HELIX ENERGY SOLUTIONS GROUP INC
Form 10-K
March 02, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

R	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended December 31, 2008
	or
£	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) of the Securities Exchange Act of 1934
	For the transition period from to

Commission File Number 001-32936

HELIX ENERGY SOLUTIONS GROUP, INC.
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	95-3409686 (I.R.S. Employer Identification No.)
400 North Sam Houston Parkway East Suite 400 Houston, Texas (Address of principal executive offices)	77060 (Zip Code)

(281) 618-0400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (no par value)	New York Stock Exchange

Securities registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. R Yes £ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. £ Yes R No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. R Yes £ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer R	Accelerated filer £	Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). £ Yes R No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based on the last reported sales price of the Registrant's Common Stock on June 30, 2008 was approximately $3.6 billion.

The number of shares of the registrant's Common Stock outstanding as of February 27, 2009 was 98,386,640.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 13, 2009, are incorporated by reference into Part III hereof.

HELIX ENERGY SOLUTIONS GROUP, INC. INDEX — FORM 10-K

Forward Looking Statements

This Annual Report on Form 10-K (“Annual Report”) contains various statements that contain forward-looking information regarding Helix Energy Solutions Group, Inc. and represent our expectations and beliefs concerning future events. This forward looking information is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995 as set forth in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, included herein or incorporated herein by reference, that are predictive in nature, that depend upon or refer to future events or conditions, or that use terms and phrases such as “achieve,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “plan,” “project,” “propose,” “strategy,” “predict,” “envision,” “hope,” “intend,” “will “potential,” “should,” “could” and similar terms and phrases are forward-looking statements. Included in forward-looking statements are, among other things:

- statements regarding our business strategy, including the potential sale of assets and/or other investments in our subsidiaries and facilities, or any other business plans, forecasts or objectives, any or all of which is subject to change;

- statements regarding our anticipated production volumes, results of exploration, exploitation, development, acquisition or operations expenditures, and current or prospective reserve levels with respect to any property or well;

- statements related to commodity prices for oil and gas or with respect to the supply of and demand for oil and gas;

- statements relating to our proposed acquisition, exploration, development and/or production of oil and gas properties, prospects or other interests and any anticipated costs related thereto;

- statements related to environmental risks, exploration and development risks, or drilling and operating risks;

- statements relating to the construction or acquisition of vessels or equipment and any anticipated costs related thereto;

- statements that our proposed vessels, when completed, will have certain characteristics or the effectiveness of such characteristics;

- statements regarding projections of revenues, gross margin, expenses, earnings or losses, working capital or other financial items;

- statements regarding any financing transactions or arrangements, or ability to enter into such transactions;

- statements regarding any Securities and Exchange Commission (“SEC”) or other governmental or regulatory inquiry or investigation;

- statements regarding anticipated legislative, governmental, regulatory, administrative or other public body actions, requirements, permits or decisions;

- statements regarding anticipated developments, industry trends, performance or industry ranking;

- statements regarding general economic or political conditions, whether international, national or in the regional and local market areas in which we do business;

- statements related to our ability to retain key members of our senior management and key employees;

- statements related to the underlying assumptions related to any projection or forward-looking statement; and
- any other statements that relate to non-historical or future information.

Although we believe that the expectations reflected in these forward-looking statements are reasonable and are based on reasonable assumptions, they do involve risks, uncertainties and other factors that could cause actual results to be materially different from those in the forward-looking statements. These factors include, among other things:

- impact of the weak economic conditions and the future impact of such conditions on the oil and gas industry and the demand for our services;
- uncertainties inherent in the development and production of oil and gas and in estimating reserves;

- the geographic concentration of our oil and gas operations;
- uncertainties regarding our ability to replace depletion;
- unexpected future capital expenditures (including the amount and nature thereof);
- impact of oil and gas price fluctuations and the cyclical nature of the oil and gas industry;
- the effects of indebtedness, which could adversely restrict our ability to operate, could make us vulnerable to general adverse economic and industry conditions, could place us at a competitive disadvantage compared to our competitors that have less debt and could have other adverse consequences to us;
- the effectiveness of our derivative activities;
- the results of our continuing efforts to control or reduce costs, and improve performance;
- the success of our risk management activities;
- the effects of competition;
- the availability (or lack thereof) of capital (including any financing) to fund our business strategy and/or operations and the terms of any such financing;
- the impact of current and future laws and governmental regulations including tax and accounting developments;
- the effect of adverse weather conditions or other risks associated with marine operations;
- the effect of environmental liabilities that are not covered by an effective indemnity or insurance;
- the potential impact of a loss of one or more key employees; and
- the impact of general, market, industry or business conditions.

Our actual results could differ materially from those anticipated in any forward-looking statements as a result of a variety of factors, including those discussed in "Risk Factors" beginning on page 19 of this Annual Report. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. Forward-looking statements are only as of the date they are made, and other than as required under the securities laws, we assume no obligation to update or revise these forward-looking statements or provide reasons why actual results may differ.

PART I

Item 1. Business

OVERVIEW

Helix Energy Solutions Group, Inc. ("Helix") is an international offshore energy company, incorporated in the state of Minnesota in 1979, that provides reservoir development solutions and other contracting services to the energy market as well as to our own oil and gas properties. Our Contracting Services segment utilizes our vessels, offshore equipment and proprietary technologies to deliver services that may reduce finding and development ("F&D") costs and encompass the complete lifecycle of an offshore oil and gas field. Our Oil and Gas segment engages in prospect generation, exploration, development and production activities. Our primary operations are located in the Gulf of Mexico, North Sea, Asia Pacific and Middle East regions. Unless the context indicates otherwise, as used in this Annual Report, the terms "Company," "we," "us" and "our" refer collectively to Helix and its subsidiaries, including Cal Dive International, Inc. (collectively with its subsidiaries referred to as "Cal Dive" or "CDI"), a publicly traded majority-owned subsidiary.

In December 2008, we announced the intention to focus and shape the future of the Company around our deepwater construction and well intervention services. For additional information regarding this recent strategy announcement and about our deepwater construction and well intervention services see sections titled "Industry and Our

Strategy," "Contracting Services" and "Contracting Services Operations" all included elsewhere within Item 1. "Business" of this Annual Report.

Our principal executive offices are located at 400 North Sam Houston Parkway East, Suite 400, Houston, Texas 77060; phone number 281-618-0400. Our common stock trades on the New York Stock Exchange ("NYSE") under the ticker symbol "HLX" and Cal Dive's common stock also trades on the NYSE under the ticker symbol "DVR". Our Chief Executive Officer submitted the annual CEO certification to the NYSE as required under the its listed Company Manual in April 2008. Our principal executive officer and our principal financial officer have made the certifications required under Section 302 of the Sarbanes-Oxley Act, which are included as exhibits to this report.

Please refer to the subsection "— Certain Definitions" on page 8 for definitions of additional terms commonly used in this Annual Report.

CONTRACTING SERVICES

We seek to provide services and methodologies which we believe are critical to finding and developing offshore reservoirs and maximizing production economics, particularly from marginal fields. By "marginal," we mean reservoirs that are no longer wanted by major operators or are considered too small to be material to them. Our "life of field" services are organized in five disciplines: construction, well operations, reservoir and well technology services, drilling, and production facilities. We have disaggregated our contracting services operations into three reportable segments in accordance with Financial Accounting Standards Board ("FASB") Statement No. 131 Disclosures about Segments of an Enterprise and Related Information ("SFAS No. 131"): Contracting Services (which includes subsea construction, well operations, reservoir and well technology services and drilling); Shelf Contracting; and Production Facilities.

Construction

For over 30 years, we have supported offshore oil and natural gas infrastructure projects by providing our services, which include the construction and maintenance of pipelines, production platforms, risers and subsea production systems primarily in the Gulf of Mexico, North Sea, Asia Pacific and Middle East regions. Our subsea construction services include pipelay and robotics in water depths exceeding 1,000 feet. We also provide construction services periodically from our well intervention vessels. We perform traditional subsea services, including air and saturation diving, salvage work and shallow water pipelay on the Outer Continental Shelf ("OCS") of the Gulf of Mexico in water depths up to 1,000 feet through Cal Dive, a majority-owned subsidiary in which we currently own approximately 51%. The financial results of Cal Dive are consolidated in our accompanying financial statements as of December 31, 2008 and 2007 and for each of the years in the three-year period ending December 31, 2008 (see Item 8. Financial Statements and Supplementary Data").

Well Operations

We engineer, manage and conduct well construction, intervention and decommissioning operations in water depths ranging from 200 to 10,000 feet. Over the long term, we expect an increased demand for these services caused by the growing number of subsea tree installations, coupled with our lower cost solutions as compared to a deepwater rig. Accordingly, we are constructing a newbuild vessel (the "Well Enhancer") and have expanded geographically in Australia and Asia in 2007 with the acquisition of Seatrac Pty Ltd. ("Seatrac"), an established Australian well operations company now called Well Ops SEA Pty Limited ("WOSEA").

Reservoir and Well Technology Services

Our ownership of Helix RDS Limited ("Helix RDS") makes us one of the largest outsource providers of sub-surface technology skills in the North Sea. With a staff base of over 120 employees, we have the resources to provide valuable well enhancement services, which typically increase production or extend the life of a reservoir, to our own oil and natural gas projects as well as to our clients. Each team we assign to a specific client comprises a diverse set of skills, including reservoir engineering, geology, modeling, flow assurance, completions, well design and production enhancement. Helix RDS has an established market presence in regions that we have identified as strategically important to future growth, including offices in Aberdeen and London in the United Kingdom, Kuala Lumpur, Malaysia and Perth, Australia.

Drilling

Contract drilling is a service we have not historically provided but have been contemplating since the construction of our Q4000 vessel over eight years ago. We added drilling capability to the Q4000 in 2008. The fundamentals for deepwater rigs have been favorable in recent years, reflecting significant demand and a limited availability of such rigs. Although the deterioration in the worldwide capital markets has led a number of oil and gas companies to recently curtail or to announce anticipated reductions in their near-term capital expenditure budgets, we believe that the long-term deepwater projects will be less affected because of the significant oil and gas reserves associated with such projects and the relatively long lead times required to develop these fields for production. The drilling and completion cost of a subsea development can be as much as 50% of the total F&D costs for a deepwater prospect. The Q4000's drilling capability primarily focuses on the use of hybrid slim-bore technology capable of drilling and completing 6-inch slimbore wells to 22,000 feet total depth and operating in up to 6,000 feet of water, which will allow us to drill many of our own deepwater prospects and support the exploration and appraisal efforts of our clients. We expect approval from the MMS in 2009 for cased well services, including completions, and approval for drilling once we have satisfied MMS requirements.

Production Facilities

We own interests in certain production facilities in hub locations where there is potential for significant subsea tieback activity. Ownership of production facilities enables us to earn a transmission company type return through tariff charges while providing construction work for our vessels. We own a 50% interest in the Marco Polo tension leg platform ("TLP"), which was installed in 4,300 feet of water in the Gulf of Mexico, through Deepwater Gateway, L.L.C. ("Deepwater Gateway"). We also own a 20% interest in Independence Hub, L.L.C. ("Independence Hub"), an affiliate of Enterprise Products Partners L.P. Independence Hub owns a 105-foot deep draft, semi-submersible platform, which was installed during 2007. The Independence Hub platform is located in a water depth of 8,000 feet and serves as a regional hub for up to 1 billion cubic feet of natural gas production per day from multiple ultra-deepwater fields in the eastern Gulf of Mexico. Finally, through a consolidated 50% owned entity, we are actively converting a vessel into a floating production unit, which we intend to initially use to handle the future oil and gas production from our Phoenix field in the Gulf of Mexico (see Item 2. Properties – Significant Oil and Gas Properties).

OIL AND GAS

We formed our oil and gas operations in 1992 to develop and provide more efficient solutions for the abandonment requirements of companies operating offshore, to expand the asset utilization of our contracting services assets and to achieve incremental returns for our contracting services. We have evolved this business model to include not only mature oil and gas properties but also proved and unproved reserves yet to be developed and explored. In July 2006, we acquired Remington Oil and Gas Corporation ("Remington"), an exploration, development and production company with operations located primarily in the Gulf of Mexico. This acquisition has led to the assembly of services that allows us to create value at key points in the life of a reservoir from exploration through development and operating through the field's final abandonment. As of December 31, 2008, we had 665 Bcfe of estimated proved reserves with approximately 98% associated with properties located in the Gulf of Mexico. As discussed in "The Industry and Our Strategy" below, in December 2008, we announced that we intend to seek the potential sale of part or all of our oil and gas operations, however; until any potential disposition occurs, we believe that owning interests in reservoirs, particularly in deepwater, provides the following:

- a potential backlog for our service assets as a hedge against cyclical service asset utilization;
- potential utilization for new non-conventional applications of service assets to hedge against lack of initial market acceptance and utilization risk; and
- incremental returns.

Our oil and gas operations include an experienced team of personnel providing services in geology, geophysics, reservoir engineering, drilling, production engineering, facilities management, lease operations and petroleum land management. We seek to maximize returns on our oil and gas investments by lowering F&D costs, reducing development time, operating our fields more effectively, and extending the reservoir life through well exploitation operations. Our reservoir engineering and geophysical expertise, along with our access to contracting services assets that may positively impact a project's development costs, have enabled us to partner with many other oil and gas companies in offshore development projects.

Our contracting services includes three of our business segments, Contracting Services, Shelf Contracting and Production Facilities. Our fourth business segment is Oil and Gas. Significant financial information relating to our operations by segments and by geographic areas for the last three years is contained in Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

THE INDUSTRY AND OUR STRATEGY

In December 2008, we announced our intention to focus and shape the future direction of the Company around our deepwater construction and well intervention services. We intend to achieve this strategic focus by seeking and evaluating strategic opportunities to:

1) Divest all or a portion of our oil and gas assets;
2) Divest our ownership interests in one or all production facilities; and
3) Dispose of our remaining 51% interest in our majority owned subsidiary, CDI.

We have engaged financial advisors to assist us in these efforts. The current economic and financial market conditions may affect the timing of any strategic dispositions by us and will require a degree of patience in order to execute any transactions. As a result, we are unable to be specific with respect to a timetable for any disposition, but we intend to aggressively focus on reducing our indebtedness through monetization of non-core assets and allocation of free cash flow in order to accelerate our strategic goals. We cannot assure you that any or all of the proposed strategic dispositions will be completed or that we will be able to negotiate a favorable price and/or terms. Dispositions of any material assets and/or investments in our non-core businesses will require obtaining approval from our Board of Directors before consummation.

Consistent with this strategy, in December 2008 we announced the sale of our 17.5% non-operating working interest in the Bass Lite oil and gas field for $49 million in gross proceeds and in January 2009 we entered into a stock repurchase agreement with CDI that resulted in us selling approximately 13.6 million shares of CDI common stock held by us to CDI for $86 million in gross proceeds. The sale reduced our ownership of CDI from approximately 57% to our current approximate 51% ownership position.

Demand for our contracting services operations is primarily influenced by the condition of the oil and gas industry, and in particular, the willingness of oil and gas companies to make capital expenditures for offshore exploration, drilling and production operations. Generally, spending for our contracting services fluctuates directly with the direction of oil and natural gas prices. The performance of our oil and gas operations is also largely dependent on the prevailing market prices for oil and natural gas, which are impacted by global economic conditions, hydrocarbon production and excess capacity, geopolitical issues, weather and several other factors.

The global economic conditions deteriorated significantly over the past year with declines in the oil and gas market accelerating during the fourth quarter of 2008. Although we currently are experiencing a current market downturn, we believe that the long-term industry fundamentals are positive based on the following factors: (1) long term increasing world demand for oil and natural gas; (2) peaking global production rates; (3) globalization of the natural gas market; (4) increasing number of mature and small reservoirs; (5) increasing ratio of contribution to global production from marginal fields; (6) increasing offshore activity, particularly in Deepwater; and (7) increasing number of subsea developments. Our current strategy of combining contracting services operations and oil and gas operations allows us to focus on trends (4) through (7) in that we pursue long-term sustainable growth by applying specialized subsea services to the broad external offshore market but with a complementary focus on marginal fields and new reservoirs in which we have an equity stake.

