



Labyrinth
Management Group, Inc

Strategic Environmental, Safety & Health Solutions

**Annual Report on Consent Decree Compliance
During Calendar Year 2014
For
Transocean Operations
Conducted in Waters of the United States**

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Submitted to:



**Transocean Deepwater, Inc.
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EXECUTIVE SUMMARY

On February 19, 2013, Transocean Deepwater, Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH (herein after “Transocean”) entered into a Consent Decree with the United States to resolve the Clean Water Act (CWA) and Oil Pollution Act (OPA) claims associated with the sinking of the Deepwater Horizon drillship and Macondo Well oil spill in the Gulf of Mexico. The Consent Decree required Transocean to retain an Independent Consent Decree Compliance Auditor (the “Independent Auditor”) to audit and report to the United States each calendar year after the date of entry.

This report was prepared by Mr. Lance Traves with Labyrinth Management Group, Inc. (LMG) as the Independent Auditor’s annual report on Transocean’s compliance with the Consent Decree and an agreed-upon Performance Plan. A general summary of the requirements of the Consent Decree and Performance Plan is provided in Appendix A. The time period covered by this annual report was January 3, 2014, through December 31, 2014 (calendar year 2014).

The annual report is written as a summary of the identified exceptions to Transocean’s compliance (i.e., non-compliance) with the Consent Decree and Performance Plan. As an exception report, verification information on Transocean’s compliance with the large number of requirements specified in the Consent Decree and Performance Plan is not discussed.

METHODOLOGY AND SCOPE

The review activities and audit tasks used by the Independent Auditor to verify Transocean’s compliance with the Consent Decree and Performance Plan included five general components:

- Conducting planning, scoping, and coordination activities;
- Performing remote “desk audit” reviews of Transocean’s documents and information submitted to the United States;
- Reviewing a wide range of documents and information requested from Transocean as auditor reference materials that were not required to be submitted to the United States;
- Conducting a wide range of review and audit activities at Transocean’s United States drilling operations office located in Houston, Texas; and
- Performing field audits of Transocean’s drilling rigs operating in the Waters of the United States.

The overall review, including auditing tasks and methods, was conducted in conformance with international auditing standards. Verification of Transocean's management system's compliance with Safety and Environmental Management System (SEMS) requirements was conducted consistent with federal regulations and Center for Offshore Safety (COS) guidance.

CALENDAR YEAR 2014 FINDINGS

Based on the results of the review and audit, Transocean was in full compliance with the hundreds of Consent Decree and Performance Plan obligations applicable to calendar year 2014, with the exception of the following four (4) deficiencies:

- Late submission to the United States of three (3) pre-deployment Blow-Out Preventer (BOP) certifications. The time periods associated with these late BOP certifications ranged from less than 24 hours to four (4) days after the BOP was landed and latched to the well. Transocean had fully completed the Company's internal BOP pre-deployment verification process including Rig Manager signature prior to deployment of the BOP for these late submissions. When identified, Transocean reported these late submissions to the United States in a timely and appropriate manner.
- Failure of two (2) rigs to perform weekly Emergency Response Drills that fully met the Consent Decree requirements during a total of 13 separate weekly time periods. These drilling rigs were the GSF C.R. Luigs and Discoverer Spirit. When identified, Transocean reported this deficiency to the United States in a timely and appropriate manner.
- Late submission of revised Oil Spill Response Plan (OSRP) Addendums to the United States. The revised Non-Tank Vessel OSRPs, including approval letters, were provided by Transocean to the respective rigs on June 11, 2014. Transocean did not formally submit the revised OSRPs to the United States until August 21, 2014. When identified, Transocean reported these late submissions to the United States in a timely and appropriate manner.
- Submission to the United States of an incomplete list of the "Well Control Personnel" and "Designated Employees" working in Waters of the United States as of January 24, 2014. Nine (9) applicable employees not assigned to a specific rig that were in Transocean's "labor pool" were not identified on the list. The personnel included six Drillers, a Toolpusher, a Senior Toolpusher, and an Offshore Installation Manager. When identified, Transocean reported this incomplete submission to the United States in a timely and appropriate manner.

The identified 2014 compliance deficiencies were not associated with Transocean's implementation and performance of the additional risk management provisions and programs for drilling operations required by the Consent Decree. The deficiencies were related to incomplete or late submissions of required information to the United States, with exception of the failure to perform qualified weekly Emergency Response Drills. Furthermore, this deficiency was not a "systemic" problem but related to unclear understanding by the two (2) individual rigs on what constituted a qualified weekly Emergency Response Drill.

