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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

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 001-32108

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**Hornbeck Offshore Services, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**72-1375844**  
(I.R.S. Employer  
Identification Number)

**103 NORTHPARK BOULEVARD, SUITE 300  
COVINGTON, LA 70433**  
(Address of Principal Executive Offices) (Zip Code)

**(985) 727-2000**  
(Registrant's Telephone Number, Including Area Code)

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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. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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.:

Large accelerated filer

Non-accelerated filer

Accelerated filer

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  No

The total number of shares of common stock, par value \$.01 per share, outstanding as of June 30, 2009 was 26,089,284.

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**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2009**  
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## PART 1—FINANCIAL INFORMATION

## Item 1—Financial Statements

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except per share data)

	June 30, 2009	December 31, 2008
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,754	\$ 20,216
Accounts receivable, net of allowance for doubtful accounts of \$1,464 and \$2,135, respectively	67,819	87,942
Other receivables, net	9,058	13,865
Other current assets	16,328	12,203
Total current assets	114,959	134,226
Property, plant and equipment, net	1,513,339	1,405,340
Deferred charges, net	37,584	37,972
Other assets	16,497	18,205
Total assets	<u>\$ 1,682,379</u>	<u>\$ 1,595,743</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 13,909	\$ 16,693
Accrued interest	2,089	2,110
Accrued payroll and benefits	6,357	10,078
Deferred revenue	7,356	21,720
Current taxes payable	2,700	13,990
Other accrued liabilities	9,353	3,566
Total current liabilities	41,764	68,157
Revolving credit facility	185,000	125,000
Long-term debt, net of original issue discount of \$51,504 and \$56,481, respectively	498,496	493,519
Deferred tax liabilities, net	186,866	169,987
Other liabilities	1,852	2,180
Total liabilities	913,978	858,843
Stockholders' equity:		
Preferred stock: \$0.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock: \$0.01 par value; 100,000 shares authorized; 26,089 and 25,920 shares issued and outstanding, respectively	261	259
Additional paid-in-capital	401,775	397,593
Retained earnings	366,118	338,818
Accumulated other comprehensive income	247	230
Total stockholders' equity	768,401	736,900
Total liabilities and stockholders' equity	<u>\$ 1,682,379</u>	<u>\$ 1,595,743</u>

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

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 (Unaudited)	2008	2009 (Unaudited)	2008
Revenues	\$ 97,909	\$104,473	\$207,556	\$201,993
Costs and expenses:				
Operating expenses	40,879	43,299	81,450	83,094
Depreciation	36,174	8,290	46,319	15,752
Amortization	8,138	4,718	13,141	9,444
General and administrative expenses	7,676	9,414	16,438	17,992
	<u>92,867</u>	<u>65,721</u>	<u>157,348</u>	<u>126,282</u>
Gain (loss) on sale of assets	(4)	2,001	241	2,001
Operating income	5,038	40,753	50,449	77,712
Other income (expense):				
Interest income	47	235	186	1,227
Interest expense	(4,267)	(1,527)	(6,998)	(4,073)
Other income (expense), net	(9)	62	(249)	75
	<u>(4,229)</u>	<u>(1,230)</u>	<u>(7,061)</u>	<u>(2,771)</u>
Income before income taxes	809	39,523	43,388	74,941
Income tax expense	(610)	(14,276)	(16,088)	(27,065)
Net income	<u>\$ 199</u>	<u>\$ 25,247</u>	<u>\$ 27,300</u>	<u>\$ 47,876</u>
Basic earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.98</u>	<u>\$ 1.05</u>	<u>\$ 1.86</u>
Diluted earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.93</u>	<u>\$ 1.01</u>	<u>\$ 1.77</u>
Weighted average basic shares outstanding	<u>25,995</u>	<u>25,827</u>	<u>25,968</u>	<u>25,805</u>
Weighted average diluted shares outstanding	<u>27,065</u>	<u>27,157</u>	<u>26,927</u>	<u>27,049</u>

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

**HORNBECK OFFSHORE SERVICES, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Six Months Ended June 30,	
	2009	2008
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 27,300	\$ 47,876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	46,319	15,752
Amortization	13,141	9,444
Stock-based compensation expense	4,676	5,605
Provision for bad debts	(671)	552
Deferred tax expense	11,841	23,729
Amortization of deferred financing costs	6,061	5,694
Gain on sale of assets	(241)	(2,001)
Equity (income) loss from investment	225	(93)
Changes in operating assets and liabilities:		
Accounts receivable	19,673	(925)
Other receivables and current assets	1,825	1,191
Deferred drydocking charges	(12,633)	(9,410)
Accounts payable	(9,521)	2,779
Accrued liabilities and other liabilities	(13,227)	(1,103)
Accrued interest	(21)	69
Net cash provided by operating activities	<u>94,747</u>	<u>99,159</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Costs incurred for MPSV program	(59,314)	(159,506)
Costs incurred for OSV newbuild program #4	(90,512)	(94,945)
Costs incurred for TTB newbuild program #2	—	(7,641)
Acquisition of shore-base port facility	—	(11,541)
Net proceeds from sale of assets	942	3,105
Vessel capital expenditures	(2,546)	(14,089)
Non-vessel capital expenditures	(3,030)	(10,981)
Net cash used in investing activities	<u>(154,460)</u>	<u>(295,598)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from borrowings under revolving facility	60,000	40,000
Deferred financing costs	(17)	—
Net cash proceeds from other shares issued	1,251	1,587
Net cash provided by financing activities	<u>61,234</u>	<u>41,587</u>
Effects of exchange rate changes on cash	17	(44)
Net increase (decrease) in cash and cash equivalents	1,538	(154,896)
Cash and cash equivalents at beginning of period	20,216	173,552
Cash and cash equivalents at end of period	<u>\$ 21,754</u>	<u>\$ 18,656</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:</b>		
Cash paid for interest	<u>\$ 12,451</u>	<u>\$ 11,507</u>
Cash paid for income taxes	<u>\$ 13,741</u>	<u>\$ 3,437</u>

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

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements do not include certain information and footnote disclosures required by United States generally accepted accounting principles, or GAAP. The interim financial statements and notes are presented as permitted by instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements have been included and consist only of normal recurring items. The quarterly financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K of Hornbeck Offshore Services, Inc. (together with its subsidiaries, the "Company") for the year ended December 31, 2008. The results of operations for the three and six month periods ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Certain amounts reported in prior periods have been reclassified or adjusted to conform to the 2009 presentation as further discussed below in Recent Accounting Pronouncements. We have evaluated all subsequent events through August 6, 2009, the date the financial statements were issued.

The consolidated balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

***Recent Accounting Pronouncements***

*Convertible Debt.* Effective January 1, 2009, the Company retroactively applied new accounting rules set forth by the Financial Accounting Standards Board regarding the Company's 1.625% convertible senior notes due 2026. The new requirements state that the liability and equity components of a convertible debt instrument that may be settled in cash upon conversion be accounted for separately so that an entity's accounting will reflect additional non-cash interest expense to match the nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company applied a non-convertible debt borrowing rate of 7.125% upon adoption of these new rules based on quoted market prices for its senior notes on the date the convertible notes were issued. The impact of this requirement has resulted in a material increase to the Company's non-cash interest expense for financial statements covering the periods ended December 31, 2006 through December 31, 2013. The additional interest costs are being amortized over the period ending November 15, 2013, which is the date that the convertible notes are first puttable by the convertible note holders.

For the quarter ended June 30, 2009, the impact of incremental non-cash interest expense related to this new accounting treatment on the Company's income before taxes, net income and diluted earnings per share was \$1.1 million, \$0.7 million and \$0.03, respectively. For the six months ended June 30, 2009, the impact of incremental non-cash interest expense related to this requirement on the Company's income before taxes, net income and diluted earnings per share was \$1.8 million, \$1.1 million and \$0.04, respectively. The table

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

below reflects the impact of the Company's retrospective application of the new accounting rules to the financial captions on the Company's balance sheet as of December 31, 2008 and consolidated income statement and statement of cash flows for the three and six month periods ended June 30, 2008. (in thousands, except per share data):

	December 31, 2008 <u>As Reported</u>	<u>Adjustment</u>	December 31, 2008 <u>As Adjusted</u>
<b>Balance Sheet:</b>			
Assets:			
Property, plant and equipment, net	\$1,394,643	\$ 10,697	\$1,405,340
Total assets	1,585,046	10,697	1,595,743
Liabilities:			
Long-term debt	\$ 549,602	\$ (56,083)	\$ 493,519
Deferred tax liabilities	145,729	24,258	169,987
Total liabilities	890,668	(31,825)	858,843
Equity:			
Additional paid-in-capital	\$ 349,427	\$ 48,166	\$ 397,593
Retained earnings	344,462	(5,644)	338,818
Total equity	694,378	42,522	736,900
	Three Months Ended June 30, 2008 <u>As Reported</u>	<u>Adjustment</u>	Three Months Ended June 30, 2008 <u>As Adjusted</u>
<b>Income Statement:</b>			
Interest expense, net (1)	\$ 1,203	\$ 324	\$ 1,527
Income before income tax	39,847	(324)	39,523
Income tax expense	14,392	(116)	14,276
Net Income	25,455	(208)	25,247
Diluted earnings per share	0.94	(0.01)	0.93
	Six Months Ended June 30, 2008 <u>As Reported</u>	<u>Adjustment</u>	Six Months Ended June 30, 2008 <u>As Adjusted</u>
<b>Income Statement:</b>			
Interest expense, net (1)	\$ 3,043	\$ 1,030	\$ 4,073
Income before income tax	75,971	(1,030)	74,941
Income tax expense	27,433	(368)	27,065
Net Income	48,538	(662)	47,876
Diluted earnings per share	1.79	(0.02)	1.77
<b>Statement of Cash Flows:</b>			
Net cash provided by operating activities	\$ 95,578	\$ 3,581	\$ 99,159
Net cash used in investing activities	(292,017)	(3,581)	(295,598)

(1) Interest expense, net excludes interest that was capitalized as part of ongoing newbuild construction or conversion programs.

*Subsequent Events.* Effective June 30, 2009, the Company adopted a new rule that establishes the accounting for and disclosure of events that occur after the balance sheet

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

date but before financial statements are issued or are available to be issued. It also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. See Footnote "Basis of Presentation" paragraph above for the Company's related disclosures. The adoption of this new rule did not have a material impact on the Company's financial statements.

*Fair Value of Financial Instruments.* Effective June 30, 2009, the Company adopted a new rule that requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. See Note 3 for the Company's related fair value disclosures. The adoption of this new rule did not have a material impact on the Company's financial statements.

## 2. Earnings Per Share

Basic earnings per common share was calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share was calculated by dividing net income by the weighted average number of common shares outstanding during the year plus the effect of dilutive stock options and restricted stock unit awards, or restricted stock. Weighted average number of common shares outstanding was calculated by using the sum of the shares determined on a daily basis divided by the number of days in the period. The table below reconciles the Company's earnings per share (in thousands, except for per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	\$ 199	\$ 25,247	\$ 27,300	\$ 47,876
Weighted average number of shares of common stock outstanding	25,995	25,827	25,968	25,805
Add: Net effect of dilutive stock options and unvested restricted stock (1)(2)(3)	1,070	1,330	959	1,244
Adjusted weighted average number of shares of common stock outstanding	<u>27,065</u>	<u>27,157</u>	<u>26,927</u>	<u>27,049</u>
Earnings per common share:				
Basic	\$ 0.01	\$ 0.98	\$ 1.05	\$ 1.86
Diluted	<u>\$ 0.01</u>	<u>\$ 0.93</u>	<u>\$ 1.01</u>	<u>\$ 1.77</u>

(1) Stock options representing rights to acquire 201 shares of common stock for the three months ended June 30, 2009 and 421 shares of common stock for the six months ended June 30, 2009, were excluded from the calculation of diluted earnings per share, because the effect was anti-dilutive after considering the exercise price of the options in comparison to the average market price, proceeds from exercise, taxes, and related unamortized compensation.

(2) As of June 30, 2009 and 2008, the 1.625% convertible senior notes were not dilutive, as the average price of the Company's stock was less than the effective conversion price of such notes.

(3) Dilutive restricted stock is expected to fluctuate from quarter to quarter depending on the Company's performance compared to a predetermined set of performance criteria. See Note 4 for further information regarding certain of the Company's restricted stock awards.



**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**3. Long-Term Debt**

As of the dates indicated, the Company had the following outstanding long-term debt (in thousands):

	June 30, 2009	December 31, 2008
6.125% senior notes due 2014, net of original issue discount of \$370 and \$398	\$ 299,630	\$ 299,602
1.625% convertible senior notes due 2026, net of original issue discount of \$51,134 and \$56,083 (1)	198,866	193,917
Revolving credit facility due 2011	185,000	125,000
	683,496	618,519
Less current maturities	—	—
	<u>\$ 683,496</u>	<u>\$ 618,519</u>

(1) The notes initially bear interest at a fixed rate of 1.625% per year, declining to 1.375% beginning on November 15, 2013.

The senior notes have semi-annual cash interest payments of \$9.2 million due and payable each June 1 and December 1. The convertible senior notes have semi-annual cash interest payments of \$2.0 million due May 15 and November 15, declining to 1.375%, or \$1.7 million semi-annually, beginning on November 15, 2013. Under the Company's revolving credit facility, it has the option of borrowing at a variable rate of interest equal to either (i) the greater of the Prime Rate or the Federal Funds Effective Rate plus  $\frac{1}{2}$  of 1% or (ii) the London Interbank Offered Rate, or LIBOR; plus in each case an applicable margin. The applicable margin for each base rate is determined by a pricing grid, which is based on the Company's leverage ratio, as defined in the credit agreement governing its revolving credit facility. Unused commitment fees are payable quarterly at the annual rate of 17.5 to 30.0 basis points of the unused portion of the \$250.0 million borrowing base of the revolving credit facility, based on the defined leverage ratio. As of June 30, 2009, the average interest rate on the drawn portion of the Company's revolving credit facility was approximately 1.4%.

The Company estimated the fair value of its senior notes and convertible senior notes by using quoted market prices. The fair value of the Company's revolving credit facility approximates its carrying value. The face value, carrying value and fair value of the Company's total debt was \$735.0 million, \$683.5 million and \$658.1 million, respectively, as of June 30, 2009.

**Capitalized Interest**

Interest expense excludes capitalized interest related to the construction or conversion of vessels in the approximate amounts of \$5.1 million for the second quarter of 2009, \$7.3 million for the second quarter of 2008, \$11.5 million for the first six months of 2009 and \$13.2 million for the first six months of 2008.

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**4. Incentive Compensation*****Stock-Based Incentive Compensation Plan***

The Company has a stock-based incentive compensation plan covering a maximum of 3.5 million shares of common stock that allows the Company to grant stock options, restricted stock awards and restricted stock unit awards, or collectively restricted stock, and stock appreciation rights to employees and directors.

During the six months ended June 30, 2009, the Company granted time-based restricted stock unit awards, or RSUs, and performance-based RSUs. Time-based RSUs were granted to directors and a combination of time-based and performance-based RSUs were granted to executive officers and certain shore-side employees of the Company. The shares to be received under the performance-based RSUs are calculated based on the Company's achievement of any one of four pre-determined performance criteria over a three-year period as defined by the RSU agreement governing such awards. The actual number of shares that could be received by these award recipients can range from 0% to 100% of the Company's base share awards depending on the performance goals attained by the Company.

Compensation expense related to restricted stock is recognized over the period the restrictions lapse, from one to four years. The fair value of the Company's performance-based restricted stock, which is determined using a Monte Carlo simulation, is applied to the total shares that are expected to fully vest and is amortized over the vesting period based on the Company's internal performance measured against pre-determined criteria or relative performance compared to peers, as applicable. The compensation expense related to time-based restricted stock unit awards, which is amortized over a vesting period from one to four years, is determined based on the market price of the Company's stock on the date of grant applied to the total shares that are expected to fully vest.

In addition to the RSUs granted in 2009, the Company granted performance-based and time-based RSUs in 2006, 2007 and 2008. The performance-based RSU grants issued in 2006 were eligible for vesting in February 2009, but the Company did not meet the vesting criteria and such RSUs were cancelled. The related stock-based compensation expense charges from the 2007, 2008 and 2009 RSU grants and the financial impact such grants have on the Company's operating results are reflected in the table below (in thousands, except for per share data):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Income before taxes	\$ 2,019	\$ 2,636	\$ 4,676	\$ 5,605
Net income	\$ 1,273	\$ 1,684	\$ 2,966	\$ 3,588
Earnings per common share:				
Basic	\$ 0.05	\$ 0.07	\$ 0.11	\$ 0.14
Diluted	\$ 0.05	\$ 0.06	\$ 0.11	\$ 0.13

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In addition, the Company capitalized approximately \$0.2 million and \$0.3 million of stock-based compensation expense as part of its ongoing newbuild construction programs and general corporate projects for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, the Company capitalized approximately \$0.5 million and \$0.7 million, respectively of stock-based compensation expense as part of its ongoing newbuild construction programs and general corporate projects.