Our primary goal is to provide services and methodologies to the industry which we believe are critical to finding and developing offshore reservoirs and maximizing the economics from marginal fields. A secondary goal is for our oil and gas operations to generate prospects and find and develop oil and gas employing our key services and methodologies resulting in a reduction in F&D costs. Meeting these objectives drives our ability to achieve our primary goal of maximizing the value for our shareholders. In order to achieve these goals we will:

Continue Expansion of Contracting Services Capabilities. We will focus on providing offshore services that deliver the highest financial return to us. We may make strategic investments in capital projects that expand our service capabilities or add capacity to existing services in our key operating regions. Our capital investments have included adding offshore drilling capability to our Q4000 vessel, converting a vessel into a dynamically positioned floating production unit (Helix Producer I), converting a former dynamically positioned cable lay vessel into a deepwater pipelay vessel (the Caesar), and constructing the Well Enhancer vessel with greater well servicing capabilities in the North Sea.

Monetize Oil and Gas Reserves and Non-Core Assets. We intend to sell down interests in oil and gas reserves once value has been created via prospect generation, discovery and/or development engineering. Through this approach we seek to lower reservoir and commodity risk, lower capital expenditures and increase third party contracting services profits. We may sell interests in oil and gas reserves at any time during the life of the properties.

As stated previously, we will focus on services which are critical to lowering F&D costs, particularly on marginal fields in the deepwater. As the strategy of our Shelf Contracting segment does not focus on minimizing F&D cost, in December 2006, a minority stake (26.5%) in this business was sold through a carve-out initial public offering. Our interest in CDI was further reduced through CDI's acquisition of Horizon Offshore, Inc. ("Horizon") in December 2007 and was 57.2% at December 31, 2008. In January 2009, CDI acquired 13.6 million shares of its outstanding common shares from us reducing our current ownership in CDI to approximately 51%. See Item 8. Financial Statements and Supplementary Data "— Note 5 — Acquisition of Horizon Offshore, Inc." We believe the Shelf Contracting segment, CDI, is better positioned for growth as a stand-alone entity.

Generate Prospects and Focus Exploration Drilling on Select Deepwater Prospects. Our oil and gas operations continue to function normally following our December 2008 announcement that all or a portion of such properties may be sold. This means we will continue to generate prospects and drill in areas where we believe our contracting services assets can be utilized and incremental returns will be achieved through control of and application of our development services and methodologies. To minimize our F&D costs, we expect to utilize the Q4000 for many of our deepwater drilling needs once regulatory approval has been obtained. Additionally, we plan to seek partners on these prospects to mitigate risk associated with the cost of drilling and development work.

Continue Exploitation Activities and Converting PUD/PDNP Reserves into Production. Over the years, our oil and gas operations have been able to achieve a significant return on capital due in part to our ability to convert proved undeveloped reserves ("PUD") and proved developed non-producing reserves ("PDNP") into producing assets through successful exploitation drilling and well work. As of December 31, 2008, the PUD category for our U.S Gulf of Mexico properties, totaled approximately 319 Bcfe or 49% of our total domestic estimated proved reserves. All of our U.K proved reserves are considered to be PUD at December 31, 2008. We will focus on cost effectively developing these reserves to generate oil and gas production, or alternatively, selling full or partial interests in them to fund our core service business and/or retire outstanding debt.

Certain Definitions

Defined below are certain terms helpful to understanding our business:

Bcfe: One billion cubic feet equivalent, with one barrel of oil being equivalent to six thousand cubic feet of natural gas.

Deepwater: Water depths exceeding 1,000 feet.

Dive Support Vessel (DSV): Specially equipped vessel that performs services and acts as an operational base for divers, remotely operated vehicles ("ROV") and specialized equipment.

Dynamic Positioning (DP): Computer-directed thruster systems that use satellite-based positioning and other positioning technologies to ensure the proper counteraction to wind, current and wave forces enabling the vessel to maintain its position without the use of anchors.

DP-2: Two DP systems on a single vessel pursuant to which the redundancy allows the vessel to maintain position even with the failure of one DP system, required for vessels which support both manned diving and robotics and for those working in close proximity to platforms. DP-2 are necessary to provide the redundancy required to support safe deployment of divers, while only a single DP system is necessary to support ROV operations.

EHS: Environment, Health and Safety programs to protect the environment, safeguard employee health and eliminate injuries.

E&P: Oil and gas exploration and production activities.

F&D: Total cost of finding and developing oil and gas reserves.

G&G: Geological and geophysical.

IMR: Inspection, maintenance and repair activities.

Life of Field Services: Services performed on offshore facilities, trees and pipelines from the beginning to the end of the economic life of an oil field, including installation, inspection, maintenance, repair, contract operations, well intervention, recompletion and abandonment.

MBbl: When describing oil or other natural gas liquid, refers to 1,000 barrels containing 42 gallons each.

Minerals Management Service (MMS): The federal regulatory body for the United States having responsibility for the mineral resources of the United States OCS.

Mcf: When describing natural gas, refers to 1 thousand cubic feet.

MMcf: When describing natural gas, refers to 1 million cubic feet.

Moonpool: An opening in the center of a vessel through which a saturation diving system or ROV may be deployed, allowing safe deployment in adverse weather conditions.

MSV: Multipurpose support vessel.

Outer Continental Shelf (OCS): For purposes of our industry, areas in the Gulf of Mexico from the shore to 1,000 feet of water depth.

Peer Group-Contracting Services: Defined in this Annual Report as comprising FMC Technologies, Inc. (NYSE: FTI), Global Industries, Ltd. (NASDAQ: GLBL), McDermott International, Inc. (NYSE: MDR), Oceaneering International, Inc. (NYSE: OII), Cameron International Corporation (NYSE: CAM), Pride International, Inc. (NYSE: PDE), Oil States International, Inc. (NYSE: OIS), Rowan Companies, Inc. (NYSE: RDC), and Tidewater Inc. (NYSE: TDW).

Peer Group-Oil and Gas: Defined in this Annual Report as comprising ATP Oil & Gas Corp (NASDAQ: ATPG), W&T Offshore, Inc. (NYSE: WTI), and Mariner Energy, Inc. (NYSE: ME).

Proved Developed Non-Producing (PDNP): Proved developed oil and gas reserves that are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, or (2) wells that require additional completion work or future recompletion prior to the start of production.

Proved Developed Shut-In (PDSI): Proved developed oil and gas reserves associated with wells that exhibited calendar year production, but were not online January 1, 2009.

Proved Developed Reserves: Reserves that geological and engineering data indicate with reasonable certainty to be recoverable today, or in the near future, with current technology and under current economic conditions.

Proved Undeveloped Reserves (PUD): Proved undeveloped oil and gas reserves that are expected to be recovered from a new well on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Remotely Operated Vehicle (ROV): Robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks beyond the capability of manned diving operations.

ROVDrill: ROV deployed coring system developed to take advantage of existing ROV technology. The coring package, deployed with the ROV system, is capable of taking cores from the seafloor in water depths up to 3000m. Because the system operates from the seafloor there is no need for surface drilling strings and the larger support spreads required for conventional coring.

Saturation Diving: Saturation diving, required for work in water depths between 200 and 1,000 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the pressure at the work site.

Spar: Floating production facility anchored to the sea bed with catenary mooring lines.

Spot Market: Prevalent market for subsea contracting in the Gulf of Mexico, characterized by projects that are generally short in duration and often on a turnkey basis. These projects often require constant rescheduling and the availability or interchangeability of multiple vessels.

Stranded Field: Smaller PUD reservoir that standing alone may not justify the economics of a host production facility and/or infrastructure connections.

Subsea Construction Vessels: Subsea services are typically performed with the use of specialized construction vessels which provide an above-water platform that functions as an operational base for divers and ROVs. Distinguishing characteristics of subsea construction vessels include DP systems, saturation diving capabilities, deck space, deck load, craneage and moonpool launching. Deck space, deck load and craneage are important features of a vessel's ability to transport and fabricate hardware, supplies and equipment necessary to complete subsea projects.

Tension Leg Platform (TLP): A floating production facility anchored to the seabed with tendons.

Trencher or Trencher System: A subsea robotics system capable of providing post lay trenching, inspection and burial (PLIB) and maintenance of submarine cables and flowlines in water depths of 30 to 7,200 feet across a range of seabed and environmental conditions.

Ultra-Deepwater: Water depths beyond 4,000 feet.

Working Interest: The interest in an oil and natural gas property (normally a leasehold interest) that gives the owner the right to drill, produce and conduct operations on the property and to a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

CONTRACTING SERVICES OPERATIONS

We provide a full range of contracting services primarily in the Gulf of Mexico, North Sea, Asia Pacific and Middle East regions in both the shallow water and deepwater. Our services include:

- Exploration support. Pre-installation surveys; rig positioning and installation assistance; drilling inspection; subsea equipment maintenance; reservoir engineering; G&G services; modeling; well design; and engineering;

- Development. Installation of small platforms on the OCS, installation of subsea pipelines, flowlines, control umbilicals, manifolds, risers; pipelay and burial; installation and tie-in of riser and manifold assembly; commissioning, testing and inspection; and cable and umbilical lay and connection;

- Production. Inspection, maintenance and repair of production structures, risers, pipelines and subsea equipment; well intervention; life of field support; reservoir management; provision of production technology; and intervention engineering; and

- Decommissioning. Decommissioning and remediation services; plugging and abandonment services; platform salvage and removal services; pipeline abandonment services; and site inspections.

We provide offshore services and methodologies that we believe are critical to finding and developing offshore reservoirs and maximizing production economics, particularly from marginal fields. These "life of field" services are represented by five disciplines: (1) construction, (2) well operations, (3) reservoir and well technology services, (4) drilling and (5) production facilities. As of December 31, 2008, our contracting services operations' backlog supported by written agreements or contracts totaled $897.8 million, of which $668.4 million was expected to be completed in 2009. These backlog contracts are cancellable without penalty in many cases. Backlog is not a reliable indicator of total annual revenue for our Contracting Services businesses as contracts may be added, cancelled and in many cases modified while in progress.

Construction

Subsea

Construction services which we believe are critical to the development of fields in the deepwater include the use of pipelay vessels and remotely operated vessels ("ROVs"). We currently own three subsea umbilical and pipelay vessels. The Intrepid is a 381-foot DP-2 vessel capable of laying rigid and flexible pipe (up to 8 inches in diameter) and umbilicals. The Express is a 502-foot DP-2 vessel also capable of laying rigid and flexible pipe (up to 14 inches in diameter) and umbilicals. In January 2006, we acquired the Caesar, a mono-hull built in 2002 for the cable lay market. The Caeser is 485 feet long and has a state-of-the-art DP-2 system. We are currently converting the Caeser into a subsea pipelay asset capable of laying rigid pipe up to 42 inches in diameter. Our total investment in the Caesar is expected to range between $210 million and $230 million when it is completed, which is expected in the second half of 2009. We also periodically provide construction services from our well intervention vessels, Seawell and Q4000. A new well intervention vessel, the Well Enhancer, is expected to be placed in service in the second quarter of 2009.

We operate ROVs, trenchers and ROV Drills designed for offshore construction, rather than supporting drilling rig operations. As marine construction support in the Gulf of Mexico and other areas of the world moves to deeper waters, use of ROV systems is increasing and the scope of their services is more significant. Our vessels add value by supporting deployment of our ROVs. We provide our customers with vessel availability and schedule flexibility to meet the technological challenges of these subsea construction developments in the Gulf of Mexico and internationally. Our 38 ROVs and six trencher systems operate in three regions: the Americas, Europe/West Africa and Asia Pacific.

The results of our Subsea division are reported under our Contracting Services segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

Shelf Contracting

Our Shelf Contracting segment represents the operations and results of CDI, our consolidated, majority-owned subsidiary. CDI provides manned diving services, pipelay and pipebury services with CDI's six pipelay/pipebury barges. These barges are able to install, bury and repair pipelines having outside diameters of up to 36 inches, and employ conventional S-lay technology that is appropriate for operating on the Gulf of Mexico OCS and the international areas where we currently operate. CDI also performs platform installation and salvage services utilizing CDI's two derrick barges which are equipped with cranes designed to lift and place platforms, structures or equipment into position for installation. Based on the size of its fleet, we believe that CDI is the market leader in the diving support business, which involves services such as construction, inspection, maintenance, repair and decommissioning of offshore production and pipeline infrastructure on the Gulf of Mexico OCS. CDI also provides these services directly or through partnering relationships in select international offshore markets, such as the Middle East and Asia Pacific. Within this segment we currently own and operate a diversified fleet of 31 vessels, including 21 surface and saturation diving support vessels, six pipelay/pipebury barges, one dedicated pipebury barge, one combination derrick/pipelay barge and two derrick barges. Pipelay and pipe burial operations typically require extensive use of our diving services; therefore, we consider these services to be complementary.

Shelf Contracting performs saturation, surface and mixed gas diving which enable us to provide a full complement of manned diving services in water depths of up to 1,000 feet. CDI provides saturation diving services in water depths of 200 to 1,000 feet through its fleet of eight saturation diving vessels and ten portable saturation diving systems. We also believe that CDI's fleet of diving support vessels is among the most technically advanced in the industry because a number of these vessels have features such as dynamic positioning, hyperbaric rescue chambers, multi-chamber systems for split-level operations and moon pool deployment, which allow us to operate effectively in challenging offshore environments. CDI provides surface and mixed gas diving services in water depths typically less than 300 feet through our 13 surface diving vessels. We believe that CDI's fleet of diving support vessels is the largest in the world.

On December 11, 2007, CDI completed its acquisition of Horizon, through the merger of Horizon with and into a wholly owned subsidiary of CDI, which resulted in Horizon becoming a wholly owned subsidiary of CDI. Under the terms of the merger, each share of Horizon's common stock was converted into the right to receive $9.25 in cash and 0.625 shares of CDI's common stock. All shares of Horizon restricted stock that had been issued but had not vested prior to the effective time of the merger became fully vested at the effective time of the merger and converted into the right to receive the merger consideration. CDI issued an aggregate of approximately 20.3 million shares of common stock and paid approximately $300 million in cash in the merger. The cash portion of the merger consideration was paid from CDI's cash on hand and from borrowings under its $675 million credit facility consisting of a $375 million senior secured term loan and a $300 million senior secured revolving credit facility. See Item 8. Financial Statements and Supplementary Data "— Note 11 — Long-Term Debt."

In January 2009, CDI purchased from us approximately 13.6 million shares of its common stock for $86 million or $6.34 per share. We still hold approximately 47.9 million shares of CDI common stock representing approximately 51% of its total outstanding shares of common stock.

CDI has substantially increased the size of its Shelf Contracting fleet and expanded its operating capabilities on the Gulf of Mexico OCS through strategic acquisitions of Horizon (2007), Acergy US, Inc. ("Acergy") (2006), and the assets of Torch (2005). CDI also acquired Fraser Diving International Limited ("Fraser") (2006).

Shelf Contracting retained our former name of "Cal Dive," and completed a carve-out initial public offering in December 2006. It trades on the New York Stock Exchange under the ticker symbol of "DVR." We received pre-tax net proceeds of $464.4 million from the initial public offering ("IPO"), which included the sale of a 26.5% interest and transfer of debt to CDI.

The results of shelf contracting services are reported under our Shelf Contracting Services segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

Well Operations

We engineer, manage and conduct well construction, intervention, and decommissioning operations in water depths ranging from 200 to 10,000 feet. The increased number of subsea wells installed and the shortfall in both rig availability and equipment have resulted in an increased demand for Well Operations services in both the Gulf of Mexico and the North Sea.