In the Independent Auditor's opinion, these exceptions to Consent Decree and Performance Plan compliance also did not result in material deficiencies in Transocean's drilling rigs' Major Accident and Hazard Risk Assessments (MAHRAs) or operational oversight of drilling operations. In addition, based on the Independent Auditor's evaluation, the four (4) non-compliance findings also do not indicate "systemic" management system deficiencies. Therefore, Transocean's current internal management system complied with SEMS requirements in 30 CFR Part 250, Subpart S during calendar year 2014.

In accordance with Paragraph 22 of the Performance Plan, Transocean is to respond to any "deficiencies" noted in the Independent Auditor's draft report and develop a corrective action plan within 30 days of receipt of the draft report. The corrective action plan is then to be included with the final report that is to be submitted to the United States by April 2, 2015.

Transocean's response to the identified compliance deficiencies for the calendar year 2014 is provided in Appendix B of this final report. This includes a discussion of the actions already undertaken and completed by Transocean or planned for implementation and completion to correct the identified compliance deficiencies.

OBSERVATIONS

During the review and audit, four (4) observations were noted that were associated with practices, procedures, operations, or conditions that (1) were not a current compliance deficiency but could potentially result in a future compliance deficiency or (2) represented potential process safety or drilling risk-management issues. These observations included:

- Transocean creates and uses "Rig-Specific Procedures" (RSPs) on drilling rigs that pertain to elements of major hazard barriers in rig Safety Cases. These RSPs were not fully captured, controlled, and documented in Transocean's internal management system to meet the SEMS MOC requirements. As a result, Transocean modified the Company's THINK process to incorporate these RSPs.

As a risk management and process safety control, the revised THINK process should be evaluated by the Consent Decree's Independent Process Safety Consultant.

- The Consent Decree requires Transocean to prepare a "summary report documenting all corrective maintenance and inhibits to safety critical designated equipment for calendar year 2014 for submission to the United States by April 2, 2015. To accomplish this, the Company used an internal risk-based assessment process to create a list of safety critical designated equipment to track in 2014. During field drilling rig audits, at least one piece of equipment used for well control during drilling operations was not identified on the Company's list.

The methodology used by Transocean to identify safety critical designated equipment should be evaluated by the Consent Decree's Independent Process Safety Consultant.

- Transocean uses a Competence Assessment Program (CAP) to assess the capability of Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers to operate at the Company's standards of competence. Transocean is also required by the Performance Plan to assess any employee new to these CAP positions "within six (6) months of the employee entering that position." Three scenarios were noted with timing and other questions related to the determination of the six (6) month deadline for CAP assessment that may not have been contemplated when this language was developed. These scenarios included the (1) temporary promotion of employees to a CAP position; (2) drilling rigs going off contract and no longer conducting drilling operations after an employee is promoted to a CAP position; and (3) an employee new to a CAP position then going on medical or military leave.

The timing and definition questions surrounding the CAP assessment deadline for these scenarios should be further evaluated and clarified by Transocean and United States agency representatives.

- The Consent Decree requires Transocean to enter into the National Response Inventory (NRI) database all "Well Control" and spill response equipment they "own, operate, or with which they contract." This information was provided by Transocean as a "List of Well Control and Spill Response Equipment on Rigs as of January 13, 2014." During the drilling rig field audits, a number of the individual well control items included on this list as being on the Development Driller III (DD3) and Discoverer India were not present at the time of the inspection. Selected items were on the rig's deployed BOP or located in Transocean's Amelia warehouse. The Consent Decree or any specific regulatory requirement did not appear to require these "Well Control" items to be maintained on the drilling rigs. However, the list is clearly subject to change.

The intent and composition of the annual list of Well Control equipment provided by Transocean should be further reviewed and evaluated by the Consent Decree's Independent Process Safety Consultant and United States agency representatives.

Although not required by the Consent Decree, Transocean's response to this report provided in Appendix B also includes a brief discussion of planned follow-up actions for the observations identified for the calendar year 2014.

THE INDEPENDENT AUDITOR

United States representatives approved Mr. Traves as Transocean's Independent Auditor on March 31, 2014. He is not an officer or employee of Transocean and has no executive, director, managerial, or supervisory role with Transocean. LMG and Mr. Traves have no other contracts with Transocean and have no other financial interest in Transocean that would or might be seen as impairing independence and objectivity.