**5. Contingencies**

In the normal course of its business, the Company becomes involved in various claims and legal proceedings in which monetary damages are sought. It is management's opinion that the Company's liability, if any, under such claims or proceedings would not materially affect its financial position or results of operations.

The Company insures against losses relating to its vessels, pollution and third party liabilities, including claims by employees under Section 33 of the Merchant Marine Act of 1920, or the Jones Act. Third party liabilities and pollution claims that relate to vessel operations are covered by the Company's entry in a mutual protection and indemnity association, or P&I Club, as well as by marine liability policies in excess of the P&I Club's coverage. In February 2009, the terms of entry with the P&I Club for both of the Company's segments contained an annual aggregate deductible (AAD) for which the Company remains responsible. The P&I Club is responsible for covered amounts that exceed the AAD, after payment by the Company of an additional individual claim deductible. The Company provides reserves for those portions of the AAD and any individual claim deductibles for which the Company remains responsible by using an estimation process that considers Company-specific and industry data, as well as management's experience, assumptions and consultation with outside counsel. As additional information becomes available, the Company will assess the potential liability related to its pending litigation and revise its estimates. Such revisions in estimates of the potential liability could materially impact the Company's results of operations, financial position or cash flows.

**6. Other Receivables**

In April 2008, Superior Offshore International, Inc., or Superior Offshore, announced that it filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. Superior Offshore was the charterer of the *HOS Achiever*, a vessel that the Company acquired from Superior Offshore in January 2008, for the period October 1, 2008 through October 1, 2013, and cancellable by Superior Offshore as of March 29, 2009. In early January 2009, Superior Offshore obtained an order from the Bankruptcy Court approving the rejection of the *HOS Achiever* charter pursuant to the provisions of section 365 of the Bankruptcy Code. The rejection of the *HOS Achiever* charter constituted a breach of the charter. The Company filed a proof of claim in the Superior Offshore bankruptcy case for, among other things, payment of rejection damages associated with the breach of the charter. In late January 2009, Superior Offshore obtained confirmation of its Chapter 11 Plan of Reorganization. The Company believes that it has mitigated its risk of loss under the *HOS Achiever* time charter through

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

funds received under a letter of credit provided to the Company in advance by Superior Offshore. In addition, as permitted by the time charter with Superior Offshore, the *HOS Achiever* was actively marketed and time chartered to other domestic and international customers on various dates during the six-month Superior Offshore time charter period. Time charter billings from October 1, 2008 through March 29, 2009 for the *HOS Achiever* to companies other than Superior Offshore were offset against amounts collectible from Superior Offshore. During the first half of 2009, the Company recognized approximately \$3.0 million (\$1.9 million after-tax, or \$0.07 per diluted share) of revenue related to the Superior Offshore time charter. These revenues are net of any credits issued to Superior Offshore related to the *HOS Achiever* being chartered to other customers. As of June 30, 2009, the Company has recorded Other Receivables, net of approximately \$9.1 million, which primarily represent amounts billed to Superior Offshore for the *HOS Achiever* time charter, a conventional OSV time charter and shore-base services at HOS Port. These receivable balances are net of \$8.0 million in proceeds collected under a letter of credit from Superior Offshore. In late May 2009, Superior Offshore commenced an adversary proceeding against the Company in the Bankruptcy Court to set aside the *HOS Achiever* charter and objecting to the Company's amended proof of claim. In the adversary proceeding, the Liquidating Plan Agent of Superior Offshore has asserted that (i) the Company's draw-down on the letter of credit was not permitted by law, (ii) such funds must be returned to the bankruptcy estate and (iii) the Company is liable for punitive damages. The Company has filed an Answer, Affirmative Defenses and Counterclaims vigorously contesting the claims in the adversary proceeding. Due to unfavorable decisions by the Bankruptcy Court that could occur, all of which are beyond the Company's control, there can be no absolute assurance that all amounts currently recorded as receivables due from Superior Offshore will ultimately be collected.

**7. Asset and Goodwill Impairment Assessment**

The continued lower demand in the Company's Downstream segment resulted in a reported quarterly operating loss during the second quarter of 2009. With no material change in Downstream contract coverage since March 31, 2009 and none expected in the near term, the Company determined that an impairment assessment for the Downstream segment was necessary as of June 30, 2009. The impairment assessment compared the net book values of the Company's Downstream marine assets, as well as Downstream segment goodwill that was booked upon the Company's formation in June 1997, to their respective fair values. Based on its analysis, which included recent vessel sales, quoted market prices and past third-party appraisals, the Company recorded a non-cash asset impairment charge of \$25.8 million, or \$0.60 per diluted share, related to ten single-hulled tank barges and six ocean-going tugs. This impairment charge is reflected in depreciation expense for the three-month and six-month periods ended June 30, 2009. The Company's amortization expense for such periods includes a \$0.9 million, or \$0.02 per diluted share, non-cash charge for the write-off of remaining goodwill associated with its Downstream segment. The Company concluded that it does not believe an impairment exists for the ten other ocean-going tugs and nine double-hulled tank barges as of June 30, 2009.

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In recognition of weak market conditions for conventional OSVs and as evidenced by the Company's stacking of such vessels, the Company also performed an asset impairment assessment on its conventional OSVs. The Company concluded that it does not believe an impairment exists for any of its six conventional OSVs as of June 30, 2009.

**8. Segment Information**

The Company provides marine transportation and logistics services through two business segments. The Company primarily operates new generation OSVs and MPSVs in the GoM and other select domestic and international markets and operates a shore-base facility in Port Fourchon, Louisiana through its Upstream segment. The Upstream segment principally supports complex exploration and production projects by transporting cargo to offshore drilling rigs and production facilities and provides support for oilfield and non-oilfield specialty services, including military applications. The Downstream segment primarily operates ocean-going tugs and tank barges in the northeastern United States and GoM. The Downstream segment provides coastwise transportation of refined and bunker grade petroleum products as well as non-traditional downstream services, such as support of deepwater well testing and other specialty applications for the Company's upstream customers.

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table shows reportable segment information for the three and six months ended June 30, 2009 and 2008, reconciled to consolidated totals and prepared on the same basis as the Company's consolidated financial statements (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Operating revenues:</b>				
Upstream				
Domestic	\$ 72,996	\$ 58,261	\$ 144,060	\$ 112,141
Foreign (1)	10,703	20,713	30,215	34,285
	<u>83,699</u>	<u>78,974</u>	<u>174,275</u>	<u>146,426</u>
Downstream				
Domestic	13,666	22,598	32,499	50,500
Foreign (1)	544	2,901	782	5,067
	<u>14,210</u>	<u>25,499</u>	<u>33,281</u>	<u>55,567</u>
Total	<u>\$ 97,909</u>	<u>\$ 104,473</u>	<u>\$ 207,556</u>	<u>\$ 201,993</u>
<b>Operating expenses:</b>				
Upstream	\$ 30,717	\$ 28,394	\$ 59,718	\$ 54,173
Downstream	10,162	14,905	21,732	28,921
Total	<u>\$ 40,879</u>	<u>\$ 43,299</u>	<u>\$ 81,450</u>	<u>\$ 83,094</u>
<b>Depreciation:</b>				
Upstream	\$ 8,718	\$ 5,329	\$ 16,032	\$ 10,061
Downstream	27,456	2,961	30,287	5,691
Total	<u>\$ 36,174</u>	<u>\$ 8,290</u>	<u>\$ 46,319</u>	<u>\$ 15,752</u>
<b>Amortization:</b>				
Upstream	\$ 4,219	\$ 2,882	\$ 7,405	\$ 5,388
Downstream	3,919	1,836	5,736	4,056
Total	<u>\$ 8,138</u>	<u>\$ 4,718</u>	<u>\$ 13,141</u>	<u>\$ 9,444</u>
<b>General and administrative expenses:</b>				
Upstream	\$ 6,666	\$ 5,604	\$ 13,589	\$ 11,009
Downstream	1,010	3,810	2,849	6,983
Total	<u>\$ 7,676</u>	<u>\$ 9,414</u>	<u>\$ 16,438</u>	<u>\$ 17,992</u>
<b>Gain (loss) on sale of assets:</b>				
Upstream	\$ —	\$ 2,001	\$ —	\$ 2,001
Downstream	(4)	—	241	—
Total	<u>\$ (4)</u>	<u>\$ 2,001</u>	<u>\$ 241</u>	<u>\$ 2,001</u>
<b>Operating income (loss):</b>				
Upstream	\$ 33,379	\$ 38,766	\$ 77,531	\$ 67,796
Downstream	(28,341)	1,987	(27,082)	9,916
Total	<u>\$ 5,038</u>	<u>\$ 40,753</u>	<u>\$ 50,449</u>	<u>\$ 77,712</u>
<b>Capital expenditures:</b>				
Upstream	\$ 70,172	\$ 111,020	\$ 154,306	\$ 288,032
Downstream	65	3,883	449	9,033
Corporate	264	722	647	1,638
Total	<u>\$ 70,501</u>	<u>\$ 115,625</u>	<u>\$ 155,402</u>	<u>\$ 298,703</u>

**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

	As of June 30, 2009	As of December 31, 2008
<b>Identifiable assets:</b>		
Upstream	\$ 1,444,249	\$ 1,319,392
Downstream	217,481	254,574
Corporate	20,649	21,777
Total	<u>\$ 1,682,379</u>	<u>\$ 1,595,743</u>
<b>Long-lived assets:</b>		
Upstream		
Domestic	\$ 1,204,820	\$ 1,042,540
Foreign (1)	102,953	126,709
	<u>1,307,773</u>	<u>1,169,249</u>
Downstream		
Domestic	\$ 197,592	223,669
Foreign (1)(2)	—	4,431
	<u>197,592</u>	<u>228,100</u>
Corporate	7,974	7,991
Total	<u>\$ 1,513,339</u>	<u>\$ 1,405,340</u>

(1) The Company's vessels conduct operations in international areas. Vessels will routinely move to and from international and domestic operating areas. As these assets are highly mobile, the long-lived assets reflected above represent the assets that were present in international areas as of June 30, 2009 and December 31, 2008, respectively.

(2) Included are amounts applicable to the Puerto Rico downstream operations, even though Puerto Rico is considered a possession of the United States and the Jones Act applies to vessels operating in Puerto Rican waters.

## Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read together with our unaudited consolidated financial statements and notes to unaudited consolidated financial statements in this Quarterly Report on Form 10-Q and our audited financial statements and notes thereto included in our Annual Report on Form 10-K as of and for the year ended December 31, 2008. This discussion 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. See “Forward Looking Statements” for additional discussion regarding risks associated with forward-looking statements. In this Quarterly Report on Form 10-Q, “company,” “we,” “us,” “our” or like terms refer to Hornbeck Offshore Services, Inc. and its subsidiaries, except as otherwise indicated.

References in this Quarterly Report on Form 10-Q to “OSVs” mean offshore supply vessels; to “TTB” mean ocean-going tugs and tank barges; to “MPSVs” mean multi-purpose support vessels; to “AHTS” mean anchor-handling towing supply; to “ROVs” mean remotely operated vehicles; to “DP-1”, “DP-2” and “DP-3” mean various classifications of dynamic positioning systems on new generation vessels to automatically maintain a vessel’s position and heading; to “flotel” mean accommodations services, such as lodging, meals and office space; to “deepwater” mean offshore areas, generally 1,000’ to 5,000’ in depth; to “ultra-deepwater” mean offshore areas, generally more than 5,000’ in depth; to “deep well” mean a well drilled to a true vertical depth of 15,000’ or greater; to “new generation,” when referring to OSVs, mean modern, deepwater-capable vessels subject to the regulations promulgated under the International Convention on Tonnage Measurement of Ships, 1969, which was adopted by the United States and made effective for all U.S.-flagged vessels in 1992 and foreign-flagged equivalent vessels; and to “conventional,” when referring to OSVs, mean vessels that are at least 20 years old, are generally less than 200’ in length or carry less than 1,500 dead weight tons of cargo when originally built and primarily operate on the Continental Shelf.

### General

#### Outlook

The continued weakness in the overall economy combined with the ongoing volatility in commodity prices are affecting the spending patterns of our customers and are likely to continue to soften demand for our services. The extent of such weakened demand and how long it may last is not known. In addition, a lack of liquidity in the general credit markets and low hydrocarbon commodity prices, especially natural gas prices, may impact the continued viability of projects contemplated by our customers. Moreover, the construction of deepwater drilling rigs, which are a demand driver for our Upstream segment, may be cancelled or delayed in the current climate.

#### Upstream Segment

Our average new generation OSV dayrates for the second quarter of 2009 were approximately \$21,000 and our average OSV utilization was in the mid-80% range. The significant drop in the price of oil and natural gas since its peak in 2008 has increasingly



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affected our new generation OSV effective dayrates during the first half of 2009. OSV market conditions in the GoM rapidly deteriorated during the second quarter of 2009, particularly for our 200 class vessels. This vessel class has experienced a quarterly average dayrate decrease of approximately \$2,000 per day from the first quarter of 2009 and spot dayrate decreases of \$10,000, or roughly half, from those experienced in late 2008. The OSV demand outlook in the GoM is not expected to change in the near term based on various market indicators such as rig counts and oil and gas industry capital spending budgets for the remainder of 2009. In recognition of the current and forecasted soft demand for such vessels, we elected to stack five 200 class new generation OSVs, on various dates during the second quarter of 2009 and stacked a sixth 200 class new generation OSV in early July 2009. In addition, on various dates since December 2008, we elected to stack all six of our conventional OSVs. These older vessels were acquired in August 2007 and are considered non-core assets.

Sixteen of our new generation OSVs are currently operating under long-term contracts that expire on various dates through March 2013. The long-term contracts for our supply vessels are consistent with those used in the industry and are typically either fixed for a term of one or more years or tied to the duration of a long-term contract for a drilling rig for which the vessel provides services. These contracts generally contain provisions governing insurance, reciprocal indemnifications, performance requirements and, in certain instances, dayrate escalation terms and renewal options.

As of June 30, 2009, our 39 active new generation OSVs and two MPSVs were operating in domestic and international areas as noted in the following table:

<b>Operating Areas</b>	
<i>Domestic</i>	
GoM (1)	29
Other U.S. coastlines	4
	<u>33</u>
<i>Foreign</i>	
Latin America	6
Middle East	2
	<u>8</u>
<i>Total Upstream Vessels</i>	<u><u>41</u></u>

- (1) The Company is expected to mobilize four OSVs from the GoM to Latin America during the second half of 2009 under long-term contracts. One of these four OSVs is currently stacked and not included in the active Upstream fleet noted above.

### **Downstream Segment**

Our Downstream fleet is comprised of a mix of nine double-hulled tank barges, ten single-hulled tank barges and 16 ocean-going tugs. Effective January 1, 2009 and June 17, 2009, two of our larger single-hulled barges, the *Energy 11102* and the *Energy 11101*, reached their respective OPA 90 phase-out dates and as such were retired from active service. In recognition of the soft market conditions for our single-hulled equipment that began early in the second quarter of 2008, we have stacked eight single-hulled tank barges and four lower horsepower tugs on various dates since the first quarter of 2008. The unfavorable

revenue impact of stacking barges and tugs was partially offset by the reduced operating expenses associated with the lower cost of maintaining stacked equipment. With the planned stacking of all remaining single-hulled vessels and associated tugs, our active Downstream fleet is expected to consist of nine double-hulled tank barges and nine ocean-going tugs by September 1, 2009. Weak demand for Downstream equipment during the first six months of 2009 has also impacted double-hulled tank barge utilization, particularly our black-oil equipment.

### **Critical Accounting Policies**

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles, or GAAP. In other circumstances, we are required to make estimates, judgments and assumptions based upon available information. We base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are discussed in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 and Note 1 to our unaudited consolidated financial statements included in this Form 10-Q.

*Carrying Value of Vessels.* As of June 30, 2009, we completed an impairment assessment of our net book values for certain Upstream and all of our Downstream marine assets. Based on our analysis, which included recent vessel sales, quoted market prices to us from potential buyers, and past third-party appraisals for these marine assets, we recorded an asset impairment charge of approximately \$25.8 million, or \$0.60 per diluted share related to our single-hulled tank barges and six of our ocean-going tugs. We do not believe any impairment exists for any of our other Downstream or Upstream marine assets as of June 30, 2009.