As major and independent oil and gas companies expand operations in the deepwater basins of the world, development of these reserves will often require the installation of subsea trees. Historically, drilling rigs were typically necessary for subsea well operations to troubleshoot or enhance production, shift zones or perform recompletions. Two of our vessels serve as work platforms for well operations services at costs significantly less than drilling rigs. In the Gulf of Mexico, our multi-service semi-submersible vessel, the Q4000, has set a series of well operations "firsts" in increasingly deeper water without the use of a traditional drilling rig. In the North Sea, the Seawell has provided intervention and abandonment services for over 500 North Sea subsea wells since 1987. Competitive advantages of our vessels are derived from their lower operating costs, together with an ability to mobilize quickly and to maximize production time by performing a broad range of tasks related to intervention, construction, inspection, repair and maintenance. These services provide a cost advantage in the development and management of subsea reservoir developments. With the expected long-term increased demand for these services due to the growing number of subsea tree installations, we have significant backlog for both working assets and, as a result, are constructing a newbuild North Sea vessel, the Well Enhancer. The total cost of the Well Enhancer is expected to be between $200 million and $220 million when it is completed, which is anticipated in the second quarter of 2009. Our operations expanded within Australia and Asia following the acquisition of a well-established Australian well operations company in 2006.

The results of Well Operations are reported under our Contracting Services segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

Reservoir and Well Technology Services

In 2005, we acquired Helix Energy Limited, which wholly owns Helix RDS, an outsource provider of sub-surface technology skills in the North Sea. With a staff base of over 120 employees, we have the resources to provide valuable well enhancement services, which typically increase production or extend the life of a reservoir, to our own oil and natural gas projects as well as provide these services to our clients. Each team we assign to a specific client comprises a diverse set of skills, including reservoir engineering, geology, modeling, flow assurance, completions, well design and production enhancement. Helix RDS has an established market presence in regions identified as strategically important to our future growth, including offices in Aberdeen and London in the United Kingdom, Kuala Lumpur, Malaysia and Perth, Australia.

The results of reservoir and well technology services are reported under our Contracting Services segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

Drilling

Contract drilling is a service we have not historically provided but have been contemplating since the construction of our Q4000 vessel over eight years ago. We added drilling capability to the Q4000 in 2008. The fundamentals for deepwater rigs have been favorable in recent years, reflecting significant demand and a limited availability of such rigs. Although the deterioration in the worldwide capital markets led a number of oil and gas companies to recently curtail or announce anticipated reductions to their near-term capital expenditure budgets, we believe that the long-term deepwater projects will mostly be unaffected because of the significant oil and gas reserves associated with such projects and the relatively long lead times required to develop these fields for production, The drilling cost of a subsea development can be as much as 50% of the total F&D costs for a deepwater prospect. The Q4000's drilling capability primarily focuses on the use hybrid slim-bore technology capable of drilling and completing 6-inch slimbore wells to 22,000 feet total depth and operating in up to 6,000 feet of water, which will allow us to drill many of our own deepwater prospects and support the exploration and appraisal efforts of our clients. We expect approval from the MMS for cased well services including completions in 2009 and approval for drilling once we have satisfied MMS requirements.

The results of drilling services are reported under our Contracting Services segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

Production Facilities

We own interests in certain production facilities in hub locations where there is potential for significant subsea tieback activity. There are a significant number of small discoveries that cannot justify the economics of a dedicated host facility. These discoveries are typically developed as subsea tie backs to existing facilities when capacity through the facility is available. We have historically invested in over-sized facilities that allow operators of these fields to tie back without burdening the operator of the hub reservoir. We are positioned to facilitate the tie back of certain of these smaller reservoirs to these hubs through our services. Ownership of production facilities enables us to earn a transmission company type return through tariff charges while providing construction work for our vessels. We own a 50% interest in Deepwater Gateway which owns the Marco Polo TLP, which was installed in 4,300 feet of water in the Gulf of Mexico in order to process production from the Marco Polo field discovery. We also own a 20% interest in Independence Hub which owns the Independence Hub platform, a 105-foot deep draft, semi-submersible platform located in a water depth of 8,000 feet that serves as a regional hub for up to 1 billion cubic feet of natural gas production per day from multiple ultra-deepwater fields in the previously untapped eastern Gulf of Mexico.

When a hub is not feasible, we intend to apply an integrated application of our services in a manner that cumulatively lowers development costs to a point that allows for a small dedicated facility to be used. This strategy will permit the development of some fields that otherwise would be non-commercial to develop. The commercial risk is mitigated because we have a portfolio of reservoirs and the assets to redeploy the facility. For example, through a consolidated 50% owned entity, we are currently converting a vessel into a dynamically positioned floating production unit. We intend this unit to first be utilized on the Phoenix field, which we acquired in 2006 after the hurricanes of 2005 destroyed the TLP which was being used to produce the field. Once production in the Phoenix area ceases, this re-deployable facility is expected to be moved to a new location, contracted to a third party, or used to produce other internally-owned reservoirs.

The results of production facilities services are reported under our Production Services segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

OIL & GAS OPERATIONS

We formed our oil and gas operations in 1992 to develop and provide more efficient solutions for offshore abandonment requirements, to expand the utilization of our contracting services assets and to achieve incremental returns for our contracting services. We have evolved this business model to include not only mature oil and gas properties but also proved and unproved reserves yet to be developed and explored. In July 2006, we acquired Remington, an exploration, development and production company with operations primarily in the Gulf of Mexico, for approximately $1.4 billion in cash and Helix common stock and the assumption of $358.4 million of liabilities. This acquisition led to the assembly of services that allows us to create value at key points in the life of a reservoir from exploration through development, life of field management and operating through abandonment. As of December 31, 2008, our estimated proved reserves totaled 665 Bcfe with approximately 98% of such reserves associated with properties located in the Gulf of Mexico.

As announced in December 2008, we seek to monetize the value of our oil and gas assets through the disposition of all or a portion of our oil and gas operations. Although this is our intention, until such time as an acceptable offer is made for our properties we will continue to build on their value by operating them consistent with our past practices. We cannot assure you that the sale of all or any portion of the oil and gas operations will be completed or that we will be able to negotiate an acceptable price or acceptable terms. Also, any material disposition of assets and/or investments in our non-core businesses will require obtaining approval from our Board of Director's before any definitive agreement can be reached. We believe that owning interests in reservoirs, particularly in deepwater, provides the following:

- a potential backlog for our service assets as a hedge against cyclical service asset utilization;

- potential utilization for new non-conventional applications of service assets to hedge against lack of initial market acceptance and utilization risk; and

- incremental returns.

Our oil and gas operations are currently involved in all stages of a reservoir's life. This complete life-cycle involvement allows us to meaningfully improve the economics of a reservoir that would otherwise be considered non-commercial or non-impact and has identified us as a value adding partner to many producers. Our expertise, along with similarly aligned interests, allows us to develop more efficient relationships with other producers. With a historical focus on acquiring non-impact reservoirs or mature fields, we have been successful in acquiring equity interests in several deepwater undeveloped reservoirs. In the event we continue to own and operate our oil and gas assets, developing these fields over the next few years will require significant capital commitments by us or others and may provide significant backlog for our construction assets.

Our oil and gas operations have a significant prospect inventory, mostly in the deepwater, which we believe will generate significant life of field services for our vessels. To minimize F&D costs, we expect to utilize the Q4000 for many of our deepwater future drilling needs. Our Oil and Gas segment has a proven track record of cost effectively turning prospects into production on the OCS, and we believe similar success is achievable in the deepwater. We plan to seek partners on these prospects to mitigate risk associated with the cost of drilling and development work.

We identify prospective oil and gas properties primarily by using 3-D seismic technology. After acquiring an interest in a prospective property, our strategy is to partner with others to drill one or more exploratory wells. If the exploratory well(s) find commercial oil and/or gas reserves, we complete the well(s) and install the necessary infrastructure to begin producing the oil and/or gas. Because our operations are located offshore Gulf of Mexico, we must install facilities such as offshore platforms and gathering pipelines in order to produce the oil and gas and deliver it to the marketplace. Certain properties require additional drilling to fully develop the oil and gas reserves and maximize the production from a particular discovery.

Our oil and gas operations include an experienced team of personnel providing services in geology, geophysics, reservoir engineering, drilling, production engineering, facilities management, lease operations and petroleum land management. We seek to maximize profitability by lowering F&D costs, lowering development time and cost, operating the field more effectively, and extending the reservoir life through well exploitation operations. When a company sells an OCS property, it retains the financial responsibility for plugging and decommissioning if its purchaser becomes financially unable to do so. Thus, it becomes important that a property be sold to a purchaser that has the financial wherewithal to perform its contractual obligations. We believe we have a strong reputation among major and independent oil companies. In addition, our reservoir engineering and geophysical expertise, along with our access to contracting service assets that can positively impact development costs, have enabled us to partner with many other oil and gas companies in offshore development projects. We share ownership in our oil and gas properties with various industry participants. We currently operate the majority of our offshore properties. An operator is generally able to maintain a greater degree of control over the timing and amount of capital expenditures than a non-operating interest owner. See Item 2. Properties "— Summary of Natural Gas and Oil Reserve Data" for detailed disclosures of our oil and gas properties.

The results of our oil and gas operations are reported under our Oil and Gas segment. See Item 8. Financial Statements and Supplementary Data "— Note 19 — Business Segment Information."

GEOGRAPHIC AREAS

Revenue by geographic region during is as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
United States	$ 1,394,246	$ 1,261,844	$ 1,063,821
United Kingdom	181,108	230,189	190,064
India	214,288	36,433	—
Other	358,707	238,979	113,039
Total	$ 2,148,349	$ 1,767,445	$ 1,366,924

We include the property and equipment, net in the geographic region in which it is legally owned. The following table provides our property and equipment, net of depreciation by geographic region (in thousands):

	Year Ended December 31,		
	2008	2007	2006
United States	$ 3,170,866	$ 3,014,283	$ 2,068,342
United Kingdom	207,156	189,117	110,451
Other	41,568	41,288	33,665
Total	$ 3,419,590	$ 3,244,688	$ 2,212,458

CUSTOMERS

Our customers include major and independent oil and gas producers and suppliers, pipeline transmission companies and offshore engineering and construction firms. The level of construction services required by any particular contracting customer depends on the size of that customer's capital expenditure budget devoted to construction plans in a particular year. Consequently, customers that account for a significant portion of contract revenues in one fiscal year may represent an immaterial portion of contract revenues in subsequent fiscal years. The percent of consolidated revenue of major customers, those whose total represented 10% or more of our consolidated revenues, was as follows: 2008 — Louis Dreyfus Energy Services (10%) and Shell Offshore, Inc. (11%); 2007 — Louis Dreyfus Energy Services (13%) and Shell Offshore, Inc. (10%); and 2006 — Louis Dreyfus Energy Services (10%) and Shell Trading (US) Company (10%). All of these customers were purchasers of our oil and gas production. We estimate that in 2008 we provided subsea services to over 200 customers.

Our contracting services projects have historically been of short duration and are generally awarded shortly before mobilization. As a result, no significant backlog existed prior to 2007. Beginning in 2007, we have entered into several long-term contracts, for certain of our Deepwater and Well Operations vessels. In addition, our production portfolio inherently provides a backlog of work for our services that we can complete at our option based on market conditions.

COMPETITION

The marine contracting industry is highly competitive. While price is a factor, the ability to acquire specialized vessels, attract and retain skilled personnel, and demonstrate a good safety record are also important. Our competitors on the OCS include Global Industries, Ltd., Oceaneering International, Inc. and a number of smaller companies, some of which only operate a single vessel and often compete solely on price. For Deepwater projects, our principal competitors include Acergy S.A., Allseas Group S.A., Subsea 7 Inc. and Technip-Coflexip.

Our oil and gas operations compete with large integrated oil and gas companies as well as independent exploration and production companies for offshore leases on properties. We also encounter significant competition for the acquisition of mature oil and gas properties. Our ability to acquire additional properties depends upon our ability to evaluate and select suitable properties and consummate transactions in a highly competitive environment. Many of our competitors may have significantly more financial, personnel, technological, and other resources available to them. In addition, some of the larger integrated companies may be better able to respond to industry changes including price fluctuation, oil and gas demands, and governmental regulations. Small or mid-sized producers, and in some cases financial players, with a focus on acquisition of proved developed and undeveloped reserves, are often competition on development properties.

TRAINING, SAFETY AND QUALITY ASSURANCE

We have established a corporate culture in which EHS remains among the highest of priorities. Our corporate goal, based on the belief that all accidents can be prevented, is to provide an injury-free workplace by focusing on correct and safe behavior. Our EHS procedures, training programs and management system were developed by management personnel, common industry work practices and by employees with on-site experience who understand the physical challenges of the ocean work site. As a result, management believes that our EHS programs are among the best in the industry. We have introduced a company-wide effort to enhance and provide continuous improvements to our behavioral based safety process, as well as our training programs, that continue to focus on safety through open communication. The process includes the documentation of all daily observations, collection of data and data treatment to provide the mechanism of understanding both safe and unsafe behaviors at the worksite. In addition, we initiated scheduled Hazard Hunts by project management on each vessel, complete with assigned responsibilities and action due dates. To further this effort, progressive auditing is done to continuously improve our EHS management system.

GOVERNMENT REGULATION

Many aspects of the offshore marine construction industry are subject to extensive governmental regulations. We are subject to the jurisdiction of the U.S. Coast Guard (“USCG”), the U.S. Environmental Protection Agency, the MMS and the U.S. Customs Service, as well as private industry organizations such as the American Bureau of Shipping (“ABS”). In the North Sea, international regulations govern working hours and a specified working environment, as well as standards for diving procedures, equipment and diver health. These North Sea standards are some of the most stringent worldwide. In the absence of any specific regulation, our North Sea operations adhere to standards set by the International Marine Contractors Association and the International Maritime Organization. In addition, we operate in other foreign jurisdictions that have various types of governmental laws and regulations to which we are subject.

We support and voluntarily comply with standards of the Association of Diving Contractors International. The Coast Guard sets safety standards and is authorized to investigate vessel and diving accidents, and to recommend improved safety standards. The Coast Guard also is authorized to inspect vessels at will. We are required by various governmental and quasi-governmental agencies to obtain various permits, licenses and certificates with respect to our operations. We believe that we have obtained or can obtain all permits, licenses and certificates necessary for the conduct of our business.

In addition, we depend on the demand for our services from the oil and gas industry, and therefore, our business is affected by laws and regulations, as well as changing tax laws and policies, relating to the oil and gas industry generally. In particular, the development and operation of oil and gas properties located on the OCS of the United States is regulated primarily by the MMS.

The MMS requires lessees of OCS properties to post bonds or provide other adequate financial assurance in connection with the plugging and abandonment of wells located offshore and the removal of all production facilities. Operators on the OCS are currently required to post an area-wide bond of $3.0 million, or $0.5 million per producing lease. We have provided adequate financial assurance for our offshore leases as required by the MMS.

We acquire production rights to offshore mature oil and gas properties under federal oil and gas leases, which the MMS administers. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and orders pursuant to the Outer Continental Shelf Lands Act (“OCSLA”). These MMS directives are subject to change. The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications. The MMS also has issued regulations restricting the flaring or venting of natural gas and prohibiting the burning of liquid hydrocarbons without prior authorization. Similarly, the MMS has promulgated other regulations governing the plugging and abandonment of wells located offshore and the removal of all production facilities. Finally, under certain circumstances, the MMS may require any operations on federal leases to be suspended or terminated or may expel unsafe operators from existing OCS platforms and bar them from obtaining future leases. Suspension or termination of our operations or expulsion from operating on our leases and obtaining future leases could have a material adverse effect on our financial condition and results of operations.

Under the OCSLA and the Federal Oil and Gas Royalty Management Act, MMS also administers oil and gas leases and establishes regulations that set the basis for royalties on oil and gas. The regulations address the proper way to value production for royalty purposes, including the deductibility of certain post-production costs from that value. Separate sets of regulations govern natural gas and oil and are subject to periodic revision by MMS.