TRANSOCEAN'S COOPERATION AND TRANSPARENCY

Transocean's senior management and all other company employees fully cooperated with the Independent Auditor during the review and verification of the company's compliance with the Consent Decree and Performance Plan. Transocean was also fully transparent regarding the information, documents, and observations used to verify compliance with the Consent Decree and Performance Plan for calendar year 2014. There is no basis to believe that Transocean knowingly made any misstatements or provided false information during the review and audit.

LIMITATIONS AND REPRESENTATIONS

All compliance reviews and audits involve performing tasks and undertaking procedures to obtain and review information or evidence determined to be necessary by the auditor for meeting the objective of the audit. The tasks and procedures selected for this review depended to a certain extent on professional judgment, including an assessment of the risks of material misstatement of the findings.

Information required to complete the review and audit was primarily obtained from Transocean, and to a much lesser extent, external, third-party entities. To the extent that information and records from Transocean or other external sources were relied upon to verify compliance and form opinions, the information and records were assumed to be true, accurate, and complete. Certain provisions of the Consent Decree and Performance Plan are subject to potential interpretation since specific definitions are not provided within these documents. Compliance with these provisions was based on Transocean's interpretations unless specific interpretation information was provided by United States agency representatives.

Transocean's submissions to the United States that were subject to regulatory agency review were not reviewed for determinations of compliance with applicable regulatory requirements. The review and audit also did not include a technical "expert" evaluation of the accuracy and content of Transocean's reports submitted to the United States

1.0 INTRODUCTION

On April 20, 2010, a well control event associated with the completion of the Macondo Well in the Gulf of Mexico (GOM) caused a catastrophic fire and sinking of the Deepwater Horizon drillship. This event resulted in the release of hydrocarbons from the well for 87 days, resulting in a spill of national significance. Transocean Deepwater, Inc. was the owner of the Deepwater Horizon and the drilling contractor to BP Exploration and Production, Inc. (BP) for the Macondo Well. BP was the owner of the lease of the GOM area that contained the Macondo Well.

To resolve the Clean Water Act (CWA) and Oil Pollution Act (OPA) claims associated with these events, Transocean Deepwater, Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH (herein after “Transocean”) entered into a Consent Decree with the United States (US) that was filed on February 19, 2013.¹ The Transocean Consent Decree also included an agreed-upon Performance Plan that set forth the implementation plan and schedule for the various requirements of the Consent Decree.

The Consent Decree provides in Paragraph 22.a. that Transocean:

“retain an Independent Consent Decree Compliance Auditor (the “Independent Auditor”) who shall audit and report to the United States each calendar year after the date of entry, by April 2 of the following year (Paragraph 31.a.) on the Transocean Defendants’ compliance with Articles VI (Measures to Improve Performance and Prevent Recurrence) and VIII (Reporting) of this Consent Decree.”

This report was prepared by Mr. Lance Traves with Labyrinth Management Group, Inc. (LMG) as the Independent Consent Decree Auditor’s (Independent Auditor’s) annual report on Transocean’s compliance with the Consent Decree and Performance Plan. The time period covered by the report was January 3, 2014, through December 31, 2014 (calendar year 2014).

In performing his duties as the Independent Auditor, Mr. Traves was supported by LMG staff, specifically including Mr. Charles Sisia, Senior Consultant with LMG. Mr. Sisia worked under the direct supervision of Mr. Traves at all times, and all findings contained within this report were reviewed and approved by Mr. Traves as the Independent Auditor.

The annual report is written as a summary of the identified exceptions to Transocean’s compliance (i.e., non-compliance) with the Consent Decree and Performance Plan. As an exception report, verification information on Transocean’s compliance with the large number of requirements specified in the Consent Decree and Performance Plan is not discussed.

¹ In Re: Oil Spill by the Oil Rig “Deepwater Horizon” in the Gulf of Mexico, on April 20, 2010, United States District Court, Eastern District of Louisiana, MDL No. 2179, Section: “J” Judge Barbier

A general summary of the requirements of the Consent Decree and Performance Plan is provided in Appendix A. Copies of the Consent Decree and Performance Plan are available on Transocean's website at <http://www.deepwater.com/macondo-us-consent-decree-compliance>.