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**Results of Operations**

The tables below set forth, by segment, the average dayrates, utilization rates, effective utilization and effective dayrates for our vessels and the average number and size of vessels owned during the periods indicated. These new generation OSVs and tank barges generate substantially all of our revenues and operating profit. Excluded from the information below are the results of operations for our MPSVs, conventional OSVs, two retired tank barges, our shore-base facility, and vessel management services.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Offshore Supply Vessels:</b>				
Average number of new generation OSVs (1)	42.1	35.6	41.3	35.3
Average new generation OSV fleet capacity (deadweight)	103,162	82,682	100,015	81,793
Average new generation vessel capacity (deadweight)	2,452	2,320	2,420	2,316
Average new generation OSV utilization rate (2)	83.6%	96.6%	88.2%	94.4%
Effective new generation OSV utilization rate (3)	86.6%	96.6%	89.7%	94.4%
Average new generation OSV dayrate (4)	\$ 21,330	\$ 22,168	\$ 22,233	\$ 21,613
Effective dayrate (5)	\$ 17,832	\$ 21,414	\$ 19,610	\$ 20,403
<b>Tugs and Tank Barges:</b>				
<i>Consolidated:</i>				
Average number of tank barges (6)	19.8	21.0	19.9	20.6
Average fleet capacity (barrels) (6)	1,616,014	1,745,256	1,624,713	1,720,707
Average barge capacity (barrels)	81,430	83,107	81,550	83,272
Average utilization rate (2)	44.3%	61.3%	50.5%	73.2%
Effective utilization rate (3)	70.7%	72.1%	76.1%	79.2%
Average dayrate (7)	\$ 17,784	\$ 21,789	\$ 18,295	\$ 20,222
Effective dayrate (5)	\$ 7,878	\$ 13,357	\$ 9,239	\$ 14,803
<i>Double-hulled tank barges:</i>				
Average utilization rate (2)	67.2%	93.6%	73.5%	92.4%
Average dayrate (7)	\$ 19,810	\$ 22,449	\$ 20,132	\$ 22,134
Effective dayrate (5)	\$ 13,312	\$ 21,012	\$ 14,797	\$ 20,452
<i>Single-hulled tank barges:</i>				
Average utilization rate (2)	25.2%	37.0%	31.4%	59.4%
Effective utilization rate (3)	80.1%	50.2%	81.6%	68.4%
Average dayrate (7)	\$ 13,302	\$ 20,491	\$ 14,745	\$ 18,044
Effective dayrate (5)	\$ 3,352	\$ 7,582	\$ 4,630	\$ 10,718

- (1) We operated 44 new generation OSVs as of June 30, 2009. For the six months ended June 30, 2009, the average number of new generation OSVs above includes the *HOS Mystique*, *HOS Lode Star*, *HOS Coral*, *HOS Black Powder* and *HOS Westwind*, which are five newly constructed OSVs that were placed in service under our fourth OSV newbuild program in January 2009, February 2009, March 2009, June 2009 and June 2009, respectively. At June 30, 2009, five new generation OSVs were stacked.
- (2) Utilization rates are average rates based on a 365-day year. Vessels are considered utilized when they are generating revenues.
- (3) Effective utilization rate is based on a denominator comprised only of vessel-days available for service by the active fleet, which excludes the impact of stacked vessel days.
- (4) Average dayrates represent average revenue per day, which includes charter hire, crewing services and net brokerage revenues, based on the number of days during the period that the OSVs generated revenue.
- (5) Effective dayrate represents the average dayrate multiplied by the average utilization rate.
- (6) We owned 21 tank barges as of June 30, 2009. Effective January 1, 2009, and June 17, 2009, the *Energy 11102* and the *Energy 11101* were excluded from the above table, because they reached their respective OPA 90 phase-out dates and were removed from active service.
- (7) Average dayrates represent average revenue per day, including time charters, brokerage revenue, revenues generated on a per-barrel-transported basis, demurrage, shipdocking and fuel surcharge revenue, based on the number of days during the period that the tank barges generated revenue. For purposes of brokerage arrangements, this calculation excludes that portion of revenue that is equal to the cost paid by customers of in-chartering third-party equipment.

**Non-GAAP Financial Measures**

We disclose and discuss EBITDA as a non-GAAP financial measure in our public releases, including quarterly earnings releases, investor conference calls and other filings with the Commission. We define EBITDA as earnings (net income) before interest, income taxes, depreciation and amortization. Our measure of EBITDA may not be comparable to similarly titled measures presented by other companies. Other companies may calculate EBITDA differently than we do, which may limit its usefulness as comparative measure.

We view EBITDA primarily as a liquidity measure and, as such, we believe that the GAAP financial measure most directly comparable to this measure is cash flows provided by operating activities. Because EBITDA is not a measure of financial performance calculated in accordance with GAAP, it should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

EBITDA is widely used by investors and other users of our financial statements as a supplemental financial measure that, when viewed with our GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain an understanding of the factors and trends affecting our ability to service debt, pay deferred taxes and fund drydocking charges and other maintenance capital expenditures. We also believe the disclosure of EBITDA helps investors meaningfully evaluate and compare our cash flow generating capacity from quarter to quarter and year to year.

EBITDA is also a financial metric used by management (i) as a supplemental internal measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; (ii) as a significant criteria for annual incentive cash compensation paid to our executive officers and bonuses paid to other shore-based employees; (iii) to compare to the EBITDA of other companies when evaluating potential acquisitions; and (iv) to assess our ability to service existing fixed charges and incur additional indebtedness.

The following table provides the detailed components of EBITDA as we define that term for the three and six months ended June 30, 2009 and 2008, respectively (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Components of EBITDA:</b>				
Net income	\$ 199	\$ 25,247	\$ 27,300	\$ 47,876
Interest expense, net				
Debt obligations	4,267	1,527	6,998	4,073
Interest income	(47)	(235)	(186)	(1,227)
Total interest, net	4,220	1,292	6,812	2,846
Income tax expense	610	14,276	16,088	27,065
Depreciation	36,174	8,290	46,319	15,752
Amortization	8,138	4,718	13,141	9,444
EBITDA	<u>\$ 49,341</u>	<u>\$ 53,823</u>	<u>\$109,660</u>	<u>\$102,983</u>

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The following table reconciles EBITDA to cash flows provided by operating activities for the three and six months ended June 30, 2009 and 2008, respectively (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>EBITDA Reconciliation to GAAP:</b>				
EBITDA	\$ 49,341	\$ 53,823	\$109,660	\$102,983
Cash paid for deferred drydocking charges	(7,680)	(5,342)	(12,633)	(9,410)
Cash paid for interest	(11,861)	(11,457)	(12,451)	(11,507)
Cash paid for taxes	(1,376)	(152)	(13,741)	(3,437)
Changes in working capital	5,263	1,100	19,923	16,467
Stock-based compensation expense	2,019	2,636	4,676	5,605
Changes in other, net	(577)	(1,609)	(687)	(1,542)
Net cash flows provided by operating activities	<u>\$ 35,129</u>	<u>\$ 38,999</u>	<u>\$ 94,747</u>	<u>\$ 99,159</u>

In addition, we also make certain adjustments to EBITDA for loss on early extinguishment of debt, stock-based compensation expense and interest income to compute ratios used in certain financial covenants of our revolving credit facility with various lenders. We believe that these ratios are a material component of certain financial covenants in such credit agreements and failure to comply with the financial covenants could result in the acceleration of indebtedness or the imposition of restrictions on our financial flexibility.

The following table provides certain detailed adjustments to EBITDA, as defined in our revolving credit facility, for the three and six months ended June 30, 2009 and 2008, respectively (in thousands).

### Adjustments to EBITDA for Computation of Financial Ratios Used in Debt Covenants

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Stock-based compensation expense	\$ 2,019	\$ 2,636	\$ 4,676	\$ 5,605
Interest income	47	235	186	1,227

Set forth below are the material limitations associated with using EBITDA as a non-GAAP financial measure compared to cash flows provided by operating activities.

- EBITDA does not reflect the future capital expenditure requirements that may be necessary to replace our existing vessels as a result of normal wear and tear,
- EBITDA does not reflect the interest, future principal payments and other financing-related charges necessary to service the debt that we have incurred in acquiring and constructing our vessels,
- EBITDA does not reflect the deferred income taxes that we will eventually have to pay, and
- EBITDA does not reflect changes in our net working capital position.

Management compensates for the above-described limitations in using EBITDA as a non-GAAP financial measure by only using EBITDA to supplement our GAAP results.

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Summarized financial information concerning our reportable segments for the three months ended June 30, 2009 and 2008, respectively, is shown below in the following table (in thousands, except percentage changes):

	Three Months Ended June 30,		Increase (Decrease)	
	2009	2008	\$ Change	% Change
<b>Revenues:</b>				
Upstream				
Domestic	\$ 72,996	\$ 58,261	\$ 14,735	25.3%
Foreign (1)	10,703	20,713	(10,010)	(48.3)
	<u>83,699</u>	<u>78,974</u>	<u>4,725</u>	<u>6.0</u>
Downstream				
Domestic	13,666	22,598	(8,937)	(39.5)
Foreign (1)	544	2,901	(2,357)	(81.2)
	<u>14,210</u>	<u>25,499</u>	<u>(11,289)</u>	<u>(44.3)</u>
Total	<u>\$ 97,909</u>	<u>\$104,473</u>	<u>\$ (6,564)</u>	<u>(6.3)%</u>
<b>Operating expenses:</b>				
Upstream	\$ 30,717	\$ 28,394	\$ 2,323	8.2%
Downstream	10,162	14,905	(4,743)	(31.8)
Total	<u>\$ 40,879</u>	<u>\$ 43,299</u>	<u>\$ (2,420)</u>	<u>(5.6)%</u>
<b>Depreciation and amortization:</b>				
Upstream	\$ 12,937	\$ 8,211	\$ 4,726	57.6%
Downstream	31,375	4,797	26,578	554.1
Total	<u>\$ 44,312</u>	<u>\$ 13,008</u>	<u>\$ 31,304</u>	<u>240.7%</u>
<b>General and administrative expenses:</b>				
Upstream	\$ 6,666	\$ 5,604	\$ 1,062	19.0%
Downstream	1,010	3,810	(2,800)	(73.5)
Total	<u>\$ 7,676</u>	<u>\$ 9,414</u>	<u>\$ (1,738)</u>	<u>(18.5)%</u>
<b>Gain (loss) on sale of assets:</b>				
Upstream	\$ —	\$ 2,001	\$ (2,001)	(100.0)%
Downstream	(4)	—	(4)	100.0
Total	<u>\$ (4)</u>	<u>\$ 2,001</u>	<u>\$ (2,005)</u>	<u>&gt;(100.0)%</u>
<b>Operating income (loss):</b>				
Upstream	\$ 33,379	\$ 38,766	\$ (5,387)	(13.9)%
Downstream	(28,341)	1,987	(30,328)	>(100.0)
Total	<u>\$ 5,038</u>	<u>\$ 40,753</u>	<u>\$ (35,715)</u>	<u>(87.6)%</u>
<b>Interest expense</b>	<u>\$ 4,267</u>	<u>\$ 1,527</u>	<u>\$ 2,740</u>	<u>179.4%</u>
<b>Interest income</b>	<u>\$ 47</u>	<u>\$ 235</u>	<u>\$ (188)</u>	<u>(80.0)%</u>
<b>Income tax expense</b>	<u>\$ 610</u>	<u>\$ 14,276</u>	<u>\$ (13,666)</u>	<u>(95.7)%</u>
<b>Net income</b>	<u>\$ 199</u>	<u>\$ 25,457</u>	<u>\$ (25,438)</u>	<u>(99.9)%</u>

(1) Included are the amounts applicable to our Puerto Rico Downstream operations, even though Puerto Rico is considered a possession of the United States and the Jones Act applies to vessels operating in Puerto Rican waters.

### Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

*Revenues.* Revenues for the three months ended June 30, 2009 decreased 6.3%, or \$6.6 million, to \$97.9 million compared to the same period in 2008 primarily due to a year-over-year decline in fleetwide effective dayrates for the Company's Downstream segment. These lower dayrates were partially offset by the full and partial-period contribution of Upstream vessels that were added to our fleet since June 30, 2008. For the three months ended June 30, 2009, our weighted-average active fleet was approximately 70 vessels compared to 81 vessels for the same period in 2008.

Revenues from our Upstream segment increased \$4.7 million, or 6.0%, to \$83.7 million for the three months ended June 30, 2009 compared to \$79.0 million for the same period in 2008. The vessels placed in service since the second quarter of 2008 under our ongoing newbuild and conversion programs accounted for a \$26.9 million increase in Upstream revenues. These incremental revenues were partially offset by a \$16.4 million decrease in revenue from lower effective dayrates for our new generation OSVs that were in service during each of the quarters ended June 30, 2009 and 2008 and a \$5.8 million decrease in revenue for lower effective dayrates for our conventional OSVs that were in service during the quarter ended June 30, 2008, but which have either been stacked or sold on various dates since then. Our new generation OSV average dayrate was \$21,330 for the second quarter of 2009 compared to \$22,168 for the same period in 2008, a decrease of \$838, or 3.8%. Our new generation OSV utilization was 83.6% for the second quarter of 2009 compared to 96.6% for the same period in 2008. Our new generation OSV dayrates were driven lower by decreased demand for our services resulting from decreased drilling and production activity in the markets in which we operate. Domestic revenues for our Upstream segment increased \$14.7 million during the three months ended June 30, 2009 due to the full or partial-quarter contribution of ten additional vessels operating during the current year quarter, partially offset by five new generation OSVs and six conventional OSVs that were stacked for all or part of the three months ended June 30, 2009. Foreign revenues for our Upstream segment decreased \$10.0 million mainly due to the mobilization of three new generation OSVs from Trinidad to the GoM in early April 2009.

Revenues from our Downstream segment decreased \$11.3 million, or 44.3%, to \$14.2 million for the three months ended June 30, 2009 compared to the three months ended June 30, 2008. The decrease in revenues was mainly driven by soft market conditions that resulted in the stacking of eight single-hulled tank barges on various dates since the second quarter of 2008 and, to a lesser extent, the OPA 90 retirement of two of our larger, single-hulled tank barges in December 2008 and June 2009. Our double-hulled tank barge average dayrate was \$19,810 for the three months ended June 30, 2009, a decrease of \$2,639 or 11.8%, from \$22,449 for the same period in 2008. Our double-hulled tank barge utilization was 67.2% for the second quarter of 2009 compared to 93.6% for the second quarter of 2008. The decrease in double-hulled tank barge utilization was driven by reduced demand for petroleum products in the U.S., which we attribute to the depressed state of the economy. Our single-hulled tank barge average dayrate was \$13,302 for the three months ended June 30, 2009, a decrease of \$7,189, or 35.1%, from \$20,491 for the same period in 2008. This decrease was primarily due to the soft demand for this type of equipment, which has been exacerbated by incremental newbuild double-hulled tank barge deliveries during the first half of 2009. Dayrates for the year-ago quarter included the favorable impact of one single-hulled vessel, which is currently stacked, performing non-traditional tank barge

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services to Upstream customers at premium dayrates. Our single-hulled tank barge utilization was 25.2% for the three months ended June 30, 2009 compared to 37.0% for the same period in 2008. The decrease in single-hulled tank barge utilization was primarily due to having eight stacked single-hulled barges throughout the second quarter of 2009. Our effective single-hulled tank barge utilization, which excludes the impact of stacked tank barges, was 80.1% for the second quarter of 2009. Foreign revenues for our Downstream segment decreased \$2.4 million primarily due to fewer vessels operating in Puerto Rico during the three months ended June 30, 2009 compared to the same period in 2008.

*Operating expenses.* Operating expenses for the three months ended June 30, 2009 decreased by \$2.4 million, or 5.6%, to \$40.9 million. This decrease was primarily associated with removing 11 vessels from our active operating fleet since the second quarter of 2008. Daily vessel operating costs for the second quarter of 2009 were approximately 10% lower than the same period in 2008 for vessels that operated in both of our segments during 2009 and 2008. We expect this downward trend to continue through the remainder of 2009.

Operating expenses for our Upstream segment were \$30.7 million, an increase of \$2.3 million, or 8.2%, for the second quarter of 2009 compared to \$28.4 million for the same period in 2008. Newly constructed vessels placed in service since the second quarter of 2008 accounted for an approximate \$8.8 million increase in operating expenses during the second quarter of 2009. This increase was partially offset by approximately \$6.5 million in operating expense decreases primarily resulting from the decrease in our active Upstream fleet due to the sale of four conventional OSVs and the stacking of five new generation OSVs and all six of our conventional OSVs since the prior-year quarter.

Operating expenses for our Downstream segment were \$10.2 million, a decrease of \$4.7 million, or 31.8%, for the three months ended June 30, 2009 compared to \$14.9 million for the same period in 2008. The decrease in operating expenses for the Downstream segment is primarily associated with the lower cost of maintaining equipment that was stacked or retired from service since the second quarter of 2008.