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated pursuant to the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 (“NGPA”), and the regulations promulgated thereunder by the Federal Energy Regulatory Commission (“FERC”). In the past, the federal government has regulated the prices at which oil and gas could be sold. While sales by producers of natural gas, and all sales of crude oil, condensate and natural gas liquids currently can be made at uncontrolled market prices, Congress could reenact price controls in the future. Deregulation of wellhead sales in the natural gas industry began with the enactment of the NGPA. In 1989, the Natural Gas Wellhead Decontrol Act was enacted. This act amended the NGPA to remove both price and non-price controls from natural gas sold in “first sales” no later than January 1, 1993.

Sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation remain subject to extensive federal and state regulation. Several major regulatory changes have been implemented by Congress and FERC since 1985 that affect the economics of natural gas production, transportation and sales. In addition, FERC continues to promulgate revisions to various aspects of the rules and regulations affecting those segments of the natural gas industry, most notably interstate natural gas transmission companies, that remain subject to FERC jurisdiction. Changes in FERC rules and regulations may also affect the intrastate transportation of natural gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry. We cannot predict what further action FERC will take on these matters, but we do not believe any such action will materially adversely affect us differently from other companies with which we compete.

Additional proposals and proceedings before various federal and state regulatory agencies and the courts could affect the oil and gas industry. We cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the regulatory approach currently pursued by FERC will continue indefinitely. Notwithstanding the foregoing, we do not anticipate that compliance with existing federal, state and local laws, rules and regulations will have a material effect upon our capital expenditures, financial conditions, earnings or competitive position.

ENVIRONMENTAL REGULATION

Our operations are subject to a variety of national (including federal, state and local) and international laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations to implement and enforce such laws that are often complex and costly to comply with and that carry substantial administrative, civil and possibly criminal penalties for failure to comply. Under these laws and regulations, we may be liable for remediation or removal costs, damages and other costs associated with releases of hazardous materials (including oil) into the environment, and such liability may be imposed on us even if the acts that resulted in the releases were in compliance with all applicable laws at the time such acts were performed. Some of the environmental laws and regulations that are applicable to our business operations are discussed in the following paragraphs, but the discussion does not cover all environmental laws and regulations that govern our operations.

The Oil Pollution Act of 1990, as amended (“OPA”), imposes a variety of requirements on “Responsible Parties” related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. A “Responsible Party” includes the owner or operator of an onshore facility, a vessel or a pipeline, and the lessee or permittee of the area in which an offshore facility is located. OPA imposes liability on each Responsible Party for oil spill removal costs and for other public and private damages from oil spills. Failure to comply with OPA may result in the assessment of civil and criminal penalties. OPA establishes liability limits of $350 million for onshore facilities, all removal costs plus $75 million for offshore facilities, and the greater of $0.8 million or $0.95 million per gross ton for vessels other than tank vessels. The liability limits are not applicable, however, if the spill is caused by gross negligence or willful misconduct; if the spill results from violation of a federal safety, construction, or operating regulation; or if a party fails to report a spill or fails to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA. Management is currently unaware of any oil spills for which we have been designated as a Responsible Party under OPA that will have a material adverse impact on us or our operations.

OPA also imposes ongoing requirements on a Responsible Party, including preparation of an oil spill contingency plan and maintaining proof of financial responsibility to cover a majority of the costs in a potential spill. We believe that we have appropriate spill contingency plans in place. With respect to financial responsibility, OPA requires the Responsible Party for certain offshore facilities to demonstrate financial responsibility of not less than $35 million, with the financial responsibility requirement potentially increasing up to $150 million if the risk posed by the quantity or quality of oil that is explored for or produced indicates that a greater amount is required. The MMS has promulgated regulations implementing these financial responsibility requirements for covered offshore facilities. Under the MMS regulations, the amount of financial responsibility required for an offshore facility is increased above the minimum amounts if the "worst case" oil spill volume calculated for the facility exceeds certain limits established in the regulations. We believe that we currently have established adequate proof of financial responsibility for our onshore and offshore facilities and that we satisfy the MMS requirements for financial responsibility under OPA and applicable regulations.

In addition, OPA requires owners and operators of vessels over 300 gross tons to provide the Coast Guard with evidence of financial responsibility to cover the cost of cleaning up oil spills from such vessels. We currently own and operate 25 vessels over 300 gross tons. We have provided satisfactory evidence of financial responsibility to the Coast Guard for all of our vessels.

The Clean Water Act imposes strict controls on the discharge of pollutants into the navigable waters of the United States and imposes potential liability for the costs of remediating releases of petroleum and other substances. The controls and restrictions imposed under the Clean Water Act have become more stringent over time, and it is possible that additional restrictions will be imposed in the future. Permits must be obtained to discharge pollutants into state and federal waters. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System Program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the exploration for, and production of, oil and gas into certain coastal and offshore waters. The Clean Water Act provides for civil, criminal and administrative penalties for any unauthorized discharge of oil and other hazardous substances and imposes liability on responsible parties for the costs of cleaning up any environmental contamination caused by the release of a hazardous substance and for natural resource damages resulting from the release. Many states have laws that are analogous to the Clean Water Act and also require remediation of releases of petroleum and other hazardous substances in state waters. Our vessels routinely transport diesel fuel to offshore rigs and platforms and also carry diesel fuel for their own use. Our vessels transport bulk chemical materials used in drilling activities and also transport liquid mud which contains oil and oil by-products. Offshore facilities and vessels operated by us have facility and vessel response plans to deal with potential spills. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

OCSLA provides the federal government with broad discretion in regulating the production of offshore resources of oil and gas, including authority to impose safety and environmental protection requirements applicable to lessees and permittees operating in the OCS. Specific design and operational standards may apply to OCS vessels, rigs, platforms, vehicles and structures. Violations of lease conditions or regulations issued pursuant to OCSLA can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and cancellation of leases. Because our operations rely on offshore oil and gas exploration and production, if the government were to exercise its authority under OCSLA to restrict the availability of offshore oil and gas leases, such action could have a material adverse effect on our financial condition and results of operations. As of this date, we believe we are not the subject of any civil or criminal enforcement actions under OCSLA.

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") contains provisions requiring the remediation of releases of hazardous substances into the environment and imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons including owners and operators of contaminated sites where the release occurred and those companies who transport, dispose of, or arrange for disposal of hazardous substances released at the sites. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. Third parties may also file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Although we handle hazardous substances in the ordinary course of business, we are not aware of any hazardous substance contamination for which we may be liable.

We operate in foreign jurisdictions that have various types of governmental laws and regulations relating to the discharge of oil or hazardous substances and the protection of the environment. Pursuant to these laws and regulations, we could be held liable for remediation of some types of pollution, including the release of oil, hazardous substances and debris from production, refining or industrial facilities, as well as other assets we own or operate or which are owned or operated by either our customers or our sub-contractors.

Management believes that we are in compliance in all material respects with all applicable environmental laws and regulations to which we are subject. We do not anticipate that compliance with existing environmental laws and regulations will have a material effect upon our capital expenditures, earnings or competitive position. However, changes in the environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities, and thus there can be no assurance that we will not incur significant environmental compliance costs in the future.

EMPLOYEES

We rely on the high quality of our workforce. As of January 31, 2009, we had approximately 3,600 employees, nearly 800 of which were salaried personnel. Of the total employees, approximately 2,000 were employees of Cal Dive. As of December 31, 2008, we also contracted with third parties to utilize 636 non-U.S. citizens to crew our foreign flag vessels. None of our employees belong to a union nor are employed pursuant to any collective bargaining agreement or any similar arrangement. We believe our relationship with our employees and foreign crew members is favorable.

WEBSITE AND OTHER AVAILABLE INFORMATION

We maintain a website on the Internet with the address of www.HelixESG.com. Copies of this Annual Report for the year ended December 31, 2008, and copies of our Quarterly Reports on Form 10-Q for 2008 and 2009 and any Current Reports on Form 8-K for 2008 and 2009, and any amendments thereto, are or will be available free of charge at such website as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission ("SEC"). In addition, the Investor Relations portion of our website contains copies of our Code of Conduct and Business Ethics and our Code of Ethics for Chief Executive Officer and Senior Financial Officers. We make our website content available for informational purposes only. Information contained on our website is not part of this report and should not be relied upon for investment purposes. Please note that prior to March 6, 2006, the name of the Company was Cal Dive International, Inc.

The general public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We are an electronic filer, and the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The Internet address of the SEC's website is www.sec.gov.

Item 1A. Risk Factors.

Shareholders should carefully consider the following risk factors in addition to the other information contained herein. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Annual Report could have a material adverse effect on our business, results of operations and financial position.

Risks Relating to General Corporate Matters

Economic conditions could negatively impact our business.

Our operations are affected by local, national and worldwide economic conditions and the condition of the oil and gas industry. During recent months, there has been a substantial downturn in business activity and in the worldwide credit and capital markets that has led to a worldwide economic recession. The consequences of a prolonged recession will include a lower level of economic activity and increased uncertainty regarding the direction of energy prices and the capital and commodity markets, which will likely contribute to decreased offshore exploration and drilling. A lower level of offshore exploration and drilling could have a material adverse effect on the demand for our services. In addition a general decline in the level of economic activity might result in lower commodity prices, which may also adversely affect our revenues from our oil and gas business and indirectly, our service business.

Continued market deterioration could also jeopardize the performance of certain counterparty obligations, including those of our insurers, customers and financial institutions. Although we monitor the creditworthiness of our counterparties, the current market conditions could lead to sudden changes in a counterparty's liquidity. In the event any such party fails to perform, our financial results could be adversely affected and we could incur losses and our liquidity could be negatively impacted.

Because of significant declines in both our stock price and commodity prices, in the fourth quarter of 2008 we were required to reduce the amount of our recorded goodwill and other indefinite lived intangibles by approximately $715 million by taking an asset impairment charge to operating expense, most of which affected our oil and gas segment ($704 million). Further stock price or commodity price decreases may result in additional impairment expense charges for our long-lived assets and/or our goodwill associated with our contracting services operations and this could negatively impact our financial condition. Impairment charges do not affect our current or future cash flow.

Lack of access to the credit market could negatively impact our ability to operate our business and to execute our business strategy.

Due to the substantial uncertainty in the global economy, there has been deterioration in the credit and capital markets and access to financing is limited and uncertain. If the capital and credit markets continue to experience weakness and the availability of funds remains limited, we may incur increased costs associated with any additional financing we may require for future operations. Because of uncertainty in the market and an inability to access the capital markets our customers may curtail their capital and operating expenditure programs, which could result in a decrease in demand for our vessels and a reduction in fees and/or utilization. In addition, certain of our customers could experience an inability to pay suppliers, including us, in the event they are unable to access the capital markets as needed to fund their business operations. Likewise, our suppliers may be unable to sustain their current level of operations, fulfill their commitments and/or fund future operations and obligations, each of which could adversely affect our operations.

In addition, continued lower levels of economic activity and weakness in the credit markets could adversely affect our ability to implement our strategic objectives and dispose of all or any portion of the oil and gas assets, the production facilities or our interest in CDI. We cannot assure you that the proposed strategic dispositions will be completed or that we will be able to negotiate prices or terms that are acceptable to us.

Our substantial indebtedness and the terms of our indebtedness could impair our financial condition and our ability to fulfill our debt obligations.

As of December 31, 2008, we had approximately $2.1 billion of consolidated indebtedness outstanding ($315 million of which relates to CDI which is non recourse to us). The significant level of combined indebtedness may have an adverse effect on our future operations, including:

- limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, acquisitions, investments, debt service requirements and other general corporate requirements;

- increasing our vulnerability to the continued general economic downturn, competition and industry conditions, which could place us at a competitive disadvantage compared to our competitors that are less leveraged;

- increasing our exposure to rising interest rates because a portion of our current and potential future borrowings are at variable interest rates;

- reducing the availability of our cash flow to fund our working capital requirements, capital expenditures, acquisitions, investments and other general corporate requirements because we will be required to use a substantial portion of our cash flow to service debt obligations;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

- limiting our ability to expand our business through capital expenditures or pursuit of acquisition opportunities due to negative covenants in senior secured credit facilities that place annual and aggregate limitations on the types and amounts of investments that we may make, and limit our ability to use proceeds from asset sales for purposes other than debt repayment (except in certain circumstances where proceeds may be reinvested under criteria defined by our credit agreements).

A continuing period of weak economic activity will make it increasingly difficult to comply with our covenants and other restrictions in agreements governing our debt. Our ability to comply with these covenants and other restrictions is affected by the current economic conditions and other events beyond our control. If we fail to comply with these covenants and other restrictions, it could lead to an event of default, the possible acceleration of our repayment of outstanding debt and the exercise of certain remedies by the lenders, including foreclosure on our pledged collateral. We cannot assure you that we would have access to the credit markets as needed to replace our existing debt and we could incur increased costs associated with any available replacement financing.

Our operations outside of the United States subject us to additional risks.

Our operations outside of the United States are subject to risks inherent in foreign operations, including, without limitation:

- the loss of revenue, property and equipment from expropriation, nationalization, war, insurrection, acts of terrorism and other political risks;
- increases in taxes and governmental royalties;
- changes in laws and regulations affecting our operations;
- renegotiation or abrogation of contracts with governmental entities;
- changes in laws and policies governing operations of foreign-based companies;

- currency restrictions and exchange rate fluctuations;
- world economic cycles;
- restrictions or quotas on production and commodity sales;
- limited market access; and
- other uncertainties arising out of foreign government sovereignty over our international operations.

In addition, laws and policies of the United States affecting foreign trade and taxation may also adversely affect our international operations.

Our ability to market oil and natural gas discovered or produced in any future foreign operations, and the price we could obtain for such production, depends on many factors beyond our control, including:

- ready markets for oil and natural gas;
- the proximity and capacity of pipelines and other transportation facilities;
- fluctuating demand for crude oil and natural gas;
- the availability and cost of competing fuels; and
- the effects of foreign governmental regulation of oil and gas production and sales.

Pipeline and processing facilities do not exist in certain areas of exploration and, therefore, any actual sales of our production could be delayed for extended periods of time until such facilities are constructed.

We may not be able to compete successfully against current and future competitors.

The businesses in which we operate are highly competitive. Several of our competitors are substantially larger and have greater financial and other resources than we have. If other companies relocate or acquire vessels for operations in the Gulf of Mexico or the North Sea, levels of competition may increase and our business could be adversely affected. In the exploration and production business, some of the larger integrated companies may be better able to respond to industry changes including price fluctuations, oil and gas demands, political change and government regulations.

We may need to change the manner in which we conduct our business in response to changes in government regulations.

Our subsea construction, intervention, inspection, maintenance and decommissioning operations and our oil and gas production from offshore properties, including decommissioning of such properties, are subject to and affected by various types of government regulation, including numerous federal, state and local environmental protection laws and regulations. These laws and regulations are becoming increasingly complex, stringent and expensive to comply with, and significant fines and penalties may be imposed for noncompliance. We cannot assure you that continued compliance with existing or future laws or regulations will not adversely affect our operations or financial condition or cash flow

Government regulation may affect our ability to conduct operations, and the nature of our business exposes us to environmental liability.

Numerous federal and state regulations affect our operations. Current regulations are constantly reviewed by the various agencies at the same time that new regulations are being considered and implemented. In addition, because we hold federal leases, the federal government requires us to comply with numerous additional regulations that focus on government contractors. The regulatory burden upon the oil and gas industry increases the cost of doing business and consequently affects our profitability.

Our operations are subject to a variety of national (including federal, state and local) and international laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies issue rules and regulations to implement and enforce such laws that are often complex and costly to comply with and that carry substantial administrative, civil and possibly criminal penalties for failure to comply. Under these laws and regulations, we may be liable for remediation or removal costs, damages and other costs associated with releases of hazardous materials including oil into the environment, and such liability may be imposed on us even if the acts that resulted in the releases were in compliance with all applicable laws at the time such acts were performed.

We operate in foreign jurisdictions that have various types of governmental laws and regulations relating to the discharge of oil or hazardous substances and the protection of the environment. Pursuant to these laws and regulations, we could be held liable for remediation of some types of pollution, including the release of oil, hazardous substances and debris from production, refining or industrial facilities, as well as other assets we own or operate or which are owned or operated by either our customers or our sub-contractors.