Transocean's website also contains additional reports prepared by Transocean and posted to the website to meet specific reporting requirements of the Consent Decree and Performance Plan for calendar year 2014. In addition, by April 2nd of each year, Transocean will post various annual reports required by the Consent Decree.

1.1 INDEPENDENT AUDITOR'S ROLE

The Consent Decree provides in Paragraph 22.a. that the Independent Auditor shall:

“Review documentation and take such reasonable measures as may be appropriate to verify the Transocean Defendants compliance with Articles VI (Measures to Improve Performance and Prevent Recurrence) and VIII (Reporting) of this Consent Decree.”

Based on this broad authorization, a review and audit methodology, including various work plans, was developed by the Independent Auditor. Then, these work plans were implemented without any material changes or impediments to the review, audit, and verification of Transocean's compliance with the requirements of the Consent Decree and Performance Plan. Additional information on the methodology and scope of the audit is provided in Section 2.0.

The language of the Consent Decree provides that the Independent Auditor is not intended to have and does not have the responsibility to monitor or the authority to “exercise the regulatory, enforcement, or other role of the United States.” As a result, Mr. Traves, in his role as the Independent Auditor, did not verify the specific regulatory compliance (including technical merit) of selected documents, plans, or procedures that were required by the Consent Decree and Performance Plan and were submitted by Transocean to United States regulatory agencies for review during calendar year 2014. In these instances, the documents, plans, or procedures were reviewed for compliance with the deadline for submission and compliance with the general content requirements.

1.2 AUDITOR'S INDEPENDENCE

The Consent Decree provides that the Independent Auditor must be approved by the United States and “shall not have any executive or management functions” within Transocean or assume the role of any of Transocean's officers, executives, directors, managers, or supervisors. Mr. Traves was one of the individuals proposed by Transocean to be the Independent Auditor in early 2014. United States representatives approved Mr. Traves as Transocean's Independent Auditor on March 31, 2014.

Mr. Traves is the President of LMG, a privately-held strategic environmental, health, and safety (EHS) compliance and risk management consulting firm located in Medina, Ohio. Mr. Traves is not an officer or employee of Transocean and has no executive, director, managerial, or supervisory role with Transocean. Transocean has retained Mr. Traves and LMG under a standard commercial contract to act as the Independent Auditor for the Consent Decree. LMG and Mr. Traves have no other contracts with Transocean and have no other financial interest in Transocean that would or might be seen as impairing independence and objectivity.

1.3 TRANSOCEAN'S COOPERATION AND TRANSPARENCY

Transocean's senior management and all other company employees fully cooperated with the Independent Auditor during the review and verification of the company's compliance with the Consent Decree and Performance Plan. Transocean also has dedicated a large amount of financial and employee resources to complying with the Consent Decree and Performance Plan.

Transocean's cooperation included responding to a large number of specific inquiries and follow-up requests for additional information and documents relevant to the wide range of requirements of the Consent Decree and Performance Plan. The additional information and documents that were requested always were provided by Transocean on a timely basis, subject to normal working requirements.

The Independent Auditor was provided full access to all Transocean employees, as needed, for interviews and follow-up, including drill rig workers, managers, and subject matter experts. In addition, Transocean provided unrestricted access to the work areas located on its drilling rigs (subject to health and safety restrictions). Mr. Traves also shadowed Transocean's third-party and internal management system auditors during the complete performance of their assurance activities. Finally, Transocean provided employees to facilitate the Independent Auditor's access to and viewing of the Company's electronic management systems, internal tools, and documentation resources when requested.

Based on these and other actions, Transocean was fully transparent regarding the information, documents, and observations used to verify compliance with the Consent Decree and Performance Plan for calendar year 2014. There is no basis to believe that Transocean knowingly made any misstatements or provided false information during the review and audit.

2.0 METHODOLOGY AND SCOPE

The review and verification of Transocean's compliance with the Consent Decree and Performance plan was conducted from April 2, 2014, through January 29, 2015. The methodology and scope used in conducting the review were based on (1) the knowledge and experience of the Independent Auditor; (2) auditing standards and guidance from a number of organizations; and (3) compliance requirements of the Consent Decree and Performance Plan.

The review, including auditing tasks and methods, was conducted in general conformance with International Standard ISO 19011: Guidelines for Auditing Management Systems.² This included the use of an evidence-based approach and a systematic process. Consistent with ISO 19011, the review and audit methodology also focused on identifying performance risks and then working to minimize them. These performance risks would be associated with inadequate preparation, ineffective implementation of auditing tasks, and incomplete review of information relevant to verifying Transocean's compliance with the Consent Decree and Performance Plan.

