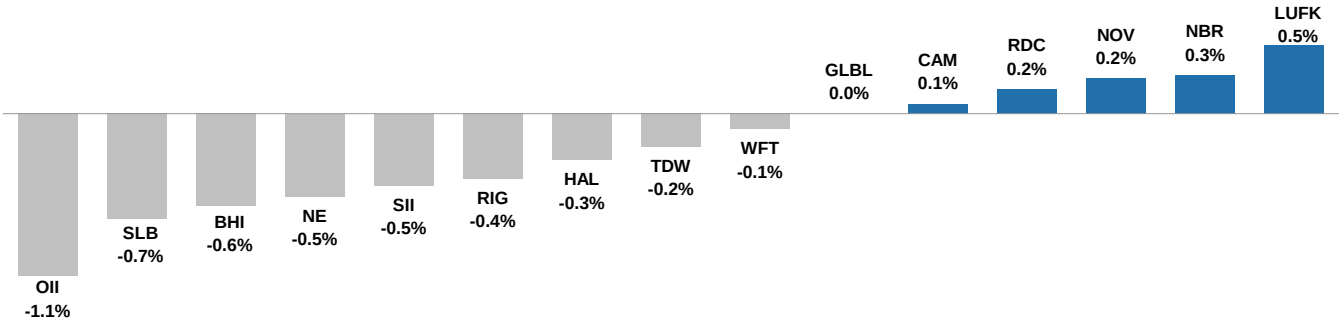
Stock Performance in 2010 (YTD)



Note: Graph is for total return for period.