In addition, changes in environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities, and thus there can be no assurance that we will not incur significant environmental compliance costs in the future. Such environmental liability could substantially reduce our net income and could have a significant impact on our financial ability to carry out our operations.

The loss of the services of one or more of our key employees, or our failure to attract and retain other highly qualified personnel in the future, could disrupt our operations and adversely affect our financial results.

Our industry has lost a significant number of experienced professionals over the years due to, among other reasons, the volatility in commodity prices. Our continued success depends on the active participation of our key employees. The loss of our key people could adversely affect our operations.

In addition, the delivery of our products and services require personnel with specialized skills and experience. As a result, our ability to remain productive and profitable will depend upon our ability to employ and retain skilled workers. Our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers in our industry is high, and the supply is limited. In addition, although our employees are not covered by a collective bargaining agreement, the marine services industry has in the past been targeted by maritime labor unions in an effort to organize Gulf of Mexico employees. A significant increase in the wages paid by competing employers or the unionization of our Gulf of Mexico employees could result in a reduction of our skilled labor force, increases in the wage rates that we must pay or both. If either of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired.

If we fail to effectively manage our growth, our results of operations could be harmed.

We have a history of growing through acquisitions of large assets and acquisitions of companies. We must plan and manage our acquisitions effectively to achieve revenue growth and maintain profitability in our evolving market. If we fail to effectively manage current and future acquisitions, our results of operations could be adversely affected. Our growth has placed significant demands on our personnel, management and other resources. We must continue to improve our operational, financial, management and legal/compliance information systems to keep pace with the growth of our business.

Certain provisions of our corporate documents and Minnesota law may discourage a third party from making a takeover proposal.

In addition to the 55,000 shares of preferred stock issued to Fletcher International, Ltd. under the First Amended and Restated Agreement dated January 17, 2003, but effective as of December 31, 2002, by and between Helix and

Fletcher International, Ltd., our Articles of Incorporation give our board of directors the authority, without any action by our shareholders, to fix the rights and preferences on up to 4,945,000 shares of undesignated preferred stock, including dividend, liquidation and voting rights. In addition, our by-laws divide the board of directors into three classes. We are also subject to certain anti-takeover provisions of the Minnesota Business Corporation Act. We also have employment contracts with all of our executive officers that require cash payments in the event of a "change of control." Any or all of the provisions or factors described above may discourage a takeover proposal or tender offer not approved by management and the board of directors and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt.

Risks Relating to our Contracting Services Operations

Our contracting services operations are adversely affected by low oil and gas prices and by the cyclicality of the oil and gas industry.

Our contracting services operations are substantially dependent upon the condition of the oil and gas industry, and in particular, the willingness of oil and gas companies to make capital expenditures for offshore exploration, drilling and production operations. The level of capital expenditures generally depends on the prevailing view of future oil and gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including, but not limited to:

- worldwide economic activity;
- demand for oil and natural gas, especially in the United States, China and India;
- economic and political conditions in the Middle East and other oil-producing regions;
- actions taken by the Organization of Petroleum Exporting Countries ("OPEC");
- the availability and discovery rate of new oil and natural gas reserves in offshore areas;
- the cost of offshore exploration for and production and transportation of oil and gas;
- the ability of oil and natural gas companies to generate funds or otherwise obtain external capital for exploration, development and production operations;
- the sale and expiration dates of offshore leases in the United States and overseas;
- technological advances affecting energy exploration, production, transportation and consumption;
- weather conditions;
- environmental and other governmental regulations; and
- tax laws, regulations and policies.

We cannot assure you that activity levels for offshore construction will remain the same or increase. A sustained period of low drilling and production activity or the return of lower commodity prices would likely have a material adverse effect on our financial position, cash flows and results of operations.

The operation of marine vessels is risky, and we do not have insurance coverage for all risks.

Marine construction involves a high degree of operational risk. Hazards, such as vessels sinking, grounding, colliding and sustaining damage from severe weather conditions, are inherent in marine operations. These hazards can cause personal injury or loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage, and suspension of operations. Damage arising from such occurrences may result in lawsuits asserting large claims. We maintain insurance protection as we deem prudent, including Jones Act employee coverage, which is the maritime equivalent of workers' compensation, and hull insurance on our vessels. We cannot assure you that any such insurance will be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim for which we are not fully insured could have a material adverse effect on us. Moreover, we cannot assure you that we will be able to maintain adequate insurance in the future at rates that we consider reasonable. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased substantially and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. For example, insurance carriers are now requiring broad exclusions for losses due to war risk and terrorist acts and limitations for wind storm damages. As construction activity expands into deeper water in the Gulf of Mexico and other deepwater basins of the world and with our partial divestiture of Cal Dive, a greater percentage of our revenues may be from deepwater construction projects that are larger and more complex, and thus riskier, than shallow water projects. As a result, our revenues and profits are increasingly dependent on our larger vessels. The current insurance on our vessels, in some cases, is in amounts approximating book value, which could be less than replacement value. In the event of property loss due to a catastrophic marine disaster, mechanical failure, collision or other event, insurance may not cover a substantial loss of revenues, increased costs and other liabilities, and therefore, the loss of any of our large vessels could have a material adverse effect on us.

Our contracting business typically declines in winter, and bad weather in the Gulf of Mexico or North Sea can adversely affect our operations.

Marine operations conducted in the Gulf of Mexico and North Sea are seasonal and depend, in part, on weather conditions. Historically, we have enjoyed our highest vessel utilization rates during the summer and fall when weather conditions are favorable for offshore exploration, development and construction activities. We typically have experienced our lowest utilization rates in the first quarter. As is common in the industry, we typically bear the risk of delays caused by some adverse weather conditions. Accordingly, our results in any one quarter are not necessarily indicative of annual results or continuing trends.

Certain areas in and near the Gulf of Mexico and North Sea experience unfavorable weather conditions including hurricanes and other extreme weather conditions on a relatively frequent basis. Substantially all of our facilities and assets offshore and along the Gulf of Mexico and the North Sea, including our vessels and structures on our offshore oil and gas properties, are susceptible to damage and/or total loss by these storms. Damage caused by high winds and turbulent seas could potentially cause us to curtail both service and production operations for significant periods of time until damage can be assessed and repaired. Moreover, even if we do not experience direct damage from any of these storms, we may experience disruptions in our operations because customers may curtail their development activities due to damage to their platforms, pipelines and other related facilities.

If we bid too low on a turnkey contract, we suffer adverse economic consequences.

A significant amount of our projects are performed on a qualified turnkey basis where described work is delivered for a fixed price and extra work, which is subject to customer approval, is billed separately. The revenue, cost and gross profit realized on a turnkey contract can vary from the estimated amount because of changes in offshore job conditions, variations in labor and equipment productivity from the original estimates, the performance of third parties such as equipment suppliers, or other factors. These variations and risks inherent in the marine construction industry may result in our experiencing reduced profitability or losses on projects.

Delays or cost overruns in our construction projects could adversely affect our business, or the expected cash flows from these projects upon completion may not be timely or as high as expected.

We currently have the following significant construction projects in our contracting services operations:

- the construction of the Well Enhancer, a North Sea well services vessel;
- the conversion of the Caesar into a deepwater pipelay asset; and
- the construction of the Helix Producer I, a minimal floating production unit to be initially utilized on the Phoenix field, through a consolidated 50% owned variable interest entity.

Although the construction contracts provide for delay penalties, these projects have been and continue to be subject to the risk of delay or cost overruns inherent in construction projects. These risks include, but are not limited to:

- unforeseen quality or engineering problems;

- work stoppages or labor shortage;
- weather interference;
- unanticipated cost increases;
- delays in receipt of necessary equipment; and
- inability to obtain the requisite permits or approvals.

Significant delays could also have a material adverse effect on expected contract commitments for these assets and our future revenues and cash flow. We will not receive any material increase in revenue or cash flows from these assets until they are placed in service and customers enter into binding arrangements for the assets, which can potentially be several months after the construction or conversion projects are completed. Furthermore, we cannot assure you that customer demand for these assets will be as high as currently anticipated, and as a result, our future cash flows may be adversely affected. In addition, new assets from third-parties may also enter the market in the future and compete with us.

Risks Relating to our Oil and Gas Operations

Exploration and production of oil and natural gas is a high-risk activity and is subject to a variety of factors that we cannot control.

Our oil and gas business is subject to all of the risks and uncertainties normally associated with the exploration for and development and production of oil and natural gas, including uncertainties as to the presence, size and recoverability of hydrocarbons. We may not encounter commercially productive oil and natural gas reservoirs. We may not recover all or any portion of our investment in new wells. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause our drilling activities to be unsuccessful and/or result in a total loss of our investment, which could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, we often are uncertain as to the future cost or timing of drilling, completing and operating wells.

Projecting future natural gas and oil production is imprecise. Producing oil and gas reservoirs eventually have declining production rates. Projections of production rates rely on certain assumptions regarding historical production patterns in the area or formation tests for a particular producing horizon. Actual production rates could differ materially from such projections. Production rates also can depend on a number of additional factors, including commodity prices, market demand and the political, economic and regulatory climate.

Our business is subject to all of the operating risks associated with drilling for and producing oil and natural gas, including:

- fires;
- title problems;
- explosions;
- pressures and irregularities in formations;
- equipment availability;
- blow-outs and surface cratering;
- uncontrollable flows of underground natural gas, oil and formation water;
- natural events and natural disasters, such as loop currents, hurricanes and other adverse weather conditions;
- pipe or cement failures;

- casing collapses;
- lost or damaged oilfield drilling and service tools;
- abnormally pressured formations; and
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

If any of these events occurs, we could incur substantial losses as a result of injury or loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of our operations and repairs to resume operations.

Natural gas and oil prices are volatile, which makes future revenue uncertain.

Our financial condition, cash flow and results of operations depend in part on the prices we receive for the oil and gas we produce. The market prices for oil and gas are subject to fluctuation in response to events beyond our control, such as:

- supply of and demand for oil and gas;
- market uncertainty;
- worldwide political and economic instability; and
- government regulations.

Oil and gas prices have historically been volatile, and such volatility is likely to continue. Our ability to estimate the value of producing properties for acquisition or disposition, and to budget and project the financial returns of exploration and development projects is made more difficult by this volatility. In addition, to the extent we do not forward sell or enter into costless collars or swap contracts in order to hedge our exposure to price volatility, a dramatic decline in such prices could have a substantial and material effect on:

- our revenues;
- results of operations;
- cashflow;
- financial condition;
- our ability to increase production and grow reserves in an economically efficient manner; and
- our access to capital.

We have hedged approximately 73% of our anticipated production for 2009 with a combination of forward sale and financial hedge contracts. The prices for these contracts are significantly higher than the prices for both crude oil and natural gas as of December 31, 2008 and as of the time of this filing on March 2, 2009. If the prices for crude oil and natural gas do not increase from current levels, and we have not entered into additional forward sale or financial hedge contracts to stabilize our cash flows, our oil and gas revenues may decrease in 2010 and beyond, perhaps significantly, absent offsetting increases in production amounts.

We are vulnerable to risks associated with the Gulf of Mexico because we currently explore and produce almost exclusively in that area.

Our concentration of oil and gas properties in the Gulf of Mexico makes us more vulnerable to the risks associated with operating in that area than our competitors with more geographically diverse operations. These risks include:

- tropical storms and hurricanes, which are common in the Gulf of Mexico during certain times of the year;

- extensive governmental regulation (including regulations that may, in certain circumstances, impose strict liability for pollution damage); and
- interruption or termination of operations by governmental authorities based on environmental, safety or other considerations.

Any event affecting this area in which we operate our oil and gas operations may have an adverse effect on our results of operations and cash flow. We also may incur substantial liabilities to third parties or governmental entities, which could have a material adverse effect on our results of operations and financial condition.

Our commodity price risk management related to some of our oil and gas production may reduce our potential gains from increases in oil and gas prices.

Oil and gas prices can fluctuate significantly and have a direct impact on our revenues. To manage our exposure to the risks inherent in such a volatile market, from time to time we have forward sold for future physical delivery a portion of our future production. This means that a portion of our production is sold at a fixed price as a shield against dramatic price declines that could occur in the market. In addition, we have entered into costless collar contracts and swap contracts related to some of our future oil and gas production. We may from time to time engage in other hedging activities that limit our upside potential from price increases. These sales activities may limit our benefit from dramatic price increases.

Estimates of crude oil and natural gas reserves depend on many factors and assumptions, including various assumptions that are based on conditions in existence as of the dates of the estimates. Any material change in those conditions, or other factors affecting those assumptions, could impair the quantity and value of our crude oil and natural gas reserves.

This Annual Report contains estimates of our proved oil and gas reserves and the estimated future net cash flows therefrom based upon reports for the years ended December 31, 2008 and 2007, audited by our independent petroleum engineers. These reports rely upon various assumptions, including assumptions required by the SEC, as to oil and gas prices, drilling and operating expenses, capital expenditures, abandonment costs, taxes and availability of funds. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, these estimates are inherently imprecise. Actual future production, cash flows, development and production expenditures, operating and abandonment expenses and quantities of recoverable oil and gas reserves may vary from those estimated in these reports. Any significant variance in these assumptions could materially affect the estimated quantity and value of our proved reserves. You should not assume that the present value of future net cash flows from our proved reserves referred to in this Annual Report is the current market value of our estimated oil and gas reserves. In accordance with SEC requirements, we base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the net present value estimate. In addition, if costs of abandonment are materially greater than our estimates, they could have an adverse effect on financial position, cash flows and results of operations.

Approximately 87% of our total estimated proved reserves are either PDNP, PDSI or PUD and those reserves may not ultimately be produced or developed.

As of December 31, 2008, approximately 11% of our total estimated proved reserves were PDNP, 27% were PDSI and approximately 49% were PUD. These reserves may not ultimately be developed or produced. Furthermore, not all of our PUD or PDNP may be ultimately produced during the time periods we have planned, at the costs we have budgeted, or at all, which in turn may have a material adverse effect on our results of operations.

Additionally approximately 98% of our estimated proved reserves are located in the Gulf of Mexico and we have one field, Bushwood located at Garden Banks Blocks 462, 463, 506 and 507, that represents approximately half of our total estimated proved reserves and related estimated discounted future net revenues as of December 31, 2008. If the proved reserves at Bushwood are affected by any combination of adverse factors; our future estimates of proved reserves could be decreased, perhaps significantly, which may have an adverse effect on our future results of operations and cash flows. Separately, without Bushwood's future reserve potential, the value that we may be able to realize in any potential disposition of our oil and gas business would likely be significantly diminished.

Reserve replacement may not offset depletion.

Oil and gas properties are depleting assets. We replace reserves through acquisitions, exploration and exploitation of current properties. Approximately 87% of our proved reserves at December 31, 2008 are PUDs, PDSI and PDNP. Further, our proved producing reserves at December 31, 2008 are expected to experience annual decline rates ranging from 30% to 40% over the next ten years. If we are unable to acquire additional properties or if we are unable to find additional reserves through exploration or exploitation of our properties, our future cash flows from oil and gas operations could decrease.

We are in part dependent on third parties with respect to the transportation of our oil and gas production and in certain cases, third party operators who influence our productivity.

Notwithstanding our ability to produce hydrocarbons, we are dependent on third party transporters to bring our oil and gas production to the market. In the event a third party transporter experiences operational difficulties, due to force majeure, pipeline shut-ins, or otherwise, this can directly influence our ability to sell commodities that we are able to produce. In addition, with respect to oil and gas projects that we do not operate, we have limited influence over operations, including limited control over the maintenance of safety and environmental standards. The operators of those properties may, depending on the terms of the applicable joint operating agreement:

- refuse to initiate exploration or development projects;
- initiate exploration or development projects on a slower or faster schedule than we would prefer;
- delay the pace of exploratory drilling or development; and/or
- drill more wells or build more facilities on a project than we can afford, whether on a cash basis or through financing, which may limit our participation in those projects or limit the percentage of our revenues from those projects.

The occurrence of any of the foregoing events could have a material adverse effect on our anticipated exploration and development activities.