The review and audit methodology also generally conformed to ASTM International's Standard Practice for Environmental Regulatory Compliance Audits (Designation E2107-14) and Standard Guide for Environmental Compliance Performance Assessment (Designation E2365-14). This conformance included the auditor's qualifications, the audit process, and the documentation and management of records.

Finally, verification of Transocean's management system's compliance with Safety and Environmental Management System (SEMS) requirements in 30 Code of Federal Regulations (CFR) Part 250, Subpart S, was conducted in a manner consistent with these regulations and guidance from the Center for Offshore Safety (COS).³ This included performing overnight field audits of Transocean's drilling rigs during normal drilling operations and evaluating compliance based on the overall performance of the system.

2.1 REVIEW AND AUDIT TASKS

The review activities and audit tasks used to verify Transocean's compliance with the Consent Decree and Performance Plan included five general components:

- Conducting planning, scoping, and coordination activities;
- Performing remote "desk audit" reviews of Transocean's documents and information submitted to the United States;

² ISO (the International Organization for Standardization) 19011 Standard was issued in 2011 to provide "guidance" to users on establishing, implementing, and monitoring an audit program for management systems at private and public organizations.

³ COS (Center for Offshore Safety) guidance includes Publication COS-2-03 "Requirements for Third-party SEMS Auditing and Certification of Deepwater Operations" dated October 2012.

- Reviewing a wide range of documents and information requested from Transocean as auditor reference materials that were not required to be submitted to the United States;
- Conducting a wide range of review and audit activities at Transocean's United States drilling operations office located in Houston, Texas; and
- Performing field audits of Transocean's drilling rigs operating in Waters of the United States, specifically within the GOM.

Additional information on each of these components is provided below.

2.1.1 Planning, Scoping, and Coordination Activities

As part of the initial planning and coordination activities, a kick-off meeting was conducted with Transocean's senior management, United States agency representatives, and the Independent EPA Compliance Auditor. The kick-off meeting was held at Transocean's offices in Houston, Texas on April 28-29, 2014.

During the course of the review and audit, the Independent Auditor participated in monthly conference calls organized and conducted by Transocean to discuss and report on compliance activities to United States agency representatives. In addition, monthly project-planning calls were conducted with the Independent Auditor to coordinate review and audit activities, including requests for additional information.

To enhance implementation of the review and auditing tasks, work plans were developed for the overall performance of the verification project, audits of the Houston office, and field inspections of drilling rigs operating in the GOM. Each work plan included a general discussion of the work plan's objectives, scope of work, coordination and reporting methods, and proposed schedule. The work plans were implemented during the course of the review without material changes that would have adversely impacted the information and results obtained.

2.1.2 Desk Audit Reviews

The Consent Decree and Performance Plan include an extensive list of required "Milestones and Deliverables" as part of the Measures to Improve Performance and Prevent Recurrence, as well as Reporting, that require Transocean's compliance. The required deliverables include certifications, plans, reports, and the submittal of various other types of information.

As part of the review and audit, Transocean's submissions to the United States were verified for compliance with required milestone dates and specific deliverable requirements. The review of milestone dates included requirements for follow-up submissions within specified times for selected requirements. Review and verification of compliance with the deliverable requirements were based on whether, in the Independent Auditor's opinion, the deliverable generally was responsive to the objective(s) of the Consent Decree and Performance Plan. Each deliverable was required to contain all specifically referenced information and/or documentation.

2.1.3 Review of ‘Auditor Reference Materials’ That Were Requested

In conjunction with the desk audit reviews of specific submissions to the United States, a large number of “auditor reference materials” also were requested from Transocean. These materials provided additional background and technical information on Transocean that were relevant to the requirements of the Consent Decree and Performance Plan. More importantly, review and auditing of the auditor reference materials often was necessary to verify compliance.

The requested and reviewed auditor reference materials included Transocean’s operating manuals, plans, procedures, training materials, meeting minutes, drilling rig testing and inspection records, internal audit reports, governmental inspection reports, and employee records. In addition, Transocean provided a large amount of specific information on a wide range of topics that was the output from several of the Company’s electronic management and documentation systems.