*Depreciation and Amortization.* Depreciation and amortization was \$31.3 million higher for the three months ended June 30, 2009 compared to the three months ended June 30, 2008 substantially due to the asset impairment charge for our Downstream vessels. As of June 30, 2009, we determined that vessels in our Downstream segment contained carrying values that exceeded their respective fair values. We recorded a loss on asset impairment of \$25.8 million, or \$0.60 per diluted share, related to ten of our single-hulled tank barges and six of our ocean-going tugs. See further discussion at Critical Accounting Policies. In addition, we incurred incremental depreciation related to seven OSVs placed in service under our fourth OSV newbuild program and two MPSVs placed in service under our MPSV program since the second quarter of 2008. Our depreciation and amortization expense for the second quarter of 2009 also includes an approximate \$0.9 million, or \$0.02 per diluted share, charge to write-off the remaining goodwill associated with our Downstream segment. Excluding the Downstream asset and goodwill impairment charges, depreciation and amortization expense is expected to increase further when the remaining vessels to be delivered under our current newbuild and conversion programs are placed in service and when these and any other recently acquired and newly constructed vessels undergo their initial 30-month and 60-month recertifications.



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*General and Administrative Expense.* General and administrative expenses of \$7.7 million, or 7.8% of revenues, decreased by \$1.7 million during the three months ended June 30, 2009 compared to the three months ended June 30, 2008. This decrease is attributable to lower shore-side incentive compensation and, to a lesser extent, lower stock-based compensation expense during the second quarter of 2009 compared to the prior-year quarter. Notwithstanding our fleet growth, our general and administrative expenses are expected to decrease approximately 5% to 10% in 2009 over 2008 levels, but are expected to remain in the approximate range of 9% to 10% of revenues.

*Operating Income (Loss).* Operating income decreased by 87.6%, or \$35.7 million, to \$5.0 million during the three months ended June 30, 2009 compared to the same period in 2008 principally due to the impairment charges discussed above. Operating income as a percentage of revenues for our Upstream segment was 39.9% for the three months ended June 30, 2009 compared to 49.1% for the same period in 2008. The primary driver for this margin decrease relates to lower effective dayrates. We had an operating loss of \$28.3 million in our Downstream segment for the second quarter of 2009, compared to operating income of \$2.0 million for the second quarter of 2008. This decrease primarily relates to the impairment losses discussed above as well as lower dayrates and utilization due to soft market conditions for both our single-hulled and double-hulled tonnage during the second quarter of 2009. In addition, a gain on sale of assets of \$2.0 million was recognized during the second quarter of 2008, due to the sale of the *Cape Scott*, a foreign flagged conventional OSV that contributed to the higher operating income in the second quarter of 2008.

*Interest Expense.* Interest expense increased \$2.7 million during the three months ended June 30, 2009 compared to the same period in 2008. The increase in interest expense is primarily attributable to a \$2.1 million decrease in capitalized interest and additional interest costs related to having a higher outstanding balance under our revolving credit facility. Our revolving credit facility weighted-average balance was \$165.7 million for the three months ended June 30, 2009 compared to a \$17.8 million weighted-average balance outstanding under such facility for the same period in 2008. See "Liquidity and Capital Resources" for further discussion.

*Interest Income.* Interest income decreased by \$0.2 million during the three months ended June 30, 2009 primarily due to a lower average cash balance during the quarter and lower yields earned on invested cash balances. Our weighted-average cash balance for the three months ended June 30, 2009 was \$22.7 million compared to \$34.0 million for the same period in 2008. The average interest rate earned on our invested cash balances during the three months ended June 30, 2009 was 0.9% compared to 2.4% for the same period in 2008.

*Income Tax Expense.* Our effective tax rate was 75.4% and 36.1% for the three months ended June 30, 2009 and 2008, respectively. Our effective tax rate increased due to the larger effect of our permanent book-tax differences on the relatively small pre-tax income for the second quarter of 2009. Excluding the impact of the Downstream impairment charges, our effective tax rate for the second quarter of 2009 would have been 36.9%. Our income tax expense primarily consists of deferred taxes. Our income tax rate is higher than the federal statutory rate primarily due to expected state and foreign tax liabilities and items not deductible for federal income tax purposes.

*Net Income.* Net income decreased by 99.9%, or \$25.4 million, to \$0.2 million for the three months ended June 30, 2009 compared to the three months ended June 30, 2008

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primarily due to the decrease in operating income discussed above and a \$2.9 million increase in net interest expense.

Summarized financial information concerning our reportable segments for the six months ended June 30, 2009 and 2008, respectively, is shown below in the following table (in thousands, except percentage changes):

	Six Months Ended June 30,		Increase (Decrease)	
	2009	2008	\$ Change	% Change
<b>Revenues:</b>				
Upstream				
Domestic	\$144,060	\$112,141	\$ 31,919	28.5%
Foreign	30,215	34,285	(4,070)	(11.9)
	<u>174,275</u>	<u>146,426</u>	<u>27,849</u>	<u>19.0</u>
Downstream				
Domestic	32,499	50,500	(18,001)	(35.6)
Foreign (1)	782	5,067	(4,285)	(84.6)
	<u>33,281</u>	<u>55,567</u>	<u>(22,286)</u>	<u>(40.1)</u>
Total	<u>\$207,556</u>	<u>\$201,993</u>	<u>\$ 5,563</u>	<u>2.8%</u>
<b>Operating expenses:</b>				
Upstream	\$ 59,718	\$ 54,173	\$ 5,545	10.2%
Downstream	21,732	28,921	(7,189)	(24.9)
Total	<u>\$ 81,450</u>	<u>\$ 83,094</u>	<u>\$ (1,644)</u>	<u>(2.0)%</u>
<b>Depreciation and amortization:</b>				
Upstream	\$ 23,437	\$ 15,449	\$ 7,988	51.7%
Downstream	36,023	9,747	26,276	>100.0
Total	<u>\$ 59,460</u>	<u>\$ 25,196</u>	<u>\$ 34,264</u>	<u>&gt;100.0%</u>
<b>General and administrative expenses:</b>				
Upstream	\$ 13,589	\$ 11,009	\$ 2,580	23.4%
Downstream	2,849	6,983	(4,134)	(59.2)
Total	<u>\$ 16,438</u>	<u>\$ 17,992</u>	<u>\$ (1,554)</u>	<u>(8.6)%</u>
<b>Gain on sale of assets:</b>				
Upstream	\$ —	\$ 2,001	\$ (2,001)	(100.0)%
Downstream	241	—	241	100.0
Total	<u>\$ 241</u>	<u>\$ 2,001</u>	<u>\$ (1,760)</u>	<u>(88.0)%</u>
<b>Operating income (loss):</b>				
Upstream	\$ 77,531	\$ 67,796	\$ 9,735	14.4%
Downstream	(27,082)	9,916	(36,998)	> (100.0)
Total	<u>\$ 50,449</u>	<u>\$ 77,712</u>	<u>\$ (27,263)</u>	<u>(35.1)%</u>
<b>Interest expense</b>	<u>\$ 6,998</u>	<u>\$ 4,073</u>	<u>\$ 2,925</u>	<u>71.8%</u>
<b>Interest income</b>	<u>\$ 186</u>	<u>\$ 1,227</u>	<u>\$ (1,041)</u>	<u>(84.8)%</u>
<b>Income tax expense</b>	<u>\$ 16,088</u>	<u>\$ 27,065</u>	<u>\$ (10,977)</u>	<u>(40.6)%</u>
<b>Net income</b>	<u>\$ 27,300</u>	<u>\$ 47,876</u>	<u>\$ (20,576)</u>	<u>(43.0)%</u>

(1) Included are the amounts applicable to our Puerto Rico Downstream operations, even though Puerto Rico is considered a possession of the United States and the Jones Act applies to vessels operating in Puerto Rican waters.

### Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

*Revenues.* Revenues for the six months ended June 30, 2009 increased 2.8%, or \$5.6 million, to \$207.6 million compared to the same period in 2008 primarily due to the full and partial-period contribution of additional vessels that were added to our fleet since June 30, 2008. For the six months ended June 30, 2009, our weighted-average active fleet was approximately 72 vessels compared to 81 vessels for the same period in 2008.

Revenues from our Upstream segment increased \$27.8 million, or 19.0%, to \$174.3 million for the six months ended June 30, 2009 compared to \$146.4 million for the same period in 2008. The vessels placed in service since the first half of 2008 under our ongoing newbuild and conversion programs accounted for a \$46.6 million increase in Upstream revenues. This increase was partially offset by a \$10.4 million decrease in revenue resulting from lower effective dayrates for our new generation OSVs that were in service during each of the six month periods ended June 30, 2009 and 2008 and a \$8.4 million decrease in revenue mainly from lower effective dayrates for our conventional OSVs that were in service during the six months ended June 30, 2008, but which have either been stacked or sold on various dates since then. Our new generation OSV average dayrate was \$22,233 for the first six months of 2009 compared to \$21,613 for the same period in 2008, an increase of \$620 or 2.9%. Our new generation OSV utilization was 88.2% for the first six months of 2009 compared to 94.4% for the same period in 2008. Our new generation OSV average dayrates were driven higher by spot rates earned internationally during the first quarter of 2009 and the dayrate contribution from recent newbuilds placed in service at long-term charter rates that exceeded our fleetwide average. Domestic revenues for our Upstream segment increased \$31.9 million during the six months ended June 30, 2009 on the basis of our fleet growth. Foreign revenues for our Upstream segment decreased \$4.1 million primarily due to the mobilization of three new generation OSVs from Latin America to the GoM in April 2009.

Revenues from our Downstream segment decreased \$22.3 million, or 40.1%, to \$33.3 million for the six months ended June 30, 2009 compared to the same period in 2008. The decrease in revenues was mainly driven by soft market conditions that resulted in the stacking of eight single-hulled tank barges on various dates since April 30, 2008. The decrease in revenues was partially offset by the full-period contribution from one newbuild double-hulled tank barge, the *Energy 6508*, which was placed in service in March 2008. Our double-hulled tank barge average dayrate was \$20,132 for the six months ended June 30, 2009, a decrease of \$2,002 or 9.0%, from \$22,134 for the same period in 2008. Our double-hulled tank barge utilization was 73.5% for the first six months of 2009 compared to 92.4% for the first six months 2008. The decrease in double-hulled tank barge utilization was driven by reduced demand for petroleum products in the U.S., which we attribute to the depressed state of the economy. Our single-hulled tank barge average dayrate was \$14,745 for the six months ended June 30, 2009, a decrease of \$3,299, or 18.3%, from \$18,044 for the same period in 2008. This decrease was primarily due to the soft demand for this type of equipment, which has been exacerbated by incremental newbuild double-hulled tank barge deliveries during the first half of 2009. In addition, dayrates for the year-ago period included the favorable impact of one single-hulled vessel, which is currently stacked, performing non-traditional tank barge services to Upstream customers at premium dayrates. Our single-hulled tank barge utilization was 31.4% for the six months ended June 30, 2009 compared to 59.4% for the same period in 2008. The decrease in single-hulled tank barge

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utilization was primarily due to soft market conditions that resulted in the stacking of eight single-hulled barges on various dates since June 30, 2008. Our effective single-hulled tank barge utilization, which excludes the impact of stacked tank barges, was 81.6% for the first six months of 2009. Foreign revenues for our Downstream segment decreased \$4.3 million primarily due to fewer vessels operating in Puerto Rico during the six months ended June 30, 2009 compared to the same period in 2008.

*Operating expenses.* Operating expenses for the six months ended June 30, 2009 decreased by \$1.6 million, or 2.0%, to \$81.5 million. This decrease reflects the reduced costs associated with removing nine vessels from our operating fleet since June 30, 2008, partially offset by the incremental costs generated from the vessels added to our operating fleet through newbuild deliveries since the year-ago period. Daily vessel operating costs for the first six months of 2009 decreased approximately 5% from the same period in 2008 for vessels that operated in both of our segments during 2009 and 2008. We expect this downward trend to continue through the remainder of 2009.

Operating expenses for our Upstream segment were \$59.7 million, an increase of \$5.5 million, or 10.2%, for the first six months of 2009 compared to \$54.2 million for the same period in 2008. Newly constructed vessels placed in service since June 30, 2008 accounted for approximately \$14.3 million of operating expense increase during the first six months of 2009. Excluding the impact of the recent newbuild deliveries, operating expense decreased approximately \$8.8 million from the first six months of 2008 primarily due to the sale of four conventional OSVs and the stacking of five new generation OSVs and six conventional OSVs on various dates since June 30, 2008.

Operating expenses for our Downstream segment were \$21.7 million, a decrease of \$7.2 million, or 24.9%, for the six months ended June 30, 2009 compared to \$28.9 million for the same period in 2008. The decrease in operating expenses for the Downstream segment is primarily associated with the lower cost of maintaining equipment that was stacked or retired from service since June 30, 2008.

*Depreciation and Amortization.* Depreciation and amortization was \$7.6 million higher for the six months ended June 30, 2009 compared to the six months ended June 30, 2008 substantially due to the asset impairment charge for our Downstream vessels. As of June 30, 2009, we determined that vessels in our Downstream segment contained carrying values that exceeded their respective fair values. We recorded asset impairment of \$25.8 million, or \$0.60 per diluted share, related to the write-down of ten of our single-hulled tank barges and six of our ocean-going tugs to their respective fair values. See further discussion at Critical Accounting Policies. In addition, we incurred incremental depreciation related to eight OSVs placed in service under our fourth OSV newbuild program and two MPSVs placed in service under our MPSV program since June 30, 2008. Our depreciation and amortization expense for the first six months of 2009 also included an approximate \$0.9 million, or \$0.02 per diluted share, charge to write-off the remaining goodwill associated with our Downstream segment. Excluding the Downstream asset and goodwill impairment charges, depreciation and amortization expense is expected to increase further when the remaining vessels to be delivered under our current newbuild and conversion programs are placed in service and when these and any other recently acquired and newly constructed vessels undergo their initial 30-month and 60-month recertifications.

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*General and Administrative Expense.* General and administrative expenses of \$16.4 million, or 7.9% of revenues, decreased by \$1.6 million during the six months ended June 30, 2009 compared to the six months ended June 30, 2008. This decrease is due to lower shore-side incentive compensation and stock-based compensation expense during the period ended June 30, 2009. Notwithstanding our fleet growth, our general and administrative expenses are expected to decrease approximately 5% to 10% in 2009 over 2008 levels, but are expected to remain in the approximate range of 9% to 10% of revenues.

*Gain on Sale of Assets.* During the first six months of 2009, we sold the *Stapleton Service*, an older, lower-horsepower tug, for net cash proceeds of \$0.9 million and an aggregate gain of \$0.2 million.

*Operating Income (Loss).* Operating income decreased by \$27.3 million or 35.1%, to \$50.4 million during the six months ended June 30, 2009 compared to the same period in 2008 due to the reasons discussed above. Operating income as a percentage of revenues for our Upstream segment was 44.4% for the six months ended June 30, 2009 compared to 46.3% for the same period in 2008. The primary driver for this margin decrease relates to lower effective dayrates and lower utilization for our Upstream equipment during the first half of 2009 compared to the same period in 2008. We had an operating loss of \$27.1 million in our Downstream segment for the first six months of 2009, compared to operating income of \$9.9 million for the first six months of 2008. This decrease primarily relates to the \$26.7 million impairment losses discussed above in addition to lower dayrates and utilization due to soft market conditions for both our single-hulled and double-hulled tonnage during the first six months of 2009.

*Interest Expense.* Interest expense increased \$2.9 million during the six months ended June 30, 2009 compared to the same period in 2008. Our interest expense variance was comprised of higher interest costs related to having a higher outstanding balance under our revolving credit facility and a \$1.7 million decrease in capitalized interest resulting from fewer vessels under construction in our ongoing newbuild and conversion programs. Our revolving credit facility weighted-average balance was \$155.1 million for the six months ended June 30, 2009 compared to \$9.1 million for the same period in 2008. See "Liquidity and Capital Resources" for further discussion.

*Interest Income.* Interest income decreased \$1.0 million to \$0.2 million during the six months ended June 30, 2009 mainly due to lower invested cash balances. The decrease in invested cash balances was driven by cash paid for ongoing newbuild and conversion programs. Our weighted-average cash balance for the six months ended June 30, 2009 was \$24.7 million compared to \$78.4 million for the same period in 2008. The average interest rate earned on our invested cash balances during the six months ended June 30, 2009 was 1.0% compared to 3.7% for the same period in 2008.

*Income Tax Expense.* Our effective tax rate was 37.1% and 36.1% for the six months ended June 30, 2009 and 2008, respectively. Our effective rate increased due mainly to an a slightly larger effect of permanent book-tax differences on the lower pre-tax income. Our income tax expense primarily consists of deferred taxes. Our income tax rate is higher than the federal statutory rate primarily due to expected state and foreign tax liabilities and items not deductible for federal income tax purposes.