Exhibit 84

Component Contribution to Overall Performance of the OSX Last Week



Source: FactSet; Company data, Morgan Stanley Research

Exhibit 85

Global Coverage Universe (US$) Performance Review

Company	Price USD	All-time High	52-wk High	52-wk Low	% Below All-time Hl	% Below 52W-Hl	% Above 52W-LO	Last Week	Last 4-Wks	Last 3-Mos	2008	2009	2010
Oil Services:													
Smith International	37.56	86.16	49.66	22.12	-56.4%	-24.4%	69.8%	-6.9%	-21.4%	-8.1%	-69.0%	18.7%	38.6%
BJ Services	23.18	42.75	24.53	12.00	-45.8%	-5.5%	93.2%	0.0%	0.0%	6.1%	-51.9%	59.4%	24.9%
RPC Inc.	11.29	23.70	14.86	7.10	-52.4%	-24.0%	59.0%	4.5%	-17.6%	-8.4%	-16.7%	6.6%	9.3%
Superior Well Services	15.11	37.01	18.75	4.96	-59.2%	-19.4%	204.6%	10.1%	-1.2%	-15.5%	-52.9%	42.6%	6.0%
Carbo Ceramics	64.70	77.86	78.98	31.52	-16.9%	-18.1%	105.3%	-1.1%	-14.9%	6.3%	-4.5%	91.9%	-4.6%
Baker Hughes	38.14	98.67	54.80	33.11	-61.3%	-30.4%	15.2%	-8.8%	-25.3%	-20.1%	-60.5%	26.2%	-5.2%
Calfrac Well Services	19.54	45.21	26.18	8.06	-56.8%	-25.4%	142.5%	10.7%	-12.4%	-17.7%	-60.5%	182.2%	-6.6%
Trican Well Services	12.26	26.61	15.27	6.80	-53.9%	-19.7%	80.2%	8.7%	-8.7%	-9.6%	-66.9%	108.0%	-13.1%
Schlumberger	56.15	112.09	73.99	48.13	-49.9%	-24.1%	16.7%	-6.8%	-20.6%	-7.8%	-57.0%	53.8%	-13.1%
Halliburton	24.83	53.91	35.22	18.11	-53.9%	-29.5%	37.1%	-6.8%	-25.3%	-17.4%	-52.0%	65.5%	-17.0%
Weatherford	14.12	49.59	23.75	13.08	-71.5%	-40.5%	8.0%	-3.9%	-22.5%	-15.4%	-68.5%	65.5%	-21.2%
Offshore Drillers:													
Rowan Companies	24.76	47.95	32.82	16.96	-48.4%	-24.6%	46.0%	3.6%	-22.0%	-4.8%	-59.7%	42.4%	9.4%
China Oilfield Services Ltd.	1.25	2.70	1.58	0.86	-53.7%	-20.8%	46.2%	11.6%	-9.1%	-7.5%	-64.7%	48.7%	6.1%
ENSCO International	37.40	82.22	52.32	32.26	-54.5%	-28.5%	15.9%	-3.5%	-25.1%	-15.3%	-52.4%	40.7%	-6.3%
Seadrill Limited	20.68	36.25	28.40	12.50	-43.0%	-27.2%	65.4%	-4.0%	-21.5%	-9.0%	-69.1%	235.7%	-17.0%
Pride International	24.77	44.61	34.67	20.81	-44.5%	-28.6%	19.0%	-1.5%	-22.4%	-11.5%	-52.9%	99.7%	-22.4%
Atwood Oceanics	27.15	62.17	40.58	21.40	-56.3%	-33.1%	26.9%	-1.9%	-26.3%	-18.9%	-69.5%	134.6%	-24.3%
Noble Corporation	29.07	67.98	45.60	27.52	-57.2%	-36.3%	5.6%	-10.3%	-31.1%	-31.1%	-60.9%	84.2%	-28.4%
Transocean	56.77	161.40	94.88	52.05	-64.8%	-40.2%	9.1%	-4.2%	-33.1%	-28.9%	-67.0%	75.2%	-31.4%
Diamond Offshore	63.10	148.51	108.78	63.00	-57.5%	-42.0%	0.2%	-10.6%	-25.2%	-26.4%	-58.5%	67.0%	-33.2%
Hercules Offshore	3.12	42.30	7.28	2.60	-92.6%	-57.1%	20.0%	8.3%	-29.3%	-14.8%	-80.0%	0.6%	-34.7%
Aban Offshore Ltd.	15.46	136.76	35.75	12.87	-88.7%	-56.8%	20.1%	6.6%	-41.2%	-39.6%	-89.0%	99.9%	-43.9%
Land Drillers:													
Helmerich & Payne	37.68	76.99	49.13	26.64	-51.1%	-23.3%	41.4%	9.1%	-11.5%	-6.9%	-43.2%	75.3%	-5.3%
Patterson-UTI	14.03	38.33	18.67	11.38	-63.4%	-24.9%	23.3%	8.2%	-7.0%	-8.8%	-41.0%	33.4%	-8.3%
Nabors Industries	19.03	49.77	27.05	13.78	-61.8%	-29.6%	38.1%	7.3%	-11.2%	-13.7%	-56.3%	82.9%	-13.1%
Equipment:													
Chart Industries	18.42	52.92	26.43	15.36	-65.2%	-30.3%	19.9%	4.2%	-25.8%	-9.5%	-65.6%	55.4%	11.5%
Vallourec	186.88	351.21	213.94	105.48	-46.8%	-12.6%	77.2%	1.9%	-2.8%	-2.4%	-58.4%	61.9%	2.5%