2.1.4 Review and Audit Activities of the Houston Office

Review and audit tasks also included conducting four (4) multi-day working meetings and in-person audits at Transocean’s offices in Houston, Texas. During the office audits, Transocean made a wide range of senior managers and employee experts available for interviews and to provide additional information.

As discussed in Section 1.3, Transocean also provided employees to facilitate live access and viewing of information maintained in and generated by the Company’s various electronic management systems and internal recordkeeping tools. These electronic management systems and internal recordkeeping tools are used by Transocean to comply with the Consent Decree and Performance Plan requirements.

The live access to these systems and tools enabled the random generation and/or selection of records for auditing. Transocean’s extensive electronic management systems and records also allowed for a comprehensive review of Transocean’s records, which was necessary to verify compliance with selected requirements.

2.1.5 Drilling Rig Field Audits

Field audits of Transocean’s drilling rigs also were conducted to provide for direct observation and verification that the requirements of the Consent Decree and Performance Plan were being met during drilling operations. This was essential for the Independent Auditor because selected requirements could be independently and fully verified only by direct observation and review of the operating drilling rigs.

The field audits also enabled direct observation of one (1) external third-party audit and two (2) internal management system audits of the drilling operations. The external third-party audit was conducted as part of Transocean's demonstration of compliance with the International Safety Management (ISM) code. The internal management system audits were part of the "Audit-Review-and-Closeout-Process" that Transocean implemented and performs routinely to comply with Paragraph 15.a.1 of the Consent Decree and Performance Plan.

Direct, real-time observation of the performance of Transocean's internal audits increased the overall robustness of the compliance verification related to the requirement. In addition, having the Independent Auditor conduct field audits concurrently with the third-party and internal audits increased the value of the field audits based on additional observations and information.

Three different drilling rigs operating in the GOM were field audited by Mr. Traves during 2014. The field audits ranged in duration from three (3) to five (5) days. The rigs included two (2) Ultra-Deepwater Drillships and one (1) Ultra-Deepwater Semi-Submersible. The drilling rigs that were audited in the field were selected by the Independent Auditor based on criteria that included the type of rig and the time the rigs has operated in the GOM. The dates of the field audits were based on schedules associated with the external or internal audits. The Independent Auditor also had the final decision on scope and schedule of the drilling rig field audits.

The field audits of three different drilling rigs represented approximately 20% of Transocean's drilling rigs that operated in the waters of the United States during 2014. For comparison purposes, the SEMS field audit requirements in 30 CFR Part 250, Subpart S, specify that at least 15% of "the facilities operated" be audited.

The scope of work conducted as part of the field audits included the following:

- Reviewing the rig's Safety Case, Major Accidents and Hazard Risk Assessment (MAHRA), Emergency Response Plan, most recent audit report of the internal management system, and 5-Day Well Plan;
- Observing the external third-party or internal management system audit, including meetings, auditor's inspections, reviews of records, and employees' interviews;
- Participating in a tour of the rig followed by inspections of specific follow-up areas;
- Conducting interviews with key personnel that included, but were not limited to, "Well Control Personnel" and CAMS Employees," as defined within the Consent Decree and Performance Plan; and
- Reviewing a wide range of rig-specific inspection and testing records for the maritime and drilling operations that were related to or required for compliance.

Transocean employees cooperated fully during the planning and performance of the field audits. The Independent Auditor was provided complete access to Transocean’s operational meetings, all employees, and any records requested at the time of the fieldwork or as subsequent follow-up to the field audits of drilling rigs.

2.2 CLASSIFICATION OF RESULTS

Results of the review and audit of Transocean’s compliance with the Consent Decree and Performance Plan requirements were classified into the following four categories:

- Compliance
- Compliance with System’s Exceptions
- Non-Compliance – Deficiency Finding
- Observations

The basis for these classifications is provided in the table below. The classifications were developed based on the Consent Decree requirements, auditing standards, and guidance from various organizations, as well as professional knowledge and auditing experience.

Classification of Review and Audit Results

CLASSIFICATION	DESCRIPTION
Compliance:	There is evidence that a requirement has been met with no exceptions by the Company or a representative sample.
Compliance with System Exceptions:	There is evidence of the development, implementation, and ongoing maintenance of required programs, processes, or systems; any identified exceptions to performance are <u>not</u> associated with “systemic” deficiencies; and all deficiencies have been corrected.
Non-Compliance – Deficiency Finding:	There is evidence of the failure to meet or fulfill a specific requirement by the Company or a representative sample. Or, There is evidence concerning a lack of development, implementation, or maintenance of required programs, processes, and systems, including the identification of “systemic” deficiencies in the implementation or maintenance of the required programs, processes, or systems.
Observations:	Evidence of current practices, procedures, operations, or conditions that (1) were not non-compliance related issues but could potentially result in future non-compliance issues or (2) represent potential process safety or drilling risk management issues.