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*Net Income.* Net income decreased by \$20.6 million, or 43.0%, to \$27.3 million for the six months ended June 30, 2009 compared to the six months ended June 30, 2008 primarily due to the decrease in operating income discussed above, as well as \$1.9 million increase in net interest expense.

### **Liquidity and Capital Resources**

Our capital requirements have historically been financed with cash flows from operations, proceeds from issuances of our debt and common equity securities, borrowings under our credit facilities and cash received from the sale of assets. We require capital to fund on-going operations, vessel construction, retrofit or conversion, acquisitions, vessel recertifications, discretionary capital expenditures and debt service. The nature of our capital requirements and the types of our financing sources are not expected to change significantly throughout 2009.

We have from time to time made, and will continue to make additional, draws on our revolving credit facility to satisfy scheduled capital expenditure requirements or for other corporate purposes. Any liquidity in excess of our planned capital expenditures will be utilized to repay debt or finance the implementation of our growth strategy, which includes expanding our fleet through the construction of new vessels, conversion or retrofit of existing vessels or acquisition of additional vessels, including, but not limited to, OSVs, MPSVs, AHTS vessels, ocean-going tugs, tank barges, tankers and other specialty vessels, as needed to take advantage of the market demand for such vessels.

With the failures of several large banks in the latter-half of 2008, and resulting tight credit conditions, we have reviewed all of our debt agreements, as well as our liquidity position and projected future cash needs. Despite the recent volatility in financial and commodity markets, we remain confident in our current financial position, the strength of our balance sheet and the short- and long-term viability of our business model. To date, our liquidity has not been materially impacted and we do not expect that it will be materially impacted in the near-future due to such capital market volatility. We believe that our cash on-hand, projected operating cash flow and revolver capacity will be sufficient to operate the company, complete our remaining newbuild programs and meet our other commitments for the foreseeable future.

Although we expect to continue generating positive working capital through our operations, events beyond our control, such as further declines in expenditures for exploration, development and production activity, mild winter conditions or any extended reduction in domestic consumption of refined petroleum products, as well as any other reasons discussed in the Risk Factors described in our Annual Report on Form 10-K or under the "Forward Looking Statements" discussed in this Quarterly Report on Form 10-Q, may affect our financial condition or results of operations. None of our debt instruments mature any sooner than September 2011. Depending on the market demand for our vessels and other growth opportunities that may arise, we may require additional debt or equity financing. It is possible that, due to events beyond our control, should such need for additional financing arise, we may not be able to access the capital markets on attractive terms at that time. We will continue to closely monitor our liquidity position, as well as the state of the global capital and credit markets.

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As of June 30, 2009, we had total cash and cash equivalents of \$21.8 million. The remaining construction costs related to our MPSV program and our fourth OSV newbuild program, have been and will continue to be funded with cash on hand, projected cash flows from operations and borrowings available under our existing revolving credit facility. During the second quarter of 2009 and based on the timing of shipyard milestones, we borrowed \$35.0 million under our \$250.0 million revolving credit facility. With aggregate draws outstanding of \$185.0 million under this facility and a posted letter of credit for \$0.9 million, we had \$64.1 million of credit immediately available under our revolving credit facility as of June 30, 2009. Subsequent to June 30, 2009, we have drawn an additional \$15.0 million for major milestone payments under our ongoing construction and conversion programs. The total amount outstanding under our revolving credit facility was \$200.0 million as of August 5, 2009. The extent and timing of further draws on our revolving credit facility and the available borrowing capacity under such facility are primarily dependent upon cash flows generated from operations, shipyard schedules, the achievement of construction milestones, and the potential sale of additional non-core assets. In addition, the extent and timing of such draws may be affected should we access additional debt or equity financings.

Our liquidity could be further impacted by the ultimate outcome of the Superior Offshore bankruptcy case as discussed further in Part II—Item 1 Legal Proceedings.

### **Cash Flows**

*Operating Activities.* We rely primarily on cash flows from operations to provide working capital for current and future operations. Cash flows from operating activities were \$94.7 million for the six months ended June 30, 2009 and \$99.2 million for the six months ended June 30, 2008. Operating cash flows decreased from the prior-year period mainly due to a decline in effective dayrates and utilization for both our Upstream and Downstream segments, which was partially offset by the growth of our Upstream fleet. Cash flows from operations for the six months ended June 30, 2009 reflect full- and partial-period contributions from eight additional new generation OSVs and two MPSVs that were placed in service since the second quarter of 2008. Our cash flows from operations should continue to be favorably impacted in 2009 by the partial-year revenue contribution from additional vessels placed in service on various dates throughout 2009 under our MPSV program and our fourth OSV newbuild program.

*Investing Activities.* Net cash used in investing activities was \$154.5 million for the six months ended June 30, 2009 and \$295.6 for the six months ended June 30, 2008. Cash utilized during the first six months of 2009 primarily consisted of construction costs incurred for our ongoing newbuild and conversion programs, which were partially offset by approximately \$0.9 million in net cash proceeds from the March 2009 sale of the *Stapleton Service*, an older, lower-horsepower tug. Cash utilized in the first six months of 2008 primarily consisted of acquisition costs for the *HOS Achiever* and the lease rights for property adjacent to HOS Port and construction costs incurred for newbuild construction and conversion programs. As of June 30, 2009, the estimated construction costs remaining to be incurred under our MPSV program and fourth OSV program were approximately \$129.7 million, of which \$95.5 million and \$34.2 million is expected to be incurred during the remainder of 2009 and fiscal 2010, respectively.

*Financing Activities.* Net cash provided by financing activities of \$61.2 million and \$41.6 million for the six months ended June 30, 2009 and 2008, respectively, resulted from

incremental borrowings under our revolving credit facility and net proceeds from common stock issued under employee benefit programs.

## Contractual Obligations

### Debt

As of June 30, 2009, we had total debt of \$683.5 million, net of original issue discount of \$51.5 million. Our debt is comprised of \$299.6 million of our 6.125% senior notes due 2014, or senior notes, \$198.9 million of our 1.625% convertible senior notes due 2026, or convertible senior notes, and \$185.0 million in borrowings under our senior secured revolving credit facility due 2011. The effective interest rate on the senior notes is 6.38% with semi-annual cash interest payments of \$9.2 million due and payable each June 1 and December 1. The \$250.0 million, in face amount, of convertible senior notes bear interest at an annual coupon of 1.625% with semi-annual cash interest payments of \$2.0 million due May 15 and November 15, declining to 1.375%, or \$1.7 million semi-annually, beginning on November 15, 2013. Under our revolving credit facility, we have the option of borrowing at a variable rate of interest equal to either (i) the greater of the Prime Rate or the Federal Funds Effective Rate plus 1/2 of 1% or (ii) the London Interbank Offered Rate, or LIBOR; plus in each case an applicable margin. The applicable margin for each base rate is determined by a pricing grid, which is based on our leverage ratio, as defined in the credit agreement governing our revolving credit facility. Unused commitment fees are payable quarterly at the annual rate of 17.5 to 30.0 basis points of the unused portion of the \$250.0 million borrowing base of the revolving credit facility, based on the defined leverage ratio. As of June 30, 2009, the average interest rate on the drawn portion of our revolving credit facility was approximately 1.4%.

As of June 30, 2009, the Company had a balance outstanding of \$185.0 million under the revolving credit facility, as well as \$0.9 million posted in letters of credit, which resulted in \$64.1 million of credit immediately available under such facility. Subsequent to June 30, 2009, we have drawn an additional \$15.0 million under the revolving credit facility, which primarily funded construction milestone and other payments required under the Company's ongoing vessel newbuild and conversion programs.

### Capital Expenditures and Related Commitments

The following table sets forth the amounts incurred for our newbuild and conversion programs, before construction period interest, during the three and six months ended June 30, 2009 and since each program's inception, respectively, as well as the estimated total project costs for each of our current expansion programs (in millions):

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009	Incurred Since Inception	Estimated Program Totals (1)	Projected Delivery Dates (1)
<b>Growth Capital Expenditures:</b>					
MPSV program (2)	\$ 18.7	\$ 52.1	\$ 437.7	\$ 475.0	4Q2008-4Q2009
OSV newbuild program #4 (3)	45.7	86.2	357.6	450.0	2Q2008-3Q2010
Total:	<u>\$ 64.4</u>	<u>\$ 138.3</u>	<u>\$ 795.3</u>	<u>\$ 925.0</u>	

(1) Estimated Program Totals and Projected Delivery Dates are based on internal estimates and are subject to change due to delays and possible cost overruns inherent in any large construction project, including, without limitation, shortages of equipment, lack of shipyard availability,



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unforeseen engineering problems, work stoppages, weather interference, unanticipated cost increases, the inability to obtain necessary certifications and approvals and shortages of materials, component equipment or skilled labor. All of the above historical and budgeted capital expenditure project amounts for our newbuild and conversion programs represent estimated cash outlays and do not include any allocation of capitalized construction period interest. Projected delivery dates correspond to the first and last vessels that are contracted with shipyards for construction, retrofit or conversion for delivery under our currently active programs, respectively.

- (2) Our MPSV program includes the conversion of two coastwise sulfur tankers into U.S.-flagged, proprietary 370 class DP-2 new generation MPSVs at domestic shipyards, and the newbuild construction of two T-22 class DP-3 new generation MPSVs at foreign shipyards. The first converted DP-2 MPSV, the *HOS Centerline*, was placed in service during March 2009. The second converted DP-2 MPSV, the *HOS Strongline*, is expected to be placed in service in the fourth quarter of 2009. We took delivery of the first newbuild DP-3 MPSV, the *HOS Achiever*, and promptly mobilized the vessel to the GoM, where it was placed in service on October 1, 2008. The second newbuild DP-3 MPSV, the *HOS Iron Horse*, is expected to be placed in service during the fourth quarter of 2009. Based on internal estimates, the aggregate cost of the MPSV program, prior to the allocation of construction period interest, is expected to be approximately \$475.0 million.
- (3) Our fourth OSV newbuild program consists of vessel construction contracts with three domestic shipyards to build six 240 ED class OSVs, nine 250 EDF class OSVs and one 290 class OSV. Of the 16 new generation DP-2 OSVs included in this program, we have placed in service four vessels in 2008 and five vessels during the first six months of 2009. The seven remaining vessels are expected to be placed in service on various dates over the next 15 months, as follows: three vessels during the remainder of 2009 and four vessels in 2010. We placed in service our third and fourth 250 EDF class OSVs, the *HOS Black Powder* and *HOS Westwind*, in late June 2009. Based on the current schedule of projected vessel in-service dates, we expect to own and operate 47 and 51 new generation OSVs as of December 31, 2009 and 2010, respectively. These projections result in an average new generation OSV fleet complement of 43.2 and 49.8 vessels for the fiscal years 2009 and 2010, respectively. Inclusive of the specific vessel deliveries discussed above, the aggregate cost of our fourth OSV newbuild program is expected to be approximately \$450.0 million.

The following table summarizes the actual and forecasted maintenance capital expenditures for the periods presented below, as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2009	2008	2009	2008	2009
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>
<b>Maintenance Capital Expenditures:</b>					
Deferred drydocking charges	\$ 7.7	\$ 5.3	\$ 12.7	\$ 9.4	\$ 18.0
Other vessel capital improvements (1)	0.7	6.0	2.5	14.0	2.9
Miscellaneous non-vessel additions	0.2	0.3	3.0	22.5	5.0
<b>Total:</b>	<b>\$ 8.6</b>	<b>\$ 11.6</b>	<b>\$ 18.2</b>	<b>\$ 45.9</b>	<b>\$ 25.9</b>

(1) Deferred drydocking charges for the full-year 2009 include the projected recertification costs for 13 new generation OSVs, one conventional OSV, and two tugs.

(2) Other vessel capital improvements include costs for discretionary vessel enhancements or to meet customer specifications. Such improvements are typically incurred during a planned drydocking event.

(3) Non-vessel capital expenditures are primarily related to information technology initiatives and improvements to our shore-base port facility.

## Forward Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements," as contemplated by the Private Securities Litigation Reform Act of 1995, in which we discuss factors that we believe may affect our performance in the future. Forward-looking statements are all statements other than historical facts, such as statements regarding assumptions, expectations, beliefs and projections about future events or conditions. You can generally identify forward-looking statements by the appearance in such a statement of words like "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "might," "plan," "potential," "predict," "project," "should" or "will" or other comparable words or the negative of such words. The accuracy of our assumptions, expectations, beliefs and projections depend on events or conditions that change over time and are thus susceptible to change based on actual experience, new developments and known and unknown risks. We give no assurance that the forward-looking statements will prove to be correct and does not undertake any duty to update them. Our actual future results might differ from the forward-looking statements made in this Quarterly Report on Form 10-Q for a variety of reasons, which include: our inability to successfully or timely complete its various vessel construction

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and conversion programs, especially our MPSV program, which involves the construction and integration of highly complex vessels and systems; changes in our vessel construction and conversion budgets; less than anticipated success in marketing and operating our MPSVs, which are a class of vessels that we do not have a long history of owning or operating; the inability of our MPSVs to perform services for which they were designed; further weakening of demand for our services; inability to effectively curtail operating expenses from stacked vessels; the potential for valuation impairment charges; the inability to sell or otherwise dispose of non-core assets on acceptable terms; unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters or failures to finalize commitments to charter vessels; an adverse ruling in the *Superior Achiever* adversary proceeding; industry risks; further reductions in capital spending budgets by customers; further decline in oil and natural gas prices; increases in operating costs; the inability to accurately predict vessel utilization levels and dayrates; less than anticipated subsea infrastructure demand activity in the U.S. Gulf of Mexico and other markets; the level of fleet additions by competitors that could result in over-capacity; economic and political risks, including those that are the result of proposed changes to policies and laws currently being considered in the United States; weather-related risks; the risk of pandemics such as swine flu; the inability to attract and retain qualified marine personnel; regulatory risks; the repeal or administrative weakening of the Jones Act; drydocking delays and cost overruns and related risks; vessel accidents or pollution incidents resulting in lost revenue or expenses that are unrecoverable from insurance policies or other third parties; unexpected litigation and insurance expenses; fluctuations in foreign currency valuations compared to the U.S. dollar and risks associated with expanded foreign operations. In addition, our future results may be impacted by continued volatility or further deterioration in the capital markets and the worldwide economic downturn; inflation, deflation, or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in their non-payment or inability to perform obligations owed to us, such as the failure of shipyards and major suppliers to complete orders or the failure by banks to provide expected funding under our credit agreement. Should one or more of the foregoing risks or uncertainties materialize in a way that negatively impacts us, or should our underlying assumptions prove incorrect, our actual results may vary materially from those anticipated in our forward-looking statements, and our business, financial condition and results of operations could be materially and adversely affected.

### **Item 3—Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes to our market risks during the six months ended June 30, 2009. For additional information on market risk, refer to Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2008.

### **Item 4—Controls and Procedures**

#### **Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have

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concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1—Legal Proceedings

In April 2008, Superior Offshore International, Inc., or Superior Offshore, announced that it filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. Superior Offshore was the charterer of the *HOS Achiever*, a vessel that the Company acquired from Superior Offshore in January 2008, for the period October 1, 2008 through October 1, 2013, and cancellable by Superior Offshore as of March 29, 2009. In early January 2009, Superior Offshore obtained an order from the Bankruptcy Court approving the rejection of the *HOS Achiever* charter pursuant to the provisions of section 365 of the Bankruptcy Code. The rejection of the *HOS Achiever* charter constituted a breach of the charter. The Company filed a proof of claim in the Superior Offshore bankruptcy case for payment of rejection damages associated with the breach of the charter. In late January 2009, Superior Offshore obtained confirmation of its Chapter 11 Plan of Reorganization. The Company believes that it has mitigated its risk of loss under the *HOS Achiever* time charter through funds received under a letter of credit provided to the Company in advance by Superior Offshore. In addition, as permitted by the time charter with Superior Offshore, the *HOS Achiever* was actively marketed and time chartered to other domestic and international customers on various dates during the six-month Superior Offshore time charter period. Time charter billings from October 1, 2008 through March 29, 2009 for the *HOS Achiever* to companies other than Superior Offshore were offset against amounts collectible from Superior Offshore. During the first half of 2009, the Company recognized approximately \$3.0 million (\$1.9 million after-tax, or \$0.07 per diluted share) of revenue related to the Superior Offshore time charter. These revenues are net of any credits issued to Superior Offshore related to the *HOS Achiever* being chartered to other customers. As of June 30, 2009, the Company has recorded other receivables of approximately \$9.1 million, which primarily represent amounts billed to Superior Offshore for the *HOS Achiever* time charter, a conventional OSV time charter and shore-base services at HOS Port. These receivable balances are net of \$8.0 million in proceeds collected under a letter of credit from Superior Offshore. In late May 2009, Superior Offshore commenced an adversary proceeding against the Company in the Bankruptcy Court to set aside the *HOS Achiever* charter and objecting to its amended proof of claim. In the adversary proceeding, the Liquidating Plan Agent of Superior Offshore has asserted that (i) the Company's draw-down on the letter of credit was not permitted by law, (ii) such funds must be returned to the bankruptcy estate and (iii) the Company is liable for punitive damages. The Company has filed an Answer, Affirmative Defenses and Counterclaims vigorously contesting the claims in the adversary proceeding. Due to unfavorable decisions by the Bankruptcy Court that could occur, all of which are beyond the Company's control, there can be no absolute assurance that all amounts currently recorded as receivables due from Superior Offshore will ultimately be collected.