Dresser-Rand	31.83	43.48	35.90	22.87	-26.8%	-11.3%	39.2%	5.7%	-6.2%	3.0%	-55.8%	83.2%	0.7%
FMC Technologies	58.15	76.76	76.54	33.91	-24.2%	-24.0%	71.5%	-1.4%	-13.8%	3.5%	-58.0%	142.7%	0.5%
Wellstream Holdings	7.83	29.09	11.46	7.07	-73.1%	-31.7%	10.8%	1.4%	-20.2%	4.0%	-76.3%	68.0%	-7.7%
Tenaris S.A.	37.12	74.50	47.79	23.86	-50.2%	-22.3%	55.6%	1.2%	-8.9%	-10.4%	-53.1%	103.3%	-13.0%
National Oilwell Varco	38.13	91.55	50.17	28.76	-58.4%	-24.0%	32.6%	3.4%	-14.0%	-12.1%	-66.7%	80.4%	-13.3%
Cameron International	36.20	57.67	47.44	24.63	-37.2%	-23.7%	47.0%	1.0%	-18.6%	-12.0%	-57.4%	103.9%	-13.4%
Dril Quip	48.71	69.97	70.78	33.95	-30.4%	-31.2%	43.5%	-8.8%	-23.4%	-11.0%	-63.2%	175.4%	-13.8%
Oceaneering International	46.27	84.33	68.60	39.91	-45.1%	-32.6%	15.9%	-12.7%	-30.2%	-23.5%	-56.7%	100.8%	-20.9%
Engineering & Construction:													
Petrofac	16.28	19.54	19.54	8.74	-16.7%	-16.7%	86.2%	8.1%	-4.7%	14.2%	-54.6%	238.6%	6.0%
Wood Group	4.83	9.84	6.37	3.72	-50.9%	-24.2%	29.6%	-1.3%	-15.4%	-10.8%	-68.6%	84.2%	-2.0%
Acergy	15.28	30.85	20.66	8.59	-50.5%	-26.0%	77.8%	2.7%	-19.2%	-7.3%	-75.1%	184.8%	-3.7%
Subsea 7	15.86	30.42	22.39	8.42	-47.8%	-29.2%	88.4%	5.9%	-20.8%	-13.7%	-74.2%	187.6%	-4.6%
Technip	65.71	98.11	88.02	44.15	-33.0%	-25.3%	48.8%	0.4%	-12.6%	-5.7%	-62.0%	133.8%	-5.0%
Helix Energy Solutions	10.89	46.84	17.00	8.76	-76.8%	-35.9%	24.3%	-9.2%	-32.4%	-5.4%	-82.6%	62.3%	-7.3%
Saipem	31.33	48.51	41.05	21.91	-35.4%	-23.7%	43.0%	-1.7%	-12.2%	-3.4%	-59.0%	110.4%	-7.4%
Tecnicas Reunidas	48.96	90.52	65.64	41.68	-45.9%	-25.4%	17.5%	1.3%	-16.8%	-13.1%	-60.0%	125.0%	-13.9%
SBM Offshore	16.07	41.61	22.79	14.82	-61.4%	-29.5%	8.4%	-1.0%	-17.7%	-6.7%	-58.8%	56.5%	-16.1%
Sevan Marine	1.10	16.99	2.05	0.99	-93.5%	-46.3%	11.5%	0.1%	-27.0%	-21.6%	-93.0%	66.4%	-37.4%
Reservoir Information / Seismic:													
CGG Veritas	22.93	68.63	33.28	14.93	-66.6%	-31.1%	53.6%	-6.4%	-24.6%	-4.7%	-74.2%	45.4%	7.0%
ION Geophysical	5.43	40.38	6.95	1.88	-86.6%	-21.9%	188.8%	4.6%	-5.9%	18.6%	-78.3%	72.6%	-8.3%
Petroleum Geo-Services	10.19	100.07	16.13	4.78	-89.8%	-36.8%	113.3%	-2.0%	-32.0%	-19.5%	-86.4%	191.5%	-11.5%
Energy Shipping:													
Frontline	32.89	71.76	38.85	19.76	-54.2%	-15.3%	66.4%	7.2%	-3.5%	23.1%	-38.3%	-7.7%	21.5%
Teekay	25.23	62.66	27.45	14.00	-59.7%	-8.1%	80.2%	3.6%	-0.4%	1.6%	-63.1%	18.1%	11.4%
General Maritime	6.91	38.81	10.97	6.41	-82.2%	-37.0%	7.8%	0.3%	-13.3%	-1.3%	-40.8%	-35.3%	2.1%
Nordic American Tankers	28.40	56.05	34.68	26.92	-49.3%	-18.1%	5.5%	1.1%	-7.0%	-0.3%	2.8%	-11.1%	-2.6%
Overseas Shipholding	38.69	90.38	53.20	28.58	-57.2%	-27.3%	35.4%	1.5%	-18.5%	-12.2%	-43.4%	4.4%	-10.2%
Indices:													
0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
S&P 500	1,089.4	1,565.15	1,218.8	869.3	-30.4%	-10.6%	25.3%	0.2%	-8.6%	-1.4%	-38.5%	23.5%	-2.3%
XNG	506.4	761.11	584.9	372.4	-33.5%	-13.4%	36.0%	1.6%	-10.4%	-5.5%	-34.5%	43.7%	-6.2%
XOI	963.5	1,630.09	1,134.9	843.1	-40.9%	-15.1%	14.3%	-0.1%	-12.9%	-5.6%	-37.2%	9.0%	-9.8%
OSX	172.0	359.61	229.3	142.5	-52.2%	-25.0%	20.8%	-3.7%	-22.0%	-14.5%	-59.8%	60.6%	-11.7%