Our oil and gas operations involve significant risks, and we do not have insurance coverage for all risks.

Our oil and gas operations are subject to risks incident to the operation of oil and gas wells, including, but not limited to, uncontrollable flows of oil, gas, brine or well fluids into the environment, blowouts, cratering, mechanical difficulties, fires, explosions or other physical damage, pollution and other risks, any of which could result in substantial losses to us. We maintain insurance against some, but not all, of the risks described above. As a result, any damage not covered by our insurance could have a material adverse effect on our financial condition, results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We own a fleet of 39 vessels and 37 ROVs, 5 trenchers, and 2 ROVDrills. We also lease six vessels, one trencher and one ROV. We believe that the market in the Gulf of Mexico requires specially designed and/or equipped vessels to competitively deliver subsea construction and well operations services. Eleven of our vessels have DP capabilities specifically designed to respond to the deepwater market requirements. Fifteen of our vessels (13 of which are based in the Gulf of Mexico) have the capability to provide saturation diving services.

Divestitures in 2008

In March and April 2008, we sold a total 30% working interest in the Bushwood discoveries (Garden Banks Blocks 463, 506 and 507) and other Outer Continental Shelf oil and gas properties (East Cameron Blocks 371 and 381), in two separate transactions to affiliates of a private independent oil and gas company for total cash consideration of approximately $183.4 million (which included the purchasers' share of incurred capital expenditures on these fields), and additional potential cash payments of up to $20 million based upon certain field production milestones. The new co-owners will also pay their pro rata share of all future capital expenditures related to the exploration and development of these fields. Decommissioning liabilities will be shared on a pro rata share basis between the new co-owners and us. Proceeds from the sale of these properties were used to partially repay our outstanding revolving loans in April 2008. As a result of these sales, we recognized a pre-tax gain of $91.6 million in the first half of 2008.

In May 2008, we sold all our interests in our onshore proved and unproved oil and gas properties located in the states of Texas, Mississippi, Louisiana, New Mexico and Wyoming ("Onshore Properties") to an unrelated investor. We sold these Onshore Properties for cash proceeds of $47.3 million and recorded a related loss of $11.9 million in the second quarter of 2008. Proceeds from the sale of these properties were used to reduce our outstanding revolving loans in May 2008. Included in the cost basis of the Onshore Properties was $8.1 million of allocated goodwill from our Oil and Gas segment.

In December 2008, we announced the sale of all our interests in the Bass Lite field (Atwater Block 426), a 17.5% working interest, to our joint interest owners in the field for approximately $49 million. The sale had three separate closings and an effective date of November 1, 2008. Proceeds from the sale were used to fund our working capital requirements.

OUR VESSELS

Listing of Vessels, Barges and ROVs Related to Contracting Services Operations(1)

	Flag State	Placed in Service(2)	Length (Feet)	Berths	SAT Diving	DP or Anchor Moored	Crane Capacity (tons)
CONTRACTING SERVICES:							
Pipelay —							
Caesar (3)(4)	Vanuatu	1/2006	482	220	—	DP	300 and 36
Express (4)	Vanuatu	8/2005	520	132	—	DP	500 and 120
Intrepid (4)	Bahamas	8/1997	381	50	—	DP	400
Talisman (4)	U.S.	11/2000	195	14	—	—	—
REM Forza (10)	Norway	9/2008	355	120	Capable	DP	250
Floating Production Unit —							
Helix Producer I (5)	Bahamas	—	528	95	—	DP	26 and 26
Well Operations —							
Q4000 (6)	U.S.	4/2002	312	135	—	DP	160 and 360; 600 Derrick
Seawell	U.K.	7/2002	368	129	Capable	DP	130
Well Enchancer (7)	U.K.	—	432	120	Capable	DP	100
Robotics —							
38 ROVs, 6 Trenchers and 2 ROVDrills (8)(9)	—	Various	—	—	—	—	—
Northern Canyon (10)	Bahamas	6/2002	276	58	—	DP	50
Olympic Canyon (10)	Norway	4/2006	304	87	—	DP	150
Olympic Triton (10)	Norway	11/2007	311	87	—	DP	150
Seacor Canyon (10)	Majuro Marshall Island	4/2007	221	40	—	DP	20
Island Pioneer (10)	Vanuatu	5/2008	312	110	—	DP	140
SHELF CONTRACTING (CAL DIVE INTERNATIONAL, INC.):							
Pipelay/Pipebury —							
Brave (11)	U.S.	11/2005	275	80	—	Anchor	30 and 50
Rider (11)	U.S.	11/2005	260	80	—	Anchor	50
American (11)	U.S.	12/2007	180	74	—	Anchor	90
Lone Star (11)	Vanuatu	12/2007	313	177	—	Anchor	88
Brazos (11)	Vanuatu	12/2007	210	119	—	Anchor	90
Pecos (11)	U.S.	12/2007	256	102	—	Anchor	114
Pipebury —							
Canyon (11)	Vanuatu	12/2007	330	110	—	Anchor	88
Derrick/Pipelay —							
Sea Horizon	Vanuatu	12/2007	360	255	—	Anchor	1,200
Derrick —							
Atlantic (11)	U.S.	12/2007	420	158	—	Anchor	500

Pacific (11)	U.S.	12/2007	350	109	—	Anchor	1,000
Saturation Diving —							
DP DSV Eclipse (11)	Bahamas	3/2002	367	109	Capable	DP	5; 4.3; 92/43; 20.4 A-Frame
DP DSV Kestrel (11)	Vanuatu	9/2006	323	80	Capable	DP	40; 15; 10; Hydralift HLR 308
DP DSV Mystic Viking (11)	Bahamas	6/2001	253	60	Capable	DP	50
DP MSV Texas Horizon (11)	Vanuatu	12/2007	341	96	Capable	DP	113
DP MSV Uncle John (11)	Bahamas	11/1996	254	102	Capable	DP	2×100
DSV American Constitution (11)	Panama	11/2005	200	46	Capable	4 point	20.41
DSV Cal Diver I (11)	U.S.	7/1984	196	40	Capable	4 point	20
DSV Cal Diver II (11)	U.S.	6/1985	166	32	Capable	4 point	40 A-Frame
Surface Diving —							
Cal Diver IV (11)	U.S.	3/2001	120	24	—	—	—
DSV American Star (11)	U.S	11/2005	165	30	—	4 point	9.072
DSV American Triumph (11)	U.S.	11/2005	164	32	—	4 point	13.61
DSV American Victory (11)	U.S.	11/2005	165	34	—	4 point	9.072
DSV Dancer (11)	U.S.	3/2006	173	34	—	4 point	30
DSV Mr. Fred (11)	U.S.	3/2000	166	36	—	4 point	25
DSV Midnight Star (11)	Vanuatu	6/2006	197	42	—	4 point	20 and 40
Fox (11)	U.S.	10/2005	130	42	—	—	—
Mr. Jack (11)	U.S.	1/1998	120	22	—	—	10
Mr. Jim (11)	U.S.	2/1998	110	19	—	—	—
Polo Pony (11)	U.S.	3/2001	110	25	—	—	—
Sterling Pony (11)	U.S.	3/2001	110	25	—	—	—
White Pony (11)	U.S.	3/2001	116	25	—	—	—

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(1) Under government regulations and our insurance policies, we are required to maintain our vessels in accordance with standards of seaworthiness and safety set by government regulations and classification organizations. We maintain our fleet to the standards for seaworthiness, safety and health set by the ABS, Bureau Veritas (“BV”), Det Norske Veritas (“DNV”), Lloyds Register of Shipping (“Lloyds”), and the USCG. The ABS, BV, DNV and Lloyds are classification societies used by ship owners to certify that their vessels meet certain structural, mechanical and safety equipment standards.

(2) Represents the date we placed the vessel in service and not the date of commissioning.

(3) Currently under conversion into a deepwater pipelay asset with completion expected in the second half of 2009.

(4) Subject to vessel mortgages securing our Senior Credit Facilities described in Item 8. Financial Statements and Supplementary Data “— Note 11 — Long-term Debt.”

(5) Former ferry vessel undergoing conversion into DP floating production unit for initial use on our Phoenix field. See Production Facilities on page 31.

(6) Subject to vessel mortgage securing our MARAD debt described in Item 8. Financial Statements and Supplementary Data "— Note 11 — Long-term Debt."

(7) Currently under construction and expected to be placed into service in second quarter 2009.

(8) Owned and operated by our domestic subsidiary under a secured lien, except for one ROV and one Trencher which are leased.

(9) Average age of our fleet of ROVs, trenchers and ROV Drills is approximately 4.5 years.

(10) Leased.

(11) Subject to vessel mortgages securing CDI's $675 million credit facility described in Item 8. Financial Statements and Supplementary Data "— Note 11 — Long-term Debt."

In addition to CDI's saturation diving vessels, CDI currently owns ten portable saturation diving systems, including six acquired from Fraser.

The following table details the average utilization rate for our vessels by category (calculated by dividing the total number of days the vessels in this category generated revenues by the total number of calendar days in the applicable period) for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
Contracting Services:			
Pipelay	92%	79%	87%
Well operations	70%	71%	81%
ROVs	73%	78%	76%
Shelf Contracting	60%	65%	84%

We incur routine drydock, inspection, maintenance and repair costs pursuant to Coast Guard regulations and in order to maintain our vessels in class under the rules of the applicable class society. In addition to complying with these requirements, we have our own vessel maintenance program that we believe permits us to continue to provide our customers with well maintained, reliable vessels. In the normal course of business, we charter in other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels.

PRODUCTION FACILITIES

Through our interest in Deepwater Gateway, a limited liability company in which Enterprise Products Partners L.P. is the other member, we own a 50% interest in the Marco Polo TLP, which was installed on Green Canyon Block 608 in 4,300 feet of water. Deepwater Gateway was formed to construct, install and own the Marco Polo TLP in order to process production from Anadarko Petroleum Corporation's Marco Polo field discovery at Green Canyon Block 608. Anadarko required 50,000 barrels of oil per day and 150 million feet per day of processing capacity for Marco Polo. The Marco Polo TLP was designed to process 120,000 barrels of oil per day and 300 million cubic feet of gas per day and payload with space for up to six subsea tie backs.

We also own a 20% interest in Independence Hub, an affiliate of Enterprise Products Partners L.P., that owns the Independence Hub platform, a 105 foot deep draft, semi-submersible platform located in Mississippi Canyon block 920 in a water depth of 8,000 feet that serves as a regional hub for natural gas production from multiple ultra-Deepwater fields in the previously untapped eastern Gulf of Mexico. First production began in July 2007. The Independence Hub facility is capable of processing up to 1 billion cubic feet (Bcf) per day of gas.

We own a 20% interest in the Gunnison truss spar facility, together with the operator Kerr-McGee Oil & Gas Corporation (“Kerr-McGee”), which owns a 50% interest, and Nexen, Inc., which owns the remaining 30% interest. The Gunnison spar, which is moored in 3,150 feet of water and located on Garden Banks Block 668, has daily production capacity of 40,000 barrels of oil and 200 million cubic feet of gas. This facility is designed with excess capacity to accommodate production from satellite prospects in the area.

Further, we, along with Kommandor Rømø, a Danish corporation, formed a joint venture company called Kommandor LLC to convert a ferry vessel into a floating production unit to be named the Helix Producer I. The total cost of the ferry and its initial conversion is estimated to range between $150 million and $160 million, We have provided $84.7 million in interim construction financing through December 31, 2008 to the joint venture on terms that would equal an arms length financing transaction, and Kommandor Rømø has provided $5 million on the same terms.

Total equity contributions and indebtedness guarantees provided by Kommandor Rømø are expected to total $42.5 million. The remaining costs to complete the project will be provided by us through equity contributions. Under the terms of the operating agreement for the joint venture, if Kommandor Rømø elects not to make further contributions to the joint venture, the ownership interests in the joint venture will be adjusted based on the relative contributions of each partner to the total of all contributions and project financing guarantees.

Upon completion of the initial conversion, scheduled for second quarter 2009, we will charter the Helix Producer I from Kommandor LLC, and plan to install, at 100% our cost, processing facilities and a disconnectable fluid transfer system on the Helix Producer I for initial use on our Phoenix field. The cost of these additional facilities is estimated to approximate $200 million when the work is expected to be completed in early 2010. As of December 31, 2008, approximately $210.1 million of costs related to the purchase of the Helix Producer I ($20 million), conversion of the Helix Producer I and construction of the additional facilities had been incurred, with an additional $4.9 million committed. Kommandor LLC qualified as a variable interest entity under FIN 46(R). We determined that we were the primary beneficiary of Kommandor LLC and thus have consolidated the financial results of Kommandor LLC as of December 31, 2008 in our Production Facilities segment. Kommandor LLC has been a development stage enterprise since its formation in October 2006.

SUMMARY OF NATURAL GAS AND OIL RESERVE DATA

We employ full-time experienced reserve engineers and geologists who are responsible for determining proved reserves in conformance with SEC guidelines. Engineering reserve estimates were prepared by us based upon our interpretation of production performance data and sub-surface information derived from the drilling of existing wells. Our internal reservoir engineers and independent petroleum engineers analyzed 100% of our United States oil and gas fields on an annual basis (107 fields as of December 31, 2008). We consider any field with discounted future net revenues of 1% or greater of the total discounted future net revenues of all our fields to be significant. An "engineering audit," as we use the term, is a process involving an independent petroleum engineering firm's (Huddleston & Co., Inc. ("Huddleston")) extensive visits, collection and examination of all geologic, geophysical, engineering and economic data requested by the independent petroleum engineering firm. Our use of the term "engineering audit" is intended only to refer to the collective application of the procedures which Huddleston was engaged to perform and may be defined and used differently by other companies.

The engineering audit of our reserves by the independent petroleum engineers involves their rigorous examination of our technical evaluation, interpretation and extrapolations of well information such as flow rates and reservoir pressure declines as well as other technical information and measurements. Our internal reservoir engineers interpret this data to determine the nature of the reservoir and ultimately the quantity of proved oil and gas reserves attributable to a specific property. Our proved reserves in this Annual Report include only quantities that we expect to recover commercially using current prices, costs, existing regulatory practices and technology. While we are reasonably certain that the proved reserves will be produced, the timing and ultimate recovery can be affected by a number of factors including completion of development projects, reservoir performance, regulatory approvals and changes in projections of long-term oil and gas prices. Revisions can include upward or downward changes in the previously estimated volumes of proved reserves for existing fields due to evaluation of (1) already available geologic, reservoir or production data or (2) new geologic or reservoir data obtained from wells. Revisions can also include changes associated with significant changes in development strategy, oil and gas prices, or the related production equipment/facility capacity. Huddleston also examined our estimates with respect to reserve categorization, using the definitions for proved reserves set forth in Regulation S-X Rule 4-10(a) and subsequent SEC staff interpretations and guidance.

In the conduct of the engineering audit, Huddleston did not independently verify the accuracy and completeness of information and data furnished by us with respect to ownership interests, oil and gas production, well test data, historical costs of operation and development, product prices, or any agreements relating to current and future operations of the properties or sales of production. However, if in the course of the examination something came to the attention of Huddleston which brought into question the validity or sufficiency of any such information or data, Huddleston did not rely on such information or data until it had satisfactorily resolved its questions relating thereto or had independently verified such information or data. Furthermore, in instances where decline curve analysis was not adequate in determining proved producing reserves, Huddleston evaluated our volumetric analysis, which included the analysis of production and pressure data. Each of the PUDs analyzed by Huddleston included volumetric analysis, which took into consideration recovery factors relative to the geology of the location and similar reservoirs. Where applicable, Huddleston examined data related to well spacing, including potential drainage from offsetting producing wells in evaluating proved reserves for un-drilled well locations.

The engineering audit by Huddleston included 100% of our producing properties together with essentially all of our non-producing and undeveloped properties. Properties for analysis were selected by us and Huddleston based on discounted future net revenues. All of our significant properties were included in the engineering audit and such audited properties constituted approximately 97% of the total discounted future net revenues. Huddleston also analyzed the methods utilized by us in the preparation of all of the estimated reserves and revenues. Huddleston represents in its audit report that it believes our methodologies are consistent with the methodologies required by the

SEC, Society of Petroleum Engineers ("SPE") and FASB. There were no limitations imposed, nor limitations encountered by us or Huddleston.