### Item 1A—Risk Factors

There were no changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, in response to Item 1A to Part I of Form 10-K.

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**Item 2—Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3—Defaults Upon Senior Securities**

None.

**Item 4—Submission of Matters to a Vote of Security Holders**

**Election of Class II Directors**

On May 26, 2009, we held our 2009 Annual Meeting of Stockholders in Covington, Louisiana. At that meeting, Larry D. Hornbeck, Steven W. Krablin and David A. Trice were re-elected to serve on our Board of Directors as Class II directors until our 2012 Annual Meeting of Stockholders or until their successors shall have been duly elected and qualified or until their earlier resignation or removal. As to each of the foregoing directors, the number of shares cast for or against their re-election, as well as the number of abstentions and broker non-votes, was as follows:

<u>Name</u>	<u>For</u>	<u>Abstentions/Broker Non-votes</u>
Larry D. Hornbeck	20,406,961	2,996,043
Steven W. Krablin	14,794,382	8,608,622
David A. Trice	12,615,566	10,787,438

The other directors continuing in office after the meeting were Todd M. Hornbeck, Patricia B. Melcher, Bruce W. Hunt and Bernie W. Stewart.

**Ratify Appointment of Auditors**

At the 2009 Annual Meeting of Stockholders, our stockholders ratified the appointment of Ernst & Young LLP to act as the independent registered public accountants and auditors of our consolidated financial statements for the 2009 fiscal year. The number of shares cast for or against this matter, as well as the number of abstentions and broker non-votes, was as follows:

<u>For</u>	<u>Against</u>	<u>Abstentions/Broker Non-votes</u>
22,846,058	545,301	11,644

**Item 5—Other Information**

None.

**Item 6—Exhibits**

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	— Second Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarter ended March 31, 2005).
3.2	— Certificate of Designation of Series A Junior Participating Preferred Stock filed with the Secretary of State of the State of Delaware on June 20, 2003 (incorporated by reference to Exhibit 3.6 to the Company's Registration Statement on Form S-1 dated September 19, 2003, Registration No. 333-108943).
3.3	— Fourth Restated Bylaws of the Company adopted June 30, 2004 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q for the quarter ended June 30, 2004).
4.1	— Indenture dated as of November 23, 2004 between the Company, the guarantors named therein and Wells Fargo Bank, National Association (as Trustee), including table of contents and cross-reference sheet (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 24, 2004).
4.2	— Specimen 6.125% Series B Senior Note due 2014 (incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-4 dated December 22, 2004, Registration No. 333-121557).
4.3	— Specimen stock certificate for the Company's common stock, \$0.01 par value (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form 8-A dated March 25, 2004, Registration No. 001-32108).
4.4	— Rights Agreement dated as of June 18, 2003 between the Company and Mellon Investor Services LLC as Rights Agent, which includes as Exhibit A the Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the form of Right Certificate and as Exhibit C the form of Summary of Rights to Purchase Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed July 2, 2003).
4.5	— Amendment to Rights Agreement dated as of March 5, 2004 between the Company and Mellon Investor Services LLC as Rights Agent (incorporated by reference to Exhibit 4.13 to the Company's Form 10-K for the period ended December 31, 2003).
4.6	— Second Amendment to Rights Agreement dated as of September 3, 2004 by and between the Company and Mellon Investor Services, LLC as Rights Agent (incorporated by reference to Exhibit 4.3 to the Company's Form 8-A/A filed September 3, 2004, Registration No. 001-32108).
4.7	— Indenture dated as of November 13, 2006 by and among Hornbeck Offshore Services, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (including form of 1.625% Convertible Senior Notes due 2026) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 13, 2006).

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<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.8	— Confirmation of OTC Warrant Confirmation dated as of November 7, 2006 by and between Hornbeck Offshore Services, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed November 13, 2006).
4.9	— Confirmation of OTC Warrant Confirmation dated as of November 7, 2006 by and between Hornbeck Offshore Services, Inc and Bear, Stearns International Limited, as supplemented on November 9, 2006 (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed November 13, 2006).
4.10	— Confirmation of OTC Warrant Confirmation dated as of November 7, 2006 by and between Hornbeck Offshore Services, Inc. and AIG-FP Structured Finance (Cayman) Limited, as supplemented on November 9, 2006 (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed November 13, 2006).
*10.1†	— Form of Amended and Restated Indemnification Agreement.
*10.2†	— Change in Control Agreement dated effective August 4, 2009 by and between Kimberly S. Patterson and the Company.
*31.1	— Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	— Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	— Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	— Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

† Compensatory plan or arrangement under which executive officers or directors of the Company may participate.





**AMENDED AND RESTATED INDEMNIFICATION AGREEMENT**

This AMENDED AND RESTATED INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2009 between Hornbeck Offshore Services, Inc., a Delaware corporation ("the Company") and \_\_\_\_\_ ("Indemnitee").

## WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company has adopted the Fourth Restated Bylaws of the Company (the "Bylaws") providing for the indemnification of the directors, executive officers and other key employees of the Company to the maximum extent authorized by Section 145 of the Delaware General Corporation Law, as amended (the "DGCL"); and

WHEREAS, the Bylaws and the DGCL by their nonexclusive nature, permit contracts between the Company and the directors and officers of the Company with respect to indemnification of such directors and officers; and

WHEREAS, the Board of Directors has determined that for purposes of indemnification protection afforded by the Company, including as specifically used in this Agreement, the term "director" shall refer to members of the Board of Directors and any advisory director serving by appointment of the Board; and

WHEREAS, as a result of recent developments affecting the terms, scope and availability of indemnification protection afforded under statutory and bylaw indemnification provisions, there exists general uncertainty as to the extent of protection afforded Company directors and officers by such provisions; and

WHEREAS, Indemnitee performs a valuable service for the Company; and

WHEREAS, Indemnitee has previously entered into that certain Indemnification Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_, as amended (the "Original Agreement"), with the Company; and

WHEREAS, in recognition of past services and in order to induce Indemnitee to continue to serve as a director and/or officer of the Company, the Company has determined and agreed that it is in the best interests of the Company to amend and restate the Original Agreement;

NOW, THEREFORE, in consideration of Indemnitee's service as a director and/or officer after the date hereof, the parties hereto agree as follows;

1. INDEMNITY OF INDEMNITEE. The Company hereby agrees to hold harmless and indemnify Indemnitee to the full extent authorized or permitted by the provisions of the DGCL, as such may be amended from time to time, and Section 6.10 of the Bylaws, as such may be amended; provided that the parties hereto acknowledge that it is their intent that Indemnitee shall enjoy the greater of (i) the advancement and indemnification rights permitted under the certificate of incorporation of the Company and the Bylaws for directors and officers as of the date hereof or (ii) the benefits so afforded by such amendments to the DGCL or the Bylaws, as

the case may be. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) *Proceedings Other Than Proceedings by or in the Right of the Company.* Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), he is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) *Proceedings by or in the Right of the Company.* Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware, or the court in which such Proceeding shall have been brought or is pending, shall determine that such indemnification may be made.

(c) *Indemnification for Expenses of a Party Who is Wholly or Partly Successful.* Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 1 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

## 2. ADDITIONAL INDEMNITY.

(a) Subject only to the exclusions set forth in Section 2(b) hereof, the Company hereby further agrees to hold harmless and indemnify Indemnitee against any

and all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with any Proceeding (including an action by or on behalf of the Company) to which Indemnitee is, was or at any time becomes a party, or is threatened to be made a party, by reason of his Corporate Status; provided, however, that with respect to actions by or on behalf of the Company, indemnification of Indemnitee against any judgments shall be made by the Company only as authorized in the specific case upon a determination that Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; and

(b) No indemnity pursuant to this Section 2 shall be paid by the Company:

- (i) In respect to remuneration paid to Indemnitee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;
- (ii) On account of any suit in which judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;
- (iii) On account of Indemnitee's conduct which is finally adjudged to have been knowingly fraudulent or deliberately dishonest, or to constitute willful misconduct; or
- (iv) If a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

3. CONTRIBUTION. If the indemnification provided in Sections 1 and 2 is unavailable and may not be paid to Indemnitee for any reason other than those set forth in paragraphs (i), (ii), (iii) and (iv) of Section 2(b), then in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and by the Indemnitee on the other hand from the transaction from which such Proceeding arose, and (ii) the relative fault of the Company on the one hand and of the Indemnitee on the other hand in connection with the events which resulted in such Expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Indemnitee on the other hand shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such Expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 3 were determined by pro rata allocation or

any other method of allocation which does not take account of the foregoing equitable considerations.

4. INDEMNIFICATION FOR EXPENSES OF A WITNESS. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. ADVANCEMENT OF EXPENSES. The Company shall advance all reasonable Expenses incurred by or on behalf of Indemnatee in connection with any Proceeding by reason of Indemnatee's Corporate Status within ten (10) days after the receipt by the Company of a statement or statements from Indemnatee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnatee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnatee to repay any Expenses advanced if it shall ultimately be determined that Indemnatee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free. Notwithstanding the foregoing, the obligation of the Company to advance Expenses pursuant to this Section 5 shall be subject to the condition that, if, when and to the extent that the Company determines that Indemnatee would not be permitted to be indemnified under applicable law, the Company shall be entitled to be reimbursed, within 30 days of such determination, by Indemnatee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnatee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnatee should be indemnified under applicable law, any determination made by the Company that Indemnatee would not be permitted to be indemnified under applicable law shall not be binding and Indemnatee shall not be required to reimburse the Company for any advance of Expenses until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Notwithstanding the foregoing, in no event shall Indemnatee be entitled to the advancement of expenses under this Agreement if a determination has been made by a judicial authority or governmental entity or agency or, absent such determination, any such authority, entity or agency has taken a position or issued any guidance stating, that such advancement of expenses to Indemnatee constitutes a personal loan in contravention of Section 402 of the Sarbanes-Oxley Act of 2002 or any similar law or regulation.

6. PROCEDURE FOR DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION.

(a) To obtain indemnification (including, but not limited to, the advancement of Expenses and contribution by the Company) under this Agreement, Indemnatee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnatee and is reasonably necessary to determine whether and to what extent Indemnatee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnatee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control (as hereinafter defined) shall have occurred, by Independent Counsel (as hereinafter defined) in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee (unless Indemnitee shall request that such determination be made by the Board of Directors or the stockholders, in which case the determination shall be made in the manner provided in Clause (ii) below), or (ii) if a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (B) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, said Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, or (C) if so directed by said Disinterested Directors, by the stockholders of the Company; and, if it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors, or stockholder of the Company shall act reasonably and in good faith in making a determination under the Agreement of the Indemnitee's entitlement to indemnification. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 14(f) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel

selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected, or Independent Counsel has been selected and objected to, and such objection has not been resolved, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 8 of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) The Company shall not be required to obtain the consent of the Indemnitee to the settlement of any Proceeding which the Company has undertaken to defend if the Company assumes full and sole responsibility for such settlement and the settlement grants the Indemnitee a complete and unqualified release in respect of the potential liability.

#### 7. PRESUMPTIONS AND EFFECT OF CERTAIN PROCEEDINGS.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 6(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) If the person, persons or entity empowered or selected under Section 6 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 30 days after receipt by the Company of the request therefore, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 30-day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person, persons or entity making the

determination with respect to entitlement to indemnification in good faith requires such additional time for obtaining or evaluating documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 7(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board of Directors or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement (with or without court approval), conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if a majority of Disinterested Directors, the stockholders, or Independent Counsel through a written opinion determines that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and in the case of a criminal proceeding, such person had no reasonable cause to believe his conduct was unlawful. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. The provisions of this Section 7(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

#### 8. REMEDIES OF INDEMNITEE.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 3 or 4 of this Agreement within 10 days after receipt by the Company of a written request therefore, or (v) payment of indemnification is not made within 10 days after a

determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 or 7 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 8(a). The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 8 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 8, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 8, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all expenses (of the types described in the definition of "Expenses" in Section 14(e) of this Agreement) actually and reasonably incurred by him in such judicial adjudication or arbitration, but only if he prevails therein. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification sought, the expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated. The Company shall indemnify Indemnitee against any and all expenses and, if requested by Indemnitee, shall (within 10 days after receipt by the Company of a written request therefore) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee to recover under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery, as the case may be.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 8 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such



court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

9. NON-EXCLUSIVITY; SURVIVAL OF RIGHTS; INSURANCE; SUBROGATION.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the certificate of incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement, the certificate of incorporation of the Company, the Bylaws or of any respective provision hereof or thereof, or a vote of stockholders or a resolution of directors, or otherwise, shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other Enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise identifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

10. EXCEPTION TO RIGHT OF INDEMNIFICATION AND EXPENSE ADVANCEMENT. Notwithstanding any other provision of this Agreement, Indemnitee shall only be entitled to indemnification or advancement of expenses under this Agreement with respect to any Proceeding brought by Indemnitee, or any claim therein, if (a) the bringing of such

Proceeding or making of such claim shall have been approved by the Board of Directors; or (b) such Proceeding is being brought by the Indemnitee to assert his rights under this Agreement; provided, however, that Indemnitee shall in no event be entitled to the advancement of expenses under this Agreement if a determination has been made by a judicial authority or governmental entity or agency or, absent such determination, any such authority, entity or agency has taken a position or issued any guidance stating, that such advancement of expenses to Indemnitee constitutes a personal loan in contravention of Section 402 of the Sarbanes-Oxley Act of 2002 or any similar law or regulation.

11. DURATION OF AGREEMENT. All agreements and obligations of the Company contained herein shall apply to the period Indemnitee is or was a director or officer of the Company, including any such period prior to this Agreement, (or the period Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 8 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director or officer of the Company or any other Enterprise at the Company's request.

12. SECURITY. To the extent requested by the Indemnitee and approved by the Board of Directors, the Company may at any time and from time to time provide security to the Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to the Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

### 13. ENFORCEMENT.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

14. DEFINITIONS. For purposes of this Agreement:

(a) "Change in Control" means a change in control of the Company occurring after the date of this Agreement of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934 (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the date of this Agreement (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act, as amended) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities (other than any such person or any affiliate thereof that is such a 20% beneficial owner as of the date hereof) without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 14, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors. A Change in Control shall not be deemed to have occurred under item (i) above if the "person" described under item (i) is entitled to report its ownership on Schedule 13G promulgated under the Act and such person is able to represent that it acquired such securities in the ordinary course of its business and not with the purpose nor with the effect of changing or influencing the control of the Company, nor in connection with or as a participant in any transaction having such purpose or effect. If the "person" referred to in the previous sentence would at any time not be entitled to continue to report such ownership on Schedule 13G pursuant to Rule 13d-1(b)(3)(i)(B) of the Act, then a Change in Control shall be deemed to have occurred at such time.

(b) "Corporate Status" describes the status of a person who is or was a director, officer, employee or agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the Company, provided that the approval by the Board of Directors of such person to such position in a resolution adopted by the Board of Directors shall for all purposes qualify as such a written requirement.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Enterprise" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary provided that the approval by the Board of Directors of such position in a resolution adopted by the Board of Directors shall for all purposes qualify as such a written requirement.

(e) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements) or any other party to the Proceeding giving rise to a claim for indemnification hereunder, or otherwise has any substantial business or personal relationship with the Company or Indemnitee or any other party to the Proceeding giving rise to a claim for indemnification hereunder that could reasonably be considered to influence the independent judgment of the Independent Counsel. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of Indemnitee's Corporate Status, by reason of any action taken by him or of any inaction on his part while acting as a director or officer of the Company, or by reason of the fact that he is or was serving as a director, officer, employee or agent of another Enterprise at the request of the Company, in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or

before the date of this Agreement and excluding one initiated by an Indemnitee pursuant to Section 8 of this Agreement to enforce his rights under this Agreement.

15. SEVERABILITY. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

16. MODIFICATION AND WAIVER. No supplement, modification, termination, waiver or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. NOTICE BY INDEMNITEE. Indemnitee agrees promptly to notify the company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

18. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to:

At the last known address of Indemnitee in the records of the Company.