As discussed in Section 1.0, findings and verification information associated with Transocean's compliance with Consent Decree and Performance Plan requirements are not discussed in this report. This includes programs required by the Consent Decree and Performance Plan or systems that may have had exceptions identified but met the classification of Compliance with System Exceptions. These may have included Transocean's SEMS program, internal Management System Audit (MSA) program, and Competence Assessment Program (CAP).

As provided in the ISO 19011 Standard on Guidelines for Auditing Management Systems, a "management system" is defined as a "system to establish policy and objectives and to achieve those objectives." During the review and audit of a "management system" or program for overall compliance, the identification of individual deviations and exceptions to strict conformance may not result in a non-compliance deficiency finding. A non-compliance "deficiency" finding for a management system or program requires evidence of a clear gap in the development, implementation, and maintenance of the systems or program's major elements or aspects.

2.3 LIMITATIONS AND REPRESENTATIONS

This annual report verifies Transocean's compliance with the applicable Consent Decree and Performance Plan requirements for calendar year 2014. The Consent Decree Performance Plan was finalized and agreed to as of January 2, 2014. Therefore, the "annual report" obligation in Article III, Paragraph 31.a of the Consent Decree was not applicable to most of Transocean's Performance Plan-related "annual report" requirements. Transocean's annual reports for calendar year 2014 are to be submitted to the United States by April 2, 2015. As a result, the Independent Auditor will review these annual reports for calendar year 2014 during verification of compliance for calendar year 2015.

As discussed in Section 1.2, Transocean's submissions to the United States that were subject to regulatory agency review were not reviewed for determinations of compliance with applicable regulatory requirements. This approach was based on the Consent Decree's provisions for the role of the Independent Auditor. The review and audit also did not include a technical "expert" evaluation of the accuracy and content of Transocean's reports submitted to the United States. The verification of compliance focused on the milestone date and a review to determine if the report was generally responsive to the Consent Decree and Performance Plan requirements. These requirements could include containing specific content, incorporating and using prescribed factors (e.g., technical feasibility, applicability, cost benefits) in the preparation of the report, and following specific procedures.

In addition, all compliance reviews and audits involve performing tasks and undertaking procedures to obtain and review information or evidence determined to be necessary by the auditor for meeting the objective of the audit. The tasks and procedures selected for this review depended to a certain extent on professional judgment, including an assessment of the risks of material misstatement of the findings.

In making those risk assessments, Transocean's existing internal systems, procedures, and controls relevant to Transocean's compliance with the Consent Decree and Performance Plan requirements were considered. Consistent with generally accepted auditing practices, only a representative sample of Transocean's records or equipment may have been reviewed or inspected to meet the specific requirements of the Consent Decree and Performance Plan. For instance, when professional judgment was used to select samples for review and inspection, the objective was to minimize the risk of a material misstatement of the findings. Review and audit findings that required direct observation during field audits of the drilling rigs are also based on the onsite time periods.

Information required to complete the review and audit was primarily obtained from Transocean, including reports from the Company's electronic management systems; reports, plans, and procedures from the Company's document control system; and interviews of employees. To a much lesser extent, technical and regulatory information also was prepared by external, third-party entities. The external third-party information included pre-deployment inspection, maintenance, and testing verification records for well drilling operations. To the extent that information and records from Transocean or other external sources were relied upon to verify compliance and form opinions, the information and records were assumed to be true, accurate, and complete.

Certain provisions of the Consent Decree and Performance Plan are subject to potential interpretation since specific definitions are not provided within these documents. Compliance with these provisions was based on Transocean's interpretations unless specific interpretation information was provided by United States agency representatives. In cases in which Transocean's interpretations were used, these interpretations appeared to be reasonable and were generally fully disclosed to the United States agency representatives. Selected interpretations associated with verification of compliance with the requirements of the Consent Decree and Performance Plan are discussed further in Sections 3.0 and 4.0.