The table below sets forth information, as of December 31, 2008, with respect to estimates of net proved reserves. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

	As of December 31, 2008		
	Proved Developed Reserves	Proved Undeveloped Reserves	Total Proved Reserves
United States:			
Gas (Bcf)	257	203	460
Oil (MMBbls)	13	19	32
Total (Bcfe)	333	319	652
United Kingdom:			
Gas (Bcf)	1	12	13
Oil (MMBbls)	—	—	—
Total (Bcfe)	1	12	13
Total:			
Gas (Bcf)	258	215	473
Oil (MMBbls)	13	19	32
Total (Bcfe)	334	331	665

For additional information regarding estimates of oil and gas reserves, including estimates of proved and proved developed reserves, the standardized measure of discounted future net cash flows, and the changes in discounted future net cash flows, see Item 8. Financial Statements and Supplementary Data "— Note 21— Supplemental Oil and Gas Disclosures."

Significant Oil and Gas Properties

Our oil and gas properties consist primarily of interests in developed and undeveloped oil and gas leases. As of December 31, 2008, we had exploration, development and production operations in the United States, primarily in the Gulf of Mexico. In December 2006, we acquired the Camelot field, located in the North Sea, in which we subsequently sold a 50% interest in June 2007. This is our only developed oil and gas property in the United Kingdom.

Our U.S. operations accounted for approximately 99% of our 2008 production and approximately 98% of total proved reserves at December 31, 2008 (87% of such total reserves are PUDs, PDSI and PDNP). Further, our proved producing reserves at December 31, 2008 are expected to experience annual decline rates ranging from 30% to 40% over the next ten years. The following table provides a brief description of our domestic and international oil and gas properties we consider most significant to us at December 31, 2008:

	Development Location	Net Total Proved Reserves (Bcfe)	Net Proved Reserves Mix Oil %	Net Proved Reserves Mix Gas %	2008 Net Production (Bcfe)	Average WI%	Expected First Production
United States Offshore:							
Deepwater							
Bushwood(1)	U.S. GOM	314	10	90	-	51	Jan 2009

Phoenix(2)	U.S. GOM	42	79	21	-	70	2010
Gunnison(3)	U.S. GOM	23	51	49	4	19	Producing

	Development Location	Net Total Proved Reserves (Bcfe)	Net Proved Reserves Mix Oil %	Gas %	2008 Net Production (Bcfe)	Average WI%	Expected First Production
Outer Continental Shelf	U.S. GOM						
East Cameron 346	U.S. GOM	36	80	20	1	75	Producing
High Island A557	U.S. GOM	22	74	26	2	100	Producing
South Timbalier 86/63	U.S. GOM	32	39	61	4	91	Producing
South Pass 89	U.S. GOM	22	73	17	1	27	Producing
Mobile 863	U.S. GOM	20	-	100	-	83	2010
West Cameron 170	U.S. GOM	16	30	70	1	55	Producing
East Cameron 339	U.S. GOM	10	69	31	4	100	Producing
Eugene Island 302	U.S. GOM	10	63	37	1	58	PDSI 2010
South Marsh Island 130	U.S. GOM	13	73	27	2	100	Producing
United Kingdom Offshore(4)	UK Offshore	13	-	100	1	50	PDSI 2009

(1) Garden Banks Blocks 462, 463, 506 and 507 (formerly Noonan/Danny).

(2) Green Canyon Blocks 236, 237, 238 and 282.

(3) An outside operated property comprised of Garden Banks Blocks 625, 667, 668 and 669.

(4) Consists of our only developed property in the United Kingdom, Camelot.

United States Offshore

Deepwater

The estimated proved reserves associated with our three fields in the Deepwater of the Gulf of Mexico totaled 379 Bcfe or approximately 57 % of our total estimated proved reserves at December 31, 2008. We are the operator of two of the three fields, which comprised approximately 94% of our Deepwater proved reserves (approximately 53% of total proved reserves). Gunnison, a non-operated field, has been producing since December 2003. Our net production in Deepwater totaled approximately 8 Bcfe in 2008. As long as we continue to have interest in properties in Deepwater, we will continue to advance our Deepwater development activities and may pursue additional future exploration opportunities.

Outer Continental Shelf

Our estimated proved reserves for our 102 fields in the Gulf of Mexico on the OCS totaled approximately 273 Bcfe or 41% of our total estimated proved reserves as of December 31, 2008. Our net production from the OCS properties totaled approximately 39 Bcfe in 2008. Our largest field on the OCS is East Cameron Block 346, whose total estimated proved reserve represents approximately 13% of our aggregated OCS estimated proved reserves (or approximately 5% of total estimated proved reserves). No other individual OCS field comprised over 5% of total estimated proved reserves. We are the operator of 77% of our OCS properties whose composite estimated proved reserves totals 210 Bcfe.

United Kingdom Offshore

In December 2006, we acquired the Camelot field, located in the North Sea, in which we subsequently sold a 50% interest in June 2007. This is our only developed oil and gas property in the United Kingdom. The results of our UK operations were immaterial for each of the three years ended December 31, 2008, 2007 and 2006, respectively.

Production, Price and Cost Data

Production, price and cost data for our oil and gas operations in the United States are as follows:

	Year Ended December 31,		
	2008	2007	2006
Production:			
Gas (Bcf)	31	42	28
Oil (MMBbls)	3	4	3
Total (Bcfe)	47	65	48
Average sales prices realized (including hedges):			
Gas (per Mcf)	$ 9.29	$ 7.69	$ 7.86
Oil (per Bbl)	$ 92.22	$ 67.68	$ 60.41
Total (per Mcfe)	$ 11.43	$ 8.93	$ 8.79
Average production cost per Mcfe	$ 2.99	$ 1.83	$ 1.85
Average depletion and amortization per Mcfe	$ 4.21	$ 3.54	$ 2.79

Productive Wells

The number of productive oil and gas wells in which we held interest as of December 31, 2008 is as follows:

	Oil Wells		Gas Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
United States – Offshore	305	231	375	200	680	431

Productive wells are producing wells and wells capable of production. A gross well is a well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned. A net well is deemed to exist when the sum of fractional ownership working interests in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof. One or more completions in the same borehole are counted as one well in this table.

The following table summarizes multiple completions and non-producing wells as of December 31, 2008:

	Oil Wells		Gas Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Not producing (shut-in)	44	32	105	62	149	94
Multiple completions	221	169	281	155	502	324

Developed and Undeveloped Acreage

The developed and undeveloped acreage (including both leases and concessions) that we held at December 31, 2008 is as follows:

	Undeveloped		Developed	
	Gross	Net	Gross	Net
United States – Offshore	348,528	280,831	568,253	307,880

United Kingdom – Offshore	25,406	12,703	9,778	4,889
Total	373,934	293,534	578,031	312,769

Developed acreage is acreage spaced or assignable to productive wells. A gross acre is an acre in which a working interest is owned. A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

Undeveloped acreage is considered to be those leased acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of crude oil and natural gas regardless of whether or not such acreage contains proved reserves. Included within undeveloped acreage are those leased acres (held by production under the terms of a lease) that are not within the spacing unit containing, or acreage assigned to, the productive well so holding such lease. The current terms of our leases on undeveloped acreage are scheduled to expire as shown in the table below (the terms of a lease may be extended by drilling and production operations):

	Offshore	
	Gross	Net
2009	116,815	80,515
2010	96,726	71,283
2011	25,112	19,112
20122010	32,275	24,595
2013	30,760	30,760
2014	17,280	13,824
2015	5,760	5,760
2016	40,320	38,592
Total	365,048	284,441

Drilling Activity

The following table shows the results of oil and gas wells drilled in the United States for each of the years ended December 31, 2008, 2007 and 2006:

	Net Exploratory Wells			Net Development Wells		
	Productive	Dry	Total	Productive	Dry	Total
Year ended December 31, 2008	0.4	0.6	1.0	2.4	—	2.4
Year ended December 31, 2007	10.8	1.1	11.9	6.4	1.0	7.4
Year ended December 31, 2006	6.5	2.1	8.6	4.6	—	4.6

No wells were drilled in the United Kingdom in 2008, 2007 and 2006.

A productive well is an exploratory or development well that is not a dry hole. A dry hole is an exploratory or development well determined to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

An exploratory well is a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. A development well, for purposes of the table above and as defined in the rules and regulations of the SEC, is a well drilled within the proved area of a crude oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive. The number of wells drilled refers to the number of wells completed at any time during the respective year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for the production of crude oil or natural gas, or in the case of a dry hole, to the reporting of abandonment to the appropriate agency.

At December 31, 2008, our oil and gas operations were completing one development well and one exploration well. See Item 8. Financial Statements and Supplementary Data "— Note 7 — Oil and Gas Properties." These wells are located in the Gulf of Mexico.

FACILITIES

Our corporate headquarters are located at 400 N. Sam Houston Parkway, E., Suite 400, Houston, Texas. The corporate headquarters of CDI are located at 2500 CityWest Boulevard, Suite 2200, Houston Texas. We own the Aberdeen (Dyce), Scotland facility and CDI owns approximately 6½ acres of the Port of Iberia, Louisiana facility and its Port Arthur and Sabine, Texas facilities. All other facilities are leased.

Properties and Facilities Summary

Location	Function	Size
Houston, Texas	Helix Energy Solutions Group, Inc. Corporate Headquarters, Project Management, and Sales Office	92,300 square feet
	Energy Resource Technology GOM, Inc. Corporate Headquarters	
	Well Ops Inc. Corporate Headquarters, Project Management, and Sales Office	
	Kommandor LLC (1) Corporate Headquarters	
Houston, Texas	Canyon Offshore, Inc. Corporate, Management and Sales Office	1.0 acre (Building: 24,000 square feet)
Dallas, Texas	Energy Resource Technology GOM, Inc. Dallas Office	25,000 square feet
Ingleside, Texas	Helix Ingleside LLC Spoolbase	120 acres
Dulac, Louisiana	Energy Resource Technology GOM, Inc. Shore Base	20 acres 1,720 square feet
Aberdeen (Dyce), Scotland	Helix Well Ops (U.K.) Limited Corporate Offices and Operations	3.9 acres (Building: 42,463 square feet)
	Canyon Offshore Limited Corporate Offices, Operations and Sales Office	
Aberdeen (Westhill), Scotland	Helix RDS Limited Corporate Offices	
	ERT (UK) Limited Corporate Offices	11,333 square feet
London, England	Helix RDS Limited Corporate Offices	3,365 square feet
Kuala Lumpur, Malaysia	Helix RDS Sdn Bhd Corporate Offices	2,227 square feet
Perth, Australia	Well Ops SEA Pty Ltd Corporate Offices	1.0 acre (Building: 12,040 square feet)
	Helix RDS Pty Ltd	8,202 square feet

Perth, Australia	Corporate Offices	
	Helix ESG Pty Ltd. Corporate Offices	
Rotterdam, The Netherlands	Helix Energy Solutions BV Corporate Offices	21,600 square feet
Singapore	Canyon Offshore International Corp Corporate, Operations and Sales	22,486 square feet
	Helix Offshore Crewing Service Pte. Ltd. Corporate Headquarters	
Houston, Texas	Cal Dive International, Inc. (2) Corporate Headquarters, Project Management, and Sales Office	89,000 square feet

Location	Function	Size
Port Arthur, Texas	Cal Dive International, Inc. (2) Marine, Spoolbase	23 acres (Buildings: 6,000 square feet)
Sabine, Texas	Cal Dive International, Inc. (2) Marine, Warehouse	26 acres (Buildings: 59,000 square feet)
Port of Iberia, Louisiana	Cal Dive International, Inc. (2) Operations, Offices and Warehouse	23 acres (Buildings: 68,602 square feet)
Fourchon, Louisiana	Cal Dive International, Inc. (2) Marine, Operations, Living Quarters	10 acres (Buildings: 2,300 square feet)
New Orleans, Louisiana	Cal Dive International, Inc. (2) Sales Office	2,724 square feet
Dubai, United Arab Emirates	Cal Dive International, Inc. (2) Sales Office and Warehouse	29,013 square feet
Perth, Australia	Cal Dive International, Inc. (2) Operations, Offices and Project Management	22,970 square feet
Singapore	Cal Dive International, Inc. (2) Marine, Operations, Offices, Project Management and Warehouse	30,484 square feet
Del Carmen, Mexico	Cal Dive International, Inc. (2) Operations, Offices and dock	8,165 sq. ft.
Jakarta, Indonesia	Cal Dive International, Inc. (2) Sales Offices and dock	1,733 sq. ft.
Vietnam	Cal Dive International, Inc. (2) Sales Office	603 sq. ft.
Nigeria	Cal Dive International, Inc. (2) Project Management	13,136 sq. ft.

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(1) Kommandor LLC is a joint venture in which we owned 50% at December 31, 2008. Kommandor LLC is included in our consolidated results as of December 31, 2008.

(2) Cal Dive International, Inc. is our Shelf Contracting subsidiary, of which we owned 57.2% at December 31, 2008 and currently own approximately 51%.

Item 3. Legal Proceedings.

Insurance and Litigation

Our operations are subject to the inherent risks of offshore marine activity, including accidents resulting in personal injury and the loss of life or property, environmental mishaps, mechanical failures, fires and collisions. We insure against these risks at levels consistent with industry standards. We also carry workers' compensation, maritime employer's liability, general liability and other insurance customary in our business. All insurance is carried at levels of coverage and deductibles that we consider financially prudent. Our services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could occur, and litigation arising from such an event may result in our being named a defendant in lawsuits asserting large claims. Although there can be no assurance that the amount of insurance we carry is sufficient to protect us fully in all events, or that such insurance will continue to be available at current levels of cost or coverage, we believe that our insurance protection is adequate for our business operations. A successful liability claim for which we are underinsured or uninsured could have a material adverse effect on our business. We also are involved in various legal proceedings, primarily involving claims for personal injury under the General Maritime Laws of the United State and the Jones Act as a result of alleged negligence. In addition, we from time to time incur other claims, such as contract disputes, in the normal course of business.

On December 2, 2005, we received an order from the MMS that the price threshold for both oil and gas was exceeded for 2004 production and that royalties are due on such production notwithstanding the provisions of the Outer Continental Shelf Deep Water Royalty Relief Act of 2005 ("DWRRA"), which was intended to stimulate exploration and production of oil and natural gas in the deepwater Gulf of Mexico by providing relief from the obligation to pay royalty on certain federal leases up to certain specified production volumes. Our only leases affected by this dispute are Garden Banks Blocks 667, 668 and 669 ("Gunnison"). On May 2, 2006, the MMS issued an order that superseded and replaced the December 2005 order, and claimed that royalties on gas production are due for 2003 in addition to oil and gas production in 2004. The May 2006 order also seeks interest on all royalties allegedly due. We filed a timely notice of appeal with respect to both MMS orders. We received an additional order from the MMS dated September 30, 2008 stating that the price thresholds for oil and gas were exceeded for 2005, 2006 and 2007 production, and that royalties and interest are payable. We appealed that order on the same basis that we appealed the prior MMS orders. Other operators in the Deep Water Gulf of Mexico who have received notices similar to ours are seeking royalty relief under the DWRRA, including Kerr-McGee, the operator of Gunnison. In March of 2006, Kerr-McGee filed a lawsuit in federal district court challenging the enforceability of price thresholds in certain deepwater Gulf of Mexico leases, including ours. We do not anticipate that the MMS director will issue decisions in our or the other companies' administrative appeals until the Kerr-McGee litigation has been resolved in a final decision.