(b) If to the Company, to:

Hornbeck Offshore Services, Inc.  
103 Northpark Blvd., Suite 300  
Covington, Louisiana 70433  
Attention: President and Chief Executive Officer

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

19. IDENTICAL COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

20. HEADINGS. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

21. GOVERNING LAW. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without application of the conflict of laws principles thereof.

22. GENDER. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

*[Signature page follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

HORNBECK OFFSHORE SERVICES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

INDEMNITEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Signature Page – Amended and Restated Indemnification Agreement**

**CHANGE IN CONTROL AGREEMENT**

THIS CHANGE IN CONTROL AGREEMENT ("Agreement") is made and entered into this 4th day of August, 2009, (the "Effective Date") by and between **HORNBECK OFFSHORE OPERATORS, LLC**, a Delaware limited liability company ("Employer"), and **Kimberly S. Patterson**, residing at 127 Highway 22, N-17, Madisonville, Louisiana 70447 ("Employee").

WHEREAS, Employee is currently employed with Employer in the position of Senior Vice President and Chief Human Resources Officer and may serve (and if requested by Employer shall serve) as an officer of Employer's parent, Hornbeck Offshore Services, Inc., a Delaware corporation ("Parent"), or any subsidiary or affiliate of Employer or Parent; and

WHEREAS, Employee and Employer desire to enter into an Agreement providing for certain change in control benefits to Employee and certain restrictive covenants, covering without limitation nondisclosure of confidential information and non-competition.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, Employer and Employee agree as follows:

**WITNESSETH:**

1. Term. The term of this Agreement shall begin on the Effective Date and shall continue through December 31, 2010; provided, however, that beginning on January 1, 2010, and on every January 1 thereafter (each a "Renewal Date"), the then existing term of this Agreement shall automatically be extended one (1) additional year unless either party gives the other written notice of termination at least ninety (90) days prior to any such Renewal Date. Notwithstanding the foregoing, this Agreement shall terminate on the earlier of (i) the date that is six (6) months following the termination of Employee's employment with Employer or (ii) the date that is twelve (12) months following a Change in Control. Following the date of termination of this Agreement, Employee shall have no further rights, including but not limited to rights under Sections 3 and 4, or obligations hereunder, except obligations set forth in Sections 6 and 7.

2. Definitions. The following terms used in this Agreement shall have the following meanings:

(a) "Cause" shall mean:

- (i) Employee's conviction of either a felony involving moral turpitude or any crime in connection with his employment by Employer that causes Employer a substantial detriment, but specifically shall not include traffic offenses;
- (ii) actions or inactions by Employee that clearly are contrary to the best interests of Employer;



(iii) Employee's willful failure to take actions permitted by law and necessary to implement policies of the Board of Directors of Employer and/or the Board of Directors of Parent (collectively referred to as the "Board") that the Board has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(iv) Employee's continued failure to devote his full business time, energy and attention to his duties as an executive officer of Employer or its affiliates, following written notice from the Board to Employee of such failure; or

(v) any condition that either resulted from Employee's current substantial dependence on alcohol, or any narcotic drug or other controlled or illegal substance. If any determination of substantial dependence is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians. Employee and the compensation committee of the Board shall each appoint one member, and the third member of the panel shall be appointed by the other two members. Employee agrees to make himself available for and submit to examinations by such physicians as may be directed by the compensation committee of the Board. Failure of Employee to submit to any such examination shall constitute a breach of a material part of this Agreement.

With respect to (ii) through (v) above, such circumstances shall not constitute "Cause" unless Employee has failed to cure such circumstances within ten (10) business days following written notice thereof from the Board identifying in reasonable detail the manner in which Employer believes that Employee has not performed such duties and indicating the steps Employer requires to cure such circumstances.

(b) "Change in Control" shall mean:

(i) the obtaining by any person or persons acting as a group of fifty percent (50%) or more of the voting shares of Parent pursuant to a "tender offer" for such shares as provided under Rule 14d-2 promulgated under the Securities Exchange Act of 1934, as amended, or any subsequent comparable federal rule or regulation governing tender offers; or

(ii) a majority of the members of the Parent's board of directors is replaced during any twelve (12) month period by new directors whose appointment or election is not endorsed by a majority of the members of the Parent's board of directors before the date of such new directors' appointment or election; or

(iii) any person, or persons acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Parent that have a total gross fair market value equal to or more than seventy-five percent (75%) of the total gross fair market value of all of the assets of the Parent immediately before

such acquisition or acquisitions (other than transfers to related persons as defined in Section 1.409A-3(i)(5)(vii)(B) of the Treasury Regulations).

The determination of whether a Change in Control has occurred shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations and other guidance issued thereunder.

(c) "Constructive Termination" shall mean Employer:

(i) has reduced Employee's annual base salary or potential bonus level or any incentive compensation or equity incentive compensation plan benefit (as in effect immediately before such Change in Control);

(ii) has relocated Employee's office to a location that is more than fifty (50) miles from the location in which Employee principally works for Employer or Parent immediately before such Change in Control;

(iii) has relocated the principal executive office of Parent, Employer or the office of Employer's operating group for which Employee performed the majority of his services for Employer during the year before the Change in Control to a location that is more than fifty (50) miles from the location of such office immediately before such Change in Control;

(iv) has required Employee, in order to perform duties of substantially equal status, dignity and character to those duties Employee performed immediately before the Change in Control, to travel on Employer's business to a substantially greater extent than is consistent with Employee's travel obligations immediately before such Change in Control;

(v) has failed to continue to provide Employee with benefits substantially equivalent to those enjoyed by Employee under any of Employer's life insurance, medical, health and accident or disability plans and incentive compensation or equity incentive compensation plans in which Employee was participating immediately before the Change in Control;

(vi) has taken any action that would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee immediately before the Change in Control; or

(vii) has failed to provide Employee with at least the number of paid vacation days to which Employee is entitled on the basis of years of service under Employer's normal vacation policy in effect immediately before the Change in Control giving credit for time served at prior employers.

3. Change in Control Payment. If a Change in Control occurs, and:

(a) Employee voluntarily terminates his employment within one (1) year following such Change in Control and such termination is a result of a Constructive Termination;

(b) Employee voluntarily terminates his employment within one (1) year following such Change in Control and such termination is a result of Employee's good faith determination that as a result of the Change in Control and a change in circumstances thereafter significantly affecting his position other than those constituting Constructive Termination, he can no longer adequately exercise the authorities, powers, functions or duties attached to his position as an executive officer of Employer, Parent or any of their affiliates;

(c) Employee voluntarily terminates his employment within one (1) year following such Change in Control, and such termination is a result of Employee's good faith determination that he can no longer perform his duties as an executive officer of Employer, Parent or any of their affiliates by reason of a substantial diminution in his responsibilities, status, title or position; or

(d) Employer terminates Employee's employment for reasons other than for Cause within one (1) year following or six (6) months prior to such Change in Control;

then in any of the above four cases, Employee shall have the right to receive from Employer, within fifteen (15) business days following the date Employee notifies Employer of his voluntary termination pursuant to Section 3(a), (b) or (c) or within three (3) business days of the later of the Change in Control or having his employment terminated pursuant to Section 3(d), (A) a lump sum cash payment equal to one and one-half (1 1/2) times the greater of (i) the amount of Employee's then-current annual base salary or (ii) the amount of Employee's annual base salary in effect immediately preceding the Change in Control; plus one and one-half (1 1/2) times the greater of (x) the amount equal to the total bonus paid for the last completed year for which bonuses have been paid or (y) the amount equal to the bonuses that would have been payable for the then current year (or, in the case of termination date that occurs between January 1 of any year and the date that bonuses are paid based on the previous year), such previous year determined on a basis consistent with the last completed year for which bonuses have been paid but using the projected bonus amounts for the then current year (or, in the case of a termination date that occurs between January 1 of any year and the date that bonuses are paid based on the previous year, such previous year), determined by extrapolating the information as of the termination date based on the best information available at the time of the calculation; provided, however, that if Employee for any reason did not receive a bonus in the immediately preceding year and would not have been eligible for a bonus under (y) of the previous clause, Employee shall be deemed for purposes of this Section 3 to have received a bonus in the amount of one-fourth of his annual base salary for such year, and (B) medical plan coverage and other insurance benefits provided for himself and his spouse and dependents (to the extent his spouse and dependents are covered under the medical plan and other insurance benefits as of the date of Employee's termination of employment) for a period of eighteen (18) months following the date of Employee's termination of employment (provided, however, that if such benefits are not

available under Employer's benefit plans or applicable laws, Employer shall be responsible for the cost of providing equivalent benefits), and (C) any and all options, rights or awards granted in conjunction with Parent's or Employer's incentive compensation and stock option plans shall immediately vest; provided that, with respect to restricted stock awards or restricted stock unit awards that contain performance criteria for vesting, the greater of (x) the Base Shares (as such term is used in the restricted stock awards and restricted stock unit awards) or (y) the number of shares that would have vested on the date of the death or determination of permanent disability as if such date were the end of the Measurement Period (as such term is used in the restricted stock awards and the restricted stock unit awards) shall vest and all other shares covered by such awards shall be forfeited. Employee shall not be required to mitigate the amount of any payment provided for in this Section 3 by seeking other employment or otherwise. Without duplication with the provisions under Section 4, to the extent the provision of any such medical benefits are taxable to Employee or his spouse or dependents, Employer shall "gross up" Employee for such taxes based on Employee's actual tax rate (certified to Employer by Employee), up to 35% (without a "gross up" on the initial gross up). The obligation to provide this medical plan coverage shall terminate in the event Employee becomes employed by another employer that provides a medical plan that fully covers Employee and his dependents without a preexisting condition limitation. Employee shall be eligible for payments pursuant to this Section 3 if Employee complies with the terms of Sections 6 and 7 of this Agreement.

#### 4. Gross-Up Payment.

(a) In the event that it shall be determined (as hereafter provided) that any payment by Employer to or for the benefit of Employee, whether paid or payable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any equity incentive compensation plan, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (collectively, a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto, by reason of being considered "contingent on a change in ownership or control" of Employer, within the meaning of Section 280G of the Code, or any successor provision thereto, or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Employee shall be entitled to receive an additional payment or payments (collectively, the "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that after payment by Employee of all taxes including any Excise Tax (and including any interest or penalties imposed with respect to such taxes and the Excise Tax, other than interest and penalties imposed by reason of Employee's failure to file timely a tax return or pay taxes shown due on Employee's return) imposed upon the Gross-Up Payment, the amount of the Gross-Up Payment retained by Employee is equal to the Excise Tax imposed upon the Payment.

(b) All determinations required to be made under this Section, including whether an Excise Tax is payable by Employee and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by Employer to Employee and the amount of such Gross-Up Payment, if any, shall be made in good faith by a nationally

recognized accounting firm (the "Accounting Firm") selected by Employer at Employer's expense. For purposes of determining the amount of the Gross-Up Payment the Accounting Firm may use reasonable assumptions and approximations with respect to applicable taxes and may rely on reasonable good faith interpretations of the Code for such purposes. Notwithstanding the foregoing, for purposes of determining the amount of the Gross-Up Payment Employee shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Employee's residence on the date on which the Gross-Up Payment is calculated for purposes of this section, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. The Accounting Firm will provide its determination (the "Determination"), together with detailed supporting calculations and documentation, to Employer and Employee within five (5) days of the date Executive terminates employment, if applicable, or such other time as requested by Employer or by Employee (provided Employee reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that there is substantial authority, within the meaning of Section 6662 of the Code, or appropriate authority under any successor provisions, that no Excise Tax is payable by Employee, the Accounting Firm shall furnish Employee with a written opinion that failure to disclose or report the Excise Tax on Employee's federal income tax return will not constitute a substantial understatement of tax or be reasonably likely to result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon Employer, absent manifest error. Within ten (10) days of the delivery of the Determination to Employee, Employee will have the right to dispute the Determination (the "Dispute"). The Gross-Up Payment, if any, as determined pursuant to this Section will be paid by Employer to Employee within five (5) days of the receipt of the Determination. The existence of the Dispute will not in any way affect Employee's right to receive the Gross-Up Payment in accordance with the Determination. If there is no Dispute, the Determination will be binding, final and conclusive upon Employer and Employee, subject to the application of Section 4(c).

(c) As a result of the uncertainty in the application of Section 4999 of the Code, at the time of the initial determination by the Accounting Firm hereunder it is possible that part or all of the Gross-Up Payment that should have been made by Employer to Employee will not have been made ("underpayment"), or that part or all of the Gross-Up Payment that has been made by Employer to Employee should not have been made ("overpayment"). If a claim regarding an underpayment is made by Employee, Employer may either increase the Gross-Up Payment by the amount of the claimed underpayment, or Employer may contest such claim subject to the provisions of this Agreement. If a claim regarding an underpayment is made by the Internal Revenue Service (the "Service"), and such underpayment claim does not arise as a result of Employee's failure to remit to the Service any Excise Tax due on any Payment, then Employer may either increase the Gross-Up Payment by the amount of the claimed underpayment, or Employer may contest such claim. If Employer decides to contest the claim, Employer shall bear and pay directly the costs and expenses (including additional interest and penalties) incurred in connection with such contest, shall indemnify and hold

Employee harmless on an after-tax basis for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such underpayment claim, and payment of costs and expenses, including advancing any funds necessary to pay the claim while it is being contested. In such case, Employee agrees to cooperate with and assist Employer in contesting such claim. In the event that Employer exhausts its remedies and Employee is required to make a payment of any Excise Tax in regard to an underpayment, the Accounting Firm shall determine the amount of the underpayment that has occurred and any such underpayment shall be promptly paid by Employer to or for Employee's benefit, if not already paid during the process of contesting the claim. In the case of an overpayment, Employee shall, at the direction and expense of Employer, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, Employer, and otherwise reasonably cooperate with Employer to correct such overpayment; provided, however, that (i) Employee shall not in any event be obligated to return to Employer an amount greater than the net after-tax portion of the overpayment that he has retained or has recovered as a refund from the applicable taxing authorities, and (ii) this provision shall be interpreted in a manner consistent with the intent of this Section, which is to make Employee whole, on an after-tax basis, from the application of the Excise Tax, it being understood that the correction of an overpayment may result in Employee repaying to Employer an amount which is less than the overpayment.

5. Inventions and Other Intellectual Property. Employee hereby agrees that any design, invention, copyright or trademark materials made or created as a result of or in connection with the duties of Employee hereunder shall be the sole and exclusive property of Employer, and Employee hereby assigns and transfers to Employer the entire right, title and interest of Employee in and to the foregoing. Employee further agrees that, at Employer's request and expense, Employee will execute any deeds, assignments or other documents necessary to transfer any such design, invention, copyright or trademark materials to Employer and will cooperate with Employer or its nominee in perfecting Employer's title (or the title of Employer's nominee) in such materials. During the term of his employment, Employee shall keep Employer informed of the development of all designs, inventions or copyright materials made, conceived or reduced to practice by Employee, in whole or in part, alone or with others, that either result from any work Employee may do for or at the request of Employer or any affiliate of Employer or are related to the present or contemplated activities, investigations or obligations of Employer or any affiliate of Employer. If any such design, invention, or copyright material relating in any manner to the business of Employer or Parent or any research and development of Employer or any affiliate of Employer is disclosed by Employee within six (6) months after leaving the employ of Employer, it shall be presumed that such design, invention, copyright or trademark materials resulted or were conceived from developments made during the period of the employment by Employer of Employee (unless Employee can conclusively prove that such design, invention, copyright or trademark materials were conceived, made and discovered solely during the period following termination of employment hereunder) and Employee agrees that any such design, invention, copyright or trademark materials shall belong to Employer.

## 6. Confidential Information and Trade Secrets.

(a) Employer is engaged in the highly competitive business of the offshore transportation of refined and unrefined petroleum products, offshore towing, offshore supply vessel services, anchor handling and towing services, well stimulation vessel services, well-test services, offshore pipeline remediation services, ROV support services, offshore construction services, and other services required in the offshore construction, energy exploration and production industry and in specialty services in United States coastal waters in the Restricted Area (as defined below). The foregoing collectively referred to as "Hornbeck's Business." In this business, Employer generates a tremendous volume of Confidential Information and Trade Secrets which it hereby agrees to share with Employee, and which Employee will have access to and knowledge of through or as a result of Employee's employment with Employer. "Confidential Information and Trade Secrets" includes any information, data or compilation of information or data developed, acquired or generated by Employer, or its employees (including information and materials conceived, originating, discovered, or developed in whole or in part by Employee at the request of or for the benefit of Employer or while employed by Employer), which is not generally known to persons who are not employees of Employer, and which Employer generally does not share other than with its employees, or with its customers and suppliers on an individual transactional basis. "Confidential Information and Trade Secrets" may be written, verbal or recorded by electronic, magnetic or other methods, whether or not expressly identified as "Confidential" by Employer.