Source: FactSet; Morgan Stanley Research

Valuation Methodologies and Investment Risks

The valuation methodologies we use vary as the earnings cycle develops. At the (perceived) trough, we essentially want to answer the question, "how low could it go?" We favor an investment approach that has a bias towards value at this point, not momentum. We assess where the risk/reward is decidedly more attractive for accumulating longer-term positions using normalized earnings, price-to-book, price-to-sales, and for the offshore drillers, net asset value. We often concentrate more on the offshore drillers at this point of the cycle given the tangible asset valuation that is obtainable versus the uncertainties in earnings. Such a value approach however does carry the risk of being early.

As the earnings cycle begins to turn up, we use a two year forward earnings multiple, as well as a 12-month forward rolling multiple, price-to-book, price-to-sales, and a peak earnings analysis. The peak earnings analysis offers insight into what the stock could be worth once the EPS revision phase of the cycle really kicks in. For the offshore drillers, we continue to use a net asset value assessment, but also use an EV/EBITDA multiple, CEPS (cash EPS is equal to net income + depreciation and amortization + convertible interest (where applicable) and peak earnings.

Our two year forward earnings multiples are based upon prior cycle ranges (see "Trading and Valuation Summary" in this report). The average multiples achieved at the equity peaks of the previous two cycles were 19−23x with a range of 18−33x. The North American natural gas levered stocks typically achieve the higher-end of this range in the early stages of the cycle as the discounting mechanism is rather substantial in these stocks. The later cycle stocks typically include the equipment names, particularly subsea.

As the earnings cycle matures, momentum often overtakes value as the market digests an onslaught of upward earnings revisions. While the net asset value assessment for offshore drillers is still useful, it becomes more of a reality check. At this stage, the two year forward consensus earnings begin to narrow the gap with peak earnings assumptions, and a two-year forward multiple is placed on these "best case" pricing and utilization scenarios for the services and equipment.

Net Asset Value (NAV) is one of the more useful exercises in terms of identifying support levels for the asset intensive offshore drilling stocks. Depending on the mix of assets, a typical price/NAV support level has been 70−100%, while the upside is near two times NAV. The variance in the multiples on net asset value is largely a function of the fleet composition. Today the horsepower is in the deepwater, whereas in prior years, a bias toward jackups yielded a wider trading range. We calculate a NAV/share by applying a vendor published second-hand market value to each rig within a company's fleet, then grossing up to a fleet market value plus other assets, then adjusting for debt.

Investment Risks

The Oil Services and Equipment industry is one of the most volatile and unpredictable industries in the "old economy." The main investment risk is the overall health of the global economy, although with particular interim risk exposure to the fiscal and geopolitical uncertainties in areas including, but not limited to the Middle East, Latin America, Russia, Southeast Asia, and West Africa. In North America, E&P spending is highly susceptible to changes in oil and natural gas prices, more so in the short-run than any other region due to the dominance of the spot market and independents.

Main Investment Risks include:

- The health of the global economy and its impact on the global demand for oil and natural gas.
- Merger and acquisition activity among operators typically has a negative impact on spending budgets.
- Capacity expansion in long-lived assets such as marine seismic, pressure pumping equipment, and drilling rigs, particularly speculative newbuilding.
- Changes in fiscal terms (taxes) on oil and natural gas production in the major drilling basins including, but not limited to the Gulf of Mexico, Venezuela, Mexico, Brazil, Argentina, North Sea, West Africa, Southeast Asia, Russia, and the Middle East.