On October 30, 2007, the federal district court in the Kerr-McGee case entered judgment in favor of Kerr-McGee and held that the Department of the Interior exceeded its authority by including the price thresholds in the subject leases. The government filed a notice of appeal of that decision on December 21, 2007. On January 12, 2009, the United States Court of Appeals for the Fifth Circuit affirmed the decision of the district court in favor of Kerr-McGee, holding that the DWRRA unambiguously provides that royalty suspensions up to certain production volumes established by Congress apply to leases that qualify under the DWRRA. As a result of our dispute with the MMS, we have recorded reserves for the disputed royalties (and any other royalties that may be claimed from the Gunnison leases), plus interest, for our portion of the Gunnison related MMS claim. The total reserved amount at December 31, 2008 was approximately $69.7 million and was included in Other Long Term Liabilities in the accompanying consolidated balance sheet included herein. As a result of this ruling, we believe that any future payment of these contractual royalties is not probable. Accordingly, in the first quarter of 2009 our operating results will include a $69.7 million gain from the reversal of these previously reserved amounts associated with the potential payment of the disputed royalties.

During the fourth quarter of 2006, Horizon received a tax assessment from the Servicio de Administracion Tributaria (SAT), the Mexican taxing authority, for approximately $23 million related to fiscal 2001, including penalties, interest and monetary correction. The SAT's assessment claims unpaid taxes related to services performed by the Horizon subsidiaries that CDI acquired when it acquired Horizon. CDI believes under the Mexico and United States double taxation treaty that these services are not taxable and the tax assessment itself is invalid. On February 14, 2008, CDI received notice from the SAT upholding the original assessment. On April 21, 2008, CDI filed a petition in Mexico tax court disputing the assessment. We believe that CDI's position is supported by law and CDI intends to vigorously defend its position. However, the ultimate outcome of this litigation and CDI's potential liability from this assessment, if any, cannot be determined at this time. Nonetheless, an unfavorable outcome with respect to the Mexico tax assessment could have a material adverse affect on our financial position and results of operation. Horizon's 2002 through 2007 tax years remain subject to examination by the appropriate governmental agencies for Mexico tax purposes, with 2002 through 2004 currently under audit.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Executive Officers of the Company

The executive officers of Helix are as follows:

Name	Age	Position
Owen Kratz	54	President and Chief Executive Officer and Director

Bart H. Heijermans	42	Executive Vice President and Chief Operating Officer
Robert P. Murphy	50	Executive Vice President — Oil & Gas
Anthony Tripodo	56	Executive Vice President and Chief Financial Officer
Alisa B. Johnson	51	Executive Vice President, General Counsel and Corporate Secretary
Lloyd A. Hajdik	43	Senior Vice President — Finance and Chief Accounting Officer

Owen Kratz is President and Chief Executive Officer of Helix. He was named Executive Chairman in October 2006 and served in that capacity until February 2008 when he resumed the position of President and Chief Executive Officer. He was appointed Chairman in May 1998 and served as the Company's Chief Executive Officer from April 1997 until October 2006. Mr. Kratz served as President from 1993 until February 1999, and has served as a Director since 1990. He served as Chief Operating Officer from 1990 through 1997. Mr. Kratz joined Helix in 1984 and held various offshore positions, including saturation diving supervisor, and management responsibility for client relations, marketing and estimating. From 1982 to 1983, Mr. Kratz was the owner of an independent marine construction company operating in the Bay of Campeche. Prior to 1982, he was a superintendent for Santa Fe and various international diving companies, and a diver in the North Sea. Mr. Kratz is also Chairman of the Board of Directors of Cal Dive International, Inc. Mr. Kratz has a Bachelor of Science degree from State University of New York (SUNY) Brockport.

Bart H. Heijermans became Executive Vice President and Chief Operating Officer of Helix in September 2005. Prior to joining Helix, Mr. Heijermans worked as Senior Vice President Offshore and Gas Storage for Enterprise Products Partners, L.P. from 2004 to 2005 and previously from 1998 to 2004 was Vice President Commercial and Vice President Operations and Engineering for GulfTerra Energy Partners, L.P. Before his employment with GulfTerra, Mr. Heijermans held various positions with Royal Dutch Shell in the United States, the United Kingdom and the Netherlands. Mr. Heijermans received a Master of Science degree in Civil and Structural Engineering from the University of Delft, the Netherlands and is a graduate of the Harvard Business School Executive Program.

Robert P. Murphy was elected as Executive Vice President — Oil & Gas of Helix on February 28, 2007, and as President and Chief Operating Officer of Helix Oil & Gas, Inc., a wholly owned subsidiary, on November 29, 2006. Mr. Murphy joined Helix on July 1, 2006 when Helix acquired Remington Oil & Gas Corporation, where Mr. Murphy served as President, Chief Operating Officer and was on the Board of Directors. Prior to joining Remington, Mr. Murphy was Vice President — Exploration of Cairn Energy USA, Inc, of which Mr. Murphy also served on the Board of Directors. Mr. Murphy received a Bachelor of Science degree in Geology from The University of Texas at Austin, and has a Master of Science in Geosciences from the University of Texas at Dallas.

Anthony Tripodo was elected as Executive Vice President and Chief Financial Officer on June 28, 2008. Mr. Tripodo oversees the finance, treasury, accounting, tax, information technology, administration and corporate planning functions. Mr. Tripodo was a director of Helix from February 2003 until June 2008. Prior to joining Helix, Mr. Tripodo was the Executive Vice President and Chief Financial Officer of Tesco Corporation. From 2003 through the end of 2006, he was a Managing Director of Arch Creek Advisors LLC, a Houston based investment banking firm. From 2002 to 2003, Mr. Tripodo was Executive Vice President of Veritas DGC, Inc., an international oilfield service company specializing in geophysical services. Prior to becoming Executive Vice President, he was President of Veritas DGC's North and South American Group. From 1997 to 2001, he was Executive Vice President, Chief Financial Officer and Treasurer of Veritas. Previously, Mr. Tripodo served 16 years in various executive capacities with Baker Hughes, including serving as Chief Financial Officer of both the Baker Performance Chemicals and Baker Oil Tools divisions. Mr. Tripodo also serves as a director of TXCO Resources Inc., an independent oil and gas enterprise with operations primarily in Texas, onshore Gulf Coast region and Western Oklahoma. He graduated Summa Cum Laude with a Bachelor of Arts degree from St. Thomas University (Miami).

Alisa B. Johnson joined the Company as Senior Vice President, General Counsel and Secretary of Helix in September 2006, and in November 2008 became Executive Vice President, General Counsel and Secretary of the Compay. Ms. Johnson has been involved with the energy industry for over 18 years. Prior to joining Helix, Ms. Johnson worked for Dynegy Inc. for nine years, at which company she held various legal positions, including Senior Vice President and Group General Counsel — Generation. From 1990 to 1997, Ms. Johnson held various legal positions at Destec Entergy, Inc. Prior to that Ms. Johnson was in private law practice. Ms. Johnson received her Bachelor of Arts degree Cum Laude from Rice University and her law degree Cum Laude from the University of Houston.

Lloyd A. Hajdik joined the Company in December 2003 as Vice President — Corporate Controller. Mr. Hajdik became Chief Accounting Officer in February 2004 and in November 2008 he became Senior Vice President – Finance and Chief Accounting Officer. Prior to joining Helix, Mr. Hajdik served in a variety of accounting and finance-related roles of increasing responsibility with Houston-based companies, including NL Industries, Inc., Compaq Computer Corporation (now Hewlett Packard), Halliburton's Baroid Drilling Fluids and Zonal Isolation product service lines, Cliffs Drilling Company and Shell Oil Company. Mr Hajdik was with Ernst & Young LLP in the audit practice from 1989 to 1995. Mr. Hajdik graduated Cum Laude from Texas State University receiving a Bachelor of Business Administration degree. Mr. Hajdik is a Certified Public Accountant and a member of the Texas Society of CPAs as well as the American Institute of Certified Public Accountants.

PART II

Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "HLX." The following table sets forth, for the periods indicated, the high and low closing sale prices per share of our common stock:

	Common Stock Prices	
	High	Low
2007		
First Quarter	$ 37.45	$ 28.00
Second Quarter	$ 41.44	$ 35.52
Third Quarter	$ 42.95	$ 35.25
Fourth Quarter	$ 46.84	$ 39.08
2008		
First Quarter	$ 42.83	$ 28.26
Second Quarter	$ 41.81	$ 30.54
Third Quarter	$ 41.68	$ 28.47
Fourth Quarter	$ 25.16	$ 3.91
2009		
First Quarter(1)	$ 9.47	$ 2.21

(1) Through February 27, 2009

On February 27, 2009, the closing sale price of our common stock on the NYSE was $3.11 per share. As of February 22, 2009, there were an estimated 322 registered shareholders and 36,751 beneficial stockholders of our common stock.

We have never declared or paid cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, for the future operation and growth of our business. In addition, our financing arrangements prohibit the payment of cash dividends on our common stock. See Management's Discussion and Analysis of Financial Condition and Results of Operations "— Liquidity and Capital Resources."

Shareholder Return Performance Graph

The following graph compares the cumulative total shareholder return on our common stock for the period since December 31, 2003 to the cumulative total shareholder return for (i) the stocks of 500 large-cap corporations maintained by Standard & Poor's ("S&P 500"), assuming the reinvestment of dividends; (ii) the Philadelphia Oil Service Sector index ("OSX"), a price-weighted index of leading oil service companies, assuming the reinvestment of dividends; and (iii) a peer group selected by us (the "Peer Group") consisting of the following companies: Global Industries, Ltd., Oceaneering International, Inc., Cameron International Corporation, Pride International, Inc., Oil States International, Inc., FMC Technologies, Inc., McDermott International, Inc., Rowan Companies, Inc., Tidewater Inc., ATP Oil & Gas Corp, W&T Offshore, Inc. and Mariner Energy, Inc. The returns of each member of the Peer Group have been weighted according to each individual company's equity market capitalization as of December 31, 2008 and have been adjusted for the reinvestment of any dividends. We believe that the members of the Peer Group provide services and products more comparable to us than those companies included in the OSX. The graph assumes $100 was invested on December 31, 2003 in our common stock at the closing price on that date price and on December 31, 2003 in the three indices presented. We paid no cash dividends during the period presented. The cumulative total percentage returns for the period presented were as follows: our stock — (40.0%); the Peer Group — 52.0%; the OSX — 33.3%; and S&P 500- (10.2%). These results are not necessarily indicative of future performance.

Comparison of Five Year Cumulative Total Return among Helix, S&P 500,
OSX and Peer Group

	As of December 31,					
	2003	2004	2005	2006	2007	2008
Helix	$ 100.0	$ 169.0	$ 297.6	$ 260.1	$ 344.1	$ 60.0
Peer Group Index	$ 100.0	$ 126.8	$ 222.8	$ 251.0	$ 417.3	$ 152.0
Oil Service Index	$ 100.0	$ 132.5	$ 195.6	$ 215.9	$ 326.9	$ 133.3
S&P 500	$ 100.0	$ 110.7	$ 116.1	$ 134.2	$ 141.6	$ 89.8

Source: Bloomberg

Issuer Purchases of Equity Securities

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced program	(d) Maximum value of shares that may yet be purchased under the program (in thousands)
October 1 to October 31, 2008(1)	1,439	$ 9.55		$ N/A
November 1 to November 30, 2008		$		N/A
December 1 to December 31, 2008		$		N/A
	1,439	$ 9.55		$

(1) Represents shares delivered to the Company by employees in satisfaction of minimum withholding taxes and upon forfeiture of restricted shares.

Item 6. Selected Financial Data.

The financial data presented below for each of the five years ended December 31, 2008, should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data included elsewhere in this Form 10-K.

	Year Ended December 31,				
	2008	2007(1)	2006(2)	2005	2004
	(In thousands, except per share amounts)				
Net revenues	$2,148,349	$1,767,445	$1,366,924	$ 799,472	$ 543,392
Gross profit	380,668	513,756	515,408	283,072	171,912
Operating income (loss) (3)	(445,557)	412,744	398,645	221,687	123,031
Equity in earnings of investments	31,971	19,698	18,130	13,459	7,927
Net income (loss)(2)	(630,848)	320,478	347,394	152,568	82,659
Preferred stock dividends and accretion	3,192	3,716	3,358	2,454	2,743
Net income (loss) applicable to common shareholders(4)	(634,040)	316,762	344,036	150,114	79,916
Earnings (loss) per common share (5):					
Basic	$ (6.99)	$ 3.52	$ 4.07	$ $ 1.94	$ 1.05
Diluted	$ (6.99)	$ 3.34	$ 3.87	$ 1.86	$ 1.03
Weighted average shares outstanding(5):					
Basic	90,650	90,086	84,613	77,444	76,409
Diluted	90,650	95,938	89,874	82,205	79,062

(1) Includes effect of the Horizon acquisition since December 11, 2007. See Item 8. Financial Statements and Supplementary Data "— Note 5 — Acquisition of Horizon Offshore, Inc." for additional information.

(2) Includes effect of the Remington acquisition since July 1, 2006. See Item 8. Financial Statements and Supplementary Data "— Note 4 — Acquisition of Remington Oil and Gas Corporation" for additional information.

(3) Includes $907.6 million of impairment charges to reduce goodwill and other indefinite lived intangible assets ($715 million) and certain oil and gas properties ($192.6 million) to their estimated fair value in fourth quarter of 2008. Total impairment charges totaled $930.7 million, $64.1 million, $0.8 million and $3.9 million for each of the years ending December 31, 2008, 2007, 2005 and 2004, respectively. There were no impairments in 2006. Also includes exploration expenses totaling $32.9 million ($27.1 million in fourth quarter of 2008) in 2008, $26.7 million in 2007, $43.1 million in 2006, $6.5 million in 2005. We did not have any exploration expense in 2004.

(4) Includes the impact of gains on subsidiary equity transactions of $98.5 million and $96.5 million for the year ended December 31, 2007 and 2006, respectively. The gains were derived from the difference in the value of our investment in CDI immediately before and after its issuance of stock as related to its acquisition of Horizon and its initial public offering. These gains did not effect our current or future

cash flow.

(5) All earnings per share information reflects a two-for-one stock split effective as of the close of business on December 8, 2005.

	Year Ended December 31,				
	2008(1)	2007(2)	2006(3)	2005	2004
	(In thousands, except per share amounts)				
Working capital	$ 277,509	$ 48,290	$ 310,524	$ 120,388	$ 112,799
Total assets	5,070,338(1)	5,452,353	4,290,187	1,660,864	1,038,758
Long-term debt and capital leases (including current maturities)	2,062,042	1,800,387	1,480,356	447,171	148,560
Minority interest	322,627	263,926	59,802		
Convertible preferred stock	55,000(4)	55,000	55,000	55,000	55,000
Shareholders' equity	1,170,645(1)	1,846,556	1,525,948	629,300	485,292

(1) Includes the $907.6 million of impairment charges recorded in fourth quarter to reduce goodwill, intangible assets with indefinite lives and certain oil and gas properties to their estimated fair values. See Item 8. Financial Statements and Supplementary Data "— Note 2 — Summary of Significant Accounting Policies." for additional information.

(2) Includes effect of the Horizon acquisition since December 11, 2007. See Item 8. Financial Statements and Supplementary Data "— Note 5 — Acquisition of Horizon Offshore, Inc." for additional information.

(3) Includes effect of the Remington acquisition since July 1, 2006. See Item 8. Financial Statements and Supplementary Data "— Note 4— Acquisition of Remington Oil and Gas Corporation" for additional information.

(4) The holder of the convertible preferred stock redeemed $30 million of our convertible preferred stock into 5.9 million shares of our common stock in January 2009. See Item 8. Financial Statements and Supplementary Data "— Note 13 — Convertible Preferred Stock" for additional information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following management's discussion and analysis should be read in conjunction with our historical consolidated financial statements and their located in Item 8. "Financial Statements and Supplementary Data" of this report. Any reference to Notes in the following management's discussion and analysis refers to the Notes to Consolidated Financial Statements located in Item 8. "Financial Statements and Supplementary Data" of this report. The results of operations reported and summarized below are not necessarily indicative of future operating results. This discussion also contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under Item 1A "Risk Factors" and located earlier in this report.

Executive Summary

Our Business