(b) "Confidential Information and Trade Secrets" includes, but is not limited to, the following information and materials:

(i) Financial information, of any kind, pertaining to Employer, including, without limitation, information about the profit margins, profitability, income and expenses of Employer or any of its divisions or lines of business;

(ii) Names and all other information about, and all communications received from, sent to or exchanged between, Employer and any person or entity which has purchased, contracted, hired, chartered equipment, vessels, personnel or services, or otherwise entered into a transaction with Employer regarding Hornbeck's Business, or to which Employer has made a proposal with respect to Hornbeck's Business (such person or entity being hereinafter referred to as "Customer" or "Customers");

(iii) Names and other information about Employer's employees, including their experience, backgrounds, resumes, compensation, sales or performance records or any other information about them;

(iv) Any and all information and records relating to Employer's contracts, transactions, charges, prices, or sales to its Customers, including invoices, proposals, confirmations, statements, accounting records, bids, payment

records or any other information regarding transactions between Employer and any of its Customers;

(v) All information about Employees, agents or representatives of Customers who are involved in evaluating, providing information for, deciding upon, or committing to purchase, sell or otherwise enter into a transaction relating to Hornbeck's Business (each such individual being hereinafter referred to as a "Customer Representative") including, without limitation, with respect to any such individual, his name, address, telephone and facsimile numbers, email addresses, titles, positions, duties, and all records of communications to, from or with any such Customer Representative;

(vi) Any and all information or records relating to Employer's contracts or transaction with, or prices or purchases from any person or entity from which Employer has purchased or otherwise acquired goods or services of any kind used in connection with Hornbeck's Business (each such person or entity being hereinafter referred to as a "Supplier"), including invoices, proposals, confirmations, statements, accounting records, bids, payment records or any other information documents regarding amounts charged by or paid to suppliers for products or services;

(vii) All information about Employees, agents or representatives of Suppliers who are involved in evaluating, providing information for, deciding upon, or committing to purchase, sell or otherwise enter into a transaction relating to Hornbeck's Business (each such individual being hereinafter referred to as "Supplier Representative") including, without limitation, with respect to any such individual, his name, address, telephone and facsimile numbers, email addresses, titles, positions, duties, and all records of communications to, from or with any such Supplier Representative;

(viii) Employer's marketing, business and strategic growth plans, methods of operation, methods of doing business, cost and pricing data, and other compilations of information relating to the operations of Employer.

(c) Employee acknowledges that Confidential Information and Trade Secrets includes any of the foregoing information received after the date hereof, including, without limitation, current, updated and future data, information, reports, evaluations and analyses of Employer, its financial performance and results, its Customers and Suppliers, including future contracts or transactions with, or proposals to or from them, and its employees, including their compensation, performance or evaluation. Employee further acknowledges that Confidential Information and Trade Secrets includes information, data, reports, proposals or evaluations (i) provided to Employee after the date hereof, (ii) created in whole or in part by Employee, (iii) those to which or for which Employee provides input or information and (iv) those which Employee uses for the purpose of making recommendations or decisions, or taking actions, relating to Company's Business, its Customers, its Customer Representatives, its Suppliers, its Supplier Representatives or its employees.



(d) Employee acknowledges that all notes, data, forms, reference and training materials, leads, memoranda, computer programs, computer print-outs, disks and the information contained in any computer, and any other records which contain, reflect or describe any Confidential Information and Trade Secrets, belong exclusively to Employer. Employee shall promptly return such materials and all copies thereof in Employee's possession to Employer upon termination of his employment, regardless of the reasons therefor (such date being hereinafter referred to as the "Termination Date").

(e) During Employee's employment with Employer and thereafter, Employee will not copy, publish, convey, transfer, disclose nor use, directly or indirectly, for Employee's own benefit or for the benefit of any other person or entity (except Employer) any Confidential Information and Trade Secrets. Employee's obligation shall continue in full force and effect until the later of the final day of any period of non-competition or two (2) years after the termination of Employer's employment. Employee will abide by all rules, guidelines, policies and procedures relating to Confidential Information and Trade Secrets implemented and/or amended from time to time by Employer.

Employee acknowledges that any actual or threatened breach of the covenants contained herein will cause Employer irreparable harm and that money damages would not provide an adequate remedy to Employer for any such breach. For these reasons, and because of the unique nature of the Confidential Information and Trade Secrets and the necessity to preserve such Confidential Information and Trade Secrets in order to protect Employer's property rights in the event of a breach or threatened breach of any of the provisions herein, Employer, in addition to any other remedies available to it at law or in equity, shall be entitled to immediate injunctive relief against Employee to enforce the provisions of this Agreement and shall be entitled to recover from Employee its reasonable attorney's fees and other expenses incurred in connection with such proceedings.

#### 7. Noncompetition and Nonsolicitation.

(a) During the term of Employee's employment, Employer agrees to provide, and to continue to provide, Employee access to, and the use of, its "Confidential Information and Trade Secrets" concerning Hornbeck's Business, and Employer's employees, Customers and Customer Representatives, Suppliers and Supplier Representatives and Employer's transactional histories with all of them, as well as information about the logistics, details, revenues and expenses of Hornbeck's Business, in order to allow Employee to perform Employee's duties under this Agreement, and to develop or continue to solidify relationships with Customers, Customer Representatives, Suppliers and Supplier Representatives. Employee acknowledges that new and additional Confidential Information and Trade Secrets regarding each of these matters is developed by Employer as a part of its continuing operations, and Employer hereby agrees to provide Employee access to and use of all such new, additional and continuing Confidential Information and Trade Secrets, and Employee acknowledges that access to such new, additional and continuing Confidential Information and Trade Secrets is essential for Employee to be able to perform, and continue to perform, Employee's duties under this Agreement.

(b) In consideration of Employer's agreement to provide Employee with access to and use of its Confidential Information and Trade Secrets, including new, additional and continuing Confidential Information and Trade Secrets, and to provide training, and in consideration of the benefits set forth in Sections 3 and 4 of this Agreement, Employee agrees to refrain from competing with Employer, or otherwise engaging in Restricted Activities within the Restricted Area during the Restricted Period, each as defined herein.

(c) Restrictive Covenant. Employee agrees that during the Restricted Period, regardless of the date or cause of such termination, and regardless of whether the termination occurs with or without Cause, and regardless of who terminates such employment, Employee will not directly or indirectly, as an employee, officer, director, shareholder, proprietor, agent, partner, recruiter, consultant, independent contractor or in any other individual or representative capacity, engage in any of the Restricted Activities described in within the Restricted Area.

(d) Restricted Period. "Restricted Period" shall mean the term of Employee's employment with Employer, and:

(i) With respect to Restricted Activities described in Section 7(e)(i), a period of twelve (12) months thereafter.

(ii) With respect to Restricted Activities described in Section 7(e)(ii) through (iv), a period of two (2) years thereafter.

(e) Restricted Activities. "Restricted Activities" shall mean and include all of the following:

(i) Conducting, engaging or participating, directly or indirectly, as employee, agent, independent contractor, consultant, partner, shareholder, investor, lender, underwriter or in any other capacity with another company that is engaged in Hornbeck's Business. The restrictions of this section shall not be violated by (i) the ownership of no more than five percent (5%) of the outstanding securities of any company whose stock is publicly traded, (ii) other outside business investments approved in writing by the Chief Executive Officer or President of Employer that do not in any manner conflict with the services to be rendered by Employee for Employer and its affiliates and that do not diminish or detract from Employee's ability to render his attention to the business of Employer and its affiliates or (iii) employment by a certified public accounting firm or a commercial or investment bank that may have as a client or customer: (A) a Competitor to Employer or (B) any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment, so long as Employee does not directly or indirectly serve, advise or consult in any way such Competitor to Employer or client or customer of Employer, respectively, during the Restricted Period.

(ii) Recruiting, hiring or attempting to recruit or hire, either directly or by assisting others, any other employee of Employer, or any of its customers or suppliers in connection with Hornbeck's Business. For purposes of this covenant, "any other employee" shall include employees, consultants, independent contractors or others who are still actively employed by, or doing business with, Employer, its Customers or Suppliers, at the time of the attempted recruiting or hiring, or were so employed or doing business at any time within six (6) months prior to the date of such attempted recruiting or hiring;

(iii) Communicating, by any means, soliciting or offering to solicit the purchase, performance, sale, furnishing, or providing of any equipment, services, or product which constitute any part of Hornbeck's Business to, for or with any Customer, Customer Representative, Supplier or Supplier Representative; and

(iv) Using, disclosing, publishing, copying, distributing or communicating any Confidential Information and Trade Secrets to or for the use or benefit of Employee or any other person or entity other than Employer.

(f) Restricted Area. "Restricted Area" shall mean and include each of the following in which Hornbeck's Business is conducted:

(i) The following parishes of the State of Louisiana in which Employer carries on and is engaged in Hornbeck's business: Acadia, Allen, Ascension, Assumption, Beauregard, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana and the state and federal waters offshore such parishes;

(ii) The following counties of the State of Texas in which Employer carries on and is engaged in Hornbeck's business: Aransas, Brazoria, Calhoun, Cameron, Chambers, Fort Bend, Galveston, Harris, Houston, Jackson, Jefferson, Kenedy, Kleberg, Liberty, Matagorda, Montgomery, Nueces, Orange, Refugio, San Jacinto, San Patricio, Waller and Willacy and the state and federal waters offshore such counties;

(iii) The following counties in the State of New York in which Employer carries on and is engaged in Hornbeck's business: Bronx, Kings, Nassau, New York, Queens, Richmond, Rockland, Suffolk, and Westchester and the state and federal waters offshore such parishes;

(iv) The following counties in the State of New Jersey in which Employer carries on and is engaged in Hornbeck's business: Atlantic, Bergen, Cape May, Hudson, Middlesex, Monmouth, Ocean and Union and the state and federal waters offshore such parishes;

(v) The following government subdivisions in the country of Trinidad and Tobago: San Fernando, Galeota and Chagaramas and the state and federal waters offshore the same;

(vi) The following government subdivisions of Mexico: Ciudad del Carmen, Poza Rica and Dos Bocas and the state and federal waters offshore the same;

(vii) The following government subdivisions of Brazil: Macaé, Vitoria and Rio de Janeiro and the state and federal waters offshore the same; and

(viii) The following government subdivisions of Qatar: Doha and the state and federal waters offshore the same.

(g) Annual Review of Restricted Area. In order to ensure that the Restricted Area is reasonable and accurately reflects the geographic vicinity where Hornbeck's Business is conducted and/or where the Employee provides services to the Employer, the parties hereto agree to annually review the Restricted Area set forth in Section 7(f) and by addendum revise this Agreement to reflect the latest information.

(h) Agreement Ancillary to Other Agreements. This covenant not to compete is ancillary to and part of other agreements between Employer and Employee, including, without limitation, (i) Employer's agreement to disclose, and continue to disclose, its Confidential Information and Trade Secrets; (ii) Employer's agreement to provide, and continue to provide, training, education and development to Employee; (iii) the Confidentiality and Non Disclosure Agreement, together with any amendments or supplements thereto heretofore entered into between Employer and Employee; (iv) any employment arrangement heretofore entered into between Employer and Employee. Employer and Employee agree that the provisions contained herein regarding Confidential Information and Trade Secrets and Non Competition and Non Solicitation constitute a renewal, extension, modification and rearrangement of existing obligations and agreements between Employer and Employee, all of which shall remain in full force and effect except to the extent that the same are modified herein.

(i) Independent Agreements. The parties hereto agree that the foregoing restrictive covenants set forth herein are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(j) Equitable Reformation. The parties hereto agree that if any portion of the covenants set forth herein are held to be illegal, invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of

competent jurisdiction determines the specified time period or the specified geographical area applicable herein to be illegal, invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, non-arbitrary and not illegal or against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer and the Confidential Information and Trade Secrets and training provided by Employer to Employee.

8. Injunctive Relief. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates or attempts or threatens to violate the terms of Sections 5, 6 or 7 of this Agreement and that Employer would suffer irreparable damage as a result of such violation or attempted or threatened violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer, at law or in equity. In the event either party commences legal action relating to the enforcement of the terms of Sections 5, 6 or 7 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

9. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

10. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

11. Binding Effect; Assignment.

(a) Employer is a subsidiary of Hornbeck Offshore Services, Inc. (the Parent), and Hornbeck's Business, as defined in Section 6, is carried on by, and the Confidential Information and Trade Secrets as defined in Section 6 has been, and will continue to be, developed by Employer, Parent and each of Parent's or Employer's subsidiaries and affiliates, all of which shall be included within the meaning of the word "Employer" as that term is used in Sections 5, 6, 7 and 8 of this Agreement. This Agreement shall inure to the benefit of, and be enforceable by, Employer, Parent, and each of the subsidiaries and affiliates included within the definition of the word "Employer" as used in Sections 5, 6, 7 and 8.

(b) The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

12. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Parent and Employer in respect of any actions or omissions as an employee, officer or director of Parent, Employer (or any successor thereof) to the fullest extent permitted by law. The parties acknowledge that Employee is also entitled to the benefits of a separate Indemnification Agreement between Employee and Parent and that this section shall be read as complimentary with and not in conflict with or substitution for such Indemnification Agreement. Parent and Employer also agree to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and for a period of twelve (12) months following the termination of this Agreement, as so extended.

13. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

14. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Louisiana (but any provision of Louisiana law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than Louisiana).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Consistent with Section 7(i) the following sentences of this Section 14(d) shall apply. Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

(e) This Agreement shall be construed to the extent necessary to comply with the provisions of Section 409A of the Code and any Treasury Regulations and other guidance issued thereunder.

(f) Notwithstanding anything herein to the contrary, Employee's employment with Employer is terminable at will with or without Cause; provided, however, that a termination of Employee's employment in connection with a Change in Control shall be governed in accordance with the terms hereof.

15. Survival. Notwithstanding any other provision of this Agreement, the provisions of Section 3 regarding the continuation of certain medical and other insurance benefits and the provisions of Sections 6, 7, 8, 10, 11, 12, 16 and 17 shall survive the termination of this Agreement.

16. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:

HORNBECK OFFSHORE OPERATORS, LLC  
Attention: Todd M. Hornbeck, President and Chief Executive Officer  
103 Northpark Blvd., Suite 300  
Covington, LA 70433  
Fax: (985) 727-2006

To Employee:

Kimberly S. Patterson  
127 Highway 22, N-17  
Madisonville, LA 70447

17. Venue; Process. The parties agree that all obligations payable and performable under this Agreement are payable and performable at the offices of Employer in Covington, St. Tammany Parish, Louisiana. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the 22nd Judicial District Court for the Parish of St. Tammany or in the United States District Court for the Eastern District of Louisiana, New Orleans Division, New Orleans Office.

18. Six-Month Delay. Notwithstanding any provision of this Agreement to the contrary, if, at the time of Employee's termination of employment with Employer, he is a "specified employee" as defined in Section 409A of the Code, and one or more of the payments or benefits received or to be received by Employee pursuant to this Agreement would constitute deferred compensation subject to Section 409A of the Code, no such payment or benefit will be

provided under this Agreement until the earlier of (a) the date that is six (6) months following Employee's termination of employment with Employer, or (b) Employee's death. The provisions of this Section 18 shall only apply to the extent required to avoid Employee's incurrence of any penalty tax or interest under Section 409A of the Code or any Treasury Regulations and other guidance issued thereunder.

\* \* \*



IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMPLOYER:

HORNBECK OFFSHORE OPERATORS, LLC

By: /s/ Todd M. Hornbeck  
Todd M. Hornbeck, President and Chief Executive  
Officer

EMPLOYEE:

/s/ Kimberly S. Patterson  
Kimberly S. Patterson

ACKNOWLEDGED AND AGREED TO FOR  
PURPOSES OF GUARANTEEING THE  
FINANCIAL OBLIGATIONS OF EMPLOYER  
TO EMPLOYEE:

HORNBECK OFFSHORE SERVICES, INC.

By: /s/ Todd M. Hornbeck  
Todd M. Hornbeck, President and Chief Executive  
Office

**Signature Page to Change In Control Agreement**

**CERTIFICATION**

I, Todd M. Hornbeck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hornbeck Offshore Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

/s/ Todd M. Hornbeck

Todd M. Hornbeck  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION**

I, James O. Harp, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hornbeck Offshore Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

/s/ James O. Harp, Jr.

James O. Harp, Jr.  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ending June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd M. Hornbeck, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2009

/s/ Todd M. Hornbeck

Todd M. Hornbeck  
Chairman, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ending June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James O. Harp, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2009

/s/ James O. Harp, Jr.

James O. Harp, Jr.

Executive Vice President and Chief Financial Officer