3.0 FINDINGS

Based on the results of the review and audit, Transocean was in full compliance with the hundreds of Consent Decree and Performance Plan obligations applicable to calendar year 2014, with the exception of four (4) deficiencies. These four compliance deficiencies included:

- Late submission to the United States of three (3) pre-deployment Blow-Out Preventer (BOP) certifications;
- Failure of two (2) rigs to perform qualified weekly Emergency Response Drills during a total of 13 separate weekly time periods;
- Late submission of revised Oil Spill Response Plan (OSRP) Addendums to the United States; and
- Submission to the United States of an incomplete list of the “Well Control Personnel” and “Designated Employees” working in Waters of the United States as of January 24, 2014.

Additional information on these exceptions to full compliance is provided below.

The findings of non-compliance identified in this annual report should be evaluated in the context of the large number of Consent Decree and Performance Plan compliance obligations that were fully met by Transocean in 2014. Transocean was subject to more than 140 separate Consent Decree and Performance Plan requirements that often include multiple compliance items occurring throughout 2014. Therefore, the identified non-compliance findings appear to represent less than 2% of the total compliance obligations.

In addition, the 2014 compliance deficiencies were not associated with Transocean’s implementation and performance of the additional risk management provisions and programs for drilling operations required by the Consent Decree. The deficiencies were related to incomplete or late submissions of required information to the United States, with exception of the failure to perform qualified weekly Emergency Response Drills. Furthermore, this deficiency was not a “systemic” problem but related to unclear understanding by the two (2) individual rigs on what constituted a qualified weekly Emergency Response Drill.

Furthermore, it is the Independent Auditor’s opinion that the exceptions to compliance did not result in material deficiencies in Transocean’s drilling rigs’ Major Accident and Hazard Risk Assessments (MAHRAs) or operational oversight of drilling operations. In addition, the identified compliance exceptions do not indicate that material deficiencies are present in Transocean’s internal management system(s) for drilling operations that would preclude Transocean’s meeting the offshore operators Safety and Environmental Management System (SEMS) requirements contained in 30 Code of Federal Regulations (CFR) Part 250, Subpart S.

3.1 LATE SUBMISSION OF PRE-DEPLOYMENT BOP CERTIFICATIONS

Paragraph 15.b. of the Consent Decree requires that Transocean submit a BOP Certification to the United States prior to the time of “initial deployment” of a BOP. In determining if a BOP Certification was submitted late to the United States, the Independent Auditor relied upon the definition of “initial deployment” used by Transocean in the submittals to the United States. The Transocean definition was that “initial deployment” was when the BOP was landed and latched to the well.

Based on this definition, Transocean was late in submitting the required pre-deployment BOP Certification to the United States for three (3) different initial well operation events in 2014. These late BOP Certification submissions included the following:

- On March 31, 2014, Transocean electronically submitted to the United States a BOP certification for the Discoverer Spirit drilling rig. However, the BOP certification should have been provided to the United States on or before March 30, 2014, the date on which the Discoverer Spirit’s drilling record documented that the BOP was landed and latched to the well operation.
- On April 18, 2014, Transocean electronically submitted to the United States a BOP certification for the Discoverer Deep Seas drilling rig. However, the BOP certification should have been provided to the United States on or before April 14, 2014, the date on which the DDS drilling records documented that the BOP was landed and latched to the well operation.
- On September 22, 2014, Transocean electronically submitted to the United States a BOP certification for the Deepwater Champion drilling rig. However, this certification should have been provided to the United States on or before September 19, 2014, the date on which the Deepwater Champion’s drilling records documented that the BOP was landed and latched to the well operation.

It is important to note that for the three (3) BOP Certifications that were submitted late, Transocean had fully completed the Company’s internal verification process including Rig Manager signature prior to deployment of the BOP.

When identified, Transocean reported these late submissions to the United States in a timely and appropriate manner. The Company also issued an Operational Alert to personnel operating in the Waters of the United States reminding them of the importance of timely submission of signed BOP Certifications.

3.2 WEEKLY RIG-BASED EMERGENCY RESPONSE DRILLS MISSED ON TWO RIGS

Paragraph 17.d of the Consent Decree states that Transocean shall:

“Participate with Operator personnel in weekly rig-based Emergency Response Drills, which shall include the following types of scenarios: blowouts, gas on the surface, fire, vessel collisions, terrorist threats, and muster and evacuation.” “The Emergency Response Drills shall be documented in the drill records of the rig and made available to the United States upon request.”

Although the Consent Decree requirement is not fully clear, to meet the definition of qualified “