Adoption of new technology is often slow in the oilfield. There is meaningful risk to companies whose success is predominantly dependent upon a single new technology and the acceptance of that technology.

Exhibit 86

Oil Service: Price Target Methodology and Risks

Ticker	Price Target Methodology
Oil Service	
SLB	Based on 21x 2012E EPS, below historical 12-month forward average of 27x.
HAL	Based on 20x 2012E EPS, in-line with the historical 12-month forward average of 20x.
BHI	We derive our 12-month price target for BHI using a 18x P/E multiple on our 2012E BHI/BJS pro-forma EPS, below BHI's historical 12-month forward average of 24x.
WFT	Based on 18x 2012E EPS, below historical 12-month forward average of 31x.
RES	Based on 16.7x 2012e EPS, slightly above historical average, which is consistent with the current stage of the cycle.
SWSI	Based on 15x 2012e EPS, above historical 12-month forward average of 14x.
TCW.TO	Based on 23x 2012E EPS, above historical 12-month forward average of 16x. Multiple expansion due to anticipated 2011+ growth in Canadian shale.
CFW.TO	Based on 17x 2012E EPS, above historical forward average of 14x. Multiple expansion due to anticipated 2011+ growth in Canadian shale.
CRR	Based on 19x 2012E EPS, below historical 12-month forward average of 21x.
HLX	Based on 10.5x 2012E EPS, or below historical 12-month forward average of 26x. Multiple compresssion due to lingering concerns over the company's divestiture of non-core assets.
IO	Based on 16.5x P/E, approximately in-line with its trading range during 2007-2008, when earnings expectations were last normalized

Exhibit 87

Oil Service Equipment: Price Target Methodology and Risks

Ticker	Price Target Methodology
Equipment	
TS	Based on 14x 2012E EADS. Risks to our target include deepening of the global recession negatively affecting commodity prices resulting in a further decline in drilling activity. Venezuela and Mexico drilling budgets, where the company has meaningful footprints, could also add short-term risk.
NOV	Based on 20x 2012E EPS, below historical 12-month forward average of 30x. Multiple compression due to risks of a slowdown in rig construction as the cycle matures.
CAM	Based on 18x 2012E EPS, below historical 12-month forward average of 33x. Multiple compression due to integration of Dresser Flow Control.
FTI	Based on 19x 2012E EPS, in line with historical 12-month forward average of 19x.
DRC	Based on 15x 2012E EPS, slightly below historical 12-month forward average of 16x.
DRQ	Based on 18x 2012E EPS, below historical 12-month forward average of 23x. Multiple compression due to risks associated with the introduction of new technologies including liner hangers and fully integrated subsea systems.
OII	Based on 18x 2012E EPS, slighlty above historical 12-month forward average of 16x.
GTLS	Based on 17x 2012E EPS, slightly below production-oriented equipment peers (CAM and DRQ). Risks include the company's exposure to the industrial gas market, delays in sanctioning planned large-scale LNG projects and execution risks.

Source: Company data, Morgan Stanley Research

Exhibit 88

Offshore and Land Drillers: Price Target Methodology and Risks

Ticker	Price Target Methodology
Offshore Drillers	
RIG	Based on 15x 2012E EPS, above historical 12-month forward average of 14x. Multiple consistent with stage of cycle.
NE	Based on 12x 2012E EPS, consistent with stage of the cycle.
DO	Based on a dividend yield of 9%, similar to normalized yields within our shipping universe as well as the yield we use for SDRL.
ESV	Based on P/E of 12x 2012e EPS, consistent with stage in cycle.
PDE	Based on 16x 2012E EPS, below historical 12-month forward average of 19x. Multiple compression due to oversupply concerns based on the current new building cycle and execution on restructuring efforts.
SDRL	The commencement of work for its new builds should allow SDRL to grow its dividend, pushing shares higher. SDRL's high-quality fleet and high contract coverage will, in our view, bring the yield down to 9%, where DO has traded recently. Using an 9% yield on a $3 annual dividend provides upside to $38/share.
RDC	Based on 12x 2012E EPS, below historical 12-month forward average of 18x. Multiple compression due to oversupply concerns based on the current new building cycle.
HERO	Based on EV/EBITDA of 5x 2011E EBITDA, conservative relative to historical 12-month forward EV/EBITDA of 6x.
ATW	Based on 12x 2012E EPS, below historical 12-month forward average of 16x. Multiple compression due to oversupply concerns based on the current new building cycle.
Land Drillers	
NBR	Based on the local peak EV/EBITDA of 8x 2012e EBITDA, more conservative multiple reflects our expectations that earnings will not fall as sharply this cycle.
PTEN	EV/Rig of $10m/rig excluding rigs that did not work during last cyclical peak, as we expect shares to revert to the mean EV/Rig that we saw over the last three years when the company was upgrading its fleet.
HP	We value HP on a 2012e P/E of 24x, which is conservative compared to multiples we have seen in previous downturns, but is slightly above what we've seen in 2007.

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(as of May 31, 2010)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1079**	**42%**	**358**	**42%**	**33%**
Equal-weight/Hold	**1111**	**44%**	**397**	**47%**	**36%**
Not-Rated/Hold	**13**	**1%**	**3**	**0%**	**23%**
Underweight/Sell	**349**	**14%**	**95**	**11%**	**27%**
Total	**2,552**		**853**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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Industry Coverage:Oil Services, Drilling & Equipment

Company (Ticker)	Rating (as of)	Price* (05/28/2010)
Ole Slorer		
Atwood Oceanics Inc (ATW.N)	U (02/19/2010)	$27.15
Baker Hughes (BHI.N)	O (09/17/2009)	$38.14
Calfrac Well Services (CFW.TO)	U (02/17/2010)	C$19.69
Cameron International (CAM.N)	O (05/08/2009)	$36.2
Carbo Ceramics (CRR.N)	U (09/14/2009)	$64.7
Chart Industries (GTLS.O)	E (05/01/2009)	$18.42
Diamond Offshore (DO.N)	U (03/20/2009)	$63.1
Dresser-Rand (DRC.N)	E (09/25/2008)	$31.83
Dril Quip Inc. (DRQ.N)	E (05/11/2009)	$48.71
ENSCO (ESV.N)	O (02/19/2010)	$37.4
FMC Technologies (FTI.N)	E (02/09/2009)	$58.15
Halliburton Co. (HAL.N)	O (01/25/2008)	$24.83
Helix Energy Solutions (HLX.N)	E (04/16/2009)	$10.89
Helmerich & Payne Inc (HP.N)	U (10/14/2009)	$37.68
Hercules Offshore (HERO.O)	NR (02/19/2010)	$3.12
ION Geophysical (IO.N)	O (04/16/2010)	$5.43
Nabors Industries Inc. (NBR.N)	O (09/25/2008)	$19.03
National Oilwell Varco (NOV.N)	O (09/25/2008)	$38.13
Noble Corporation (NE.N)	O (07/29/2009)	$29.07
Oceaneering International Inc (OII.N)	E (02/09/2009)	$46.27
Patterson-UTI Energy (PTEN.O)	E (03/15/2010)	$14.03
Pride International Inc. (PDE.N)	E (04/14/2010)	$24.77
RPC (RES.N)	O (04/16/2009)	$11.29
Rowan Companies (RDC.N)	E (01/19/2006)	$24.76
Schlumberger (SLB.N)	O (04/21/2008)	$56.15
Seadrill (SDRL.N)	O (04/14/2010)	$20.68
Smith International Inc. (SII.N)	NR (02/25/2010)	$37.56
Superior Well Services (SWSI.O)	O (04/16/2009)	$15.11
Tenaris S.A (TS.N)	O (11/03/2009)	$37.12
Transocean (RIG.N)	O (02/19/2010)	$56.77
Trican Well Service (TCW.TO)	U (02/17/2010)	C$12.48
Weatherford International (WFT.N)	O (09/22/2003)	$14.12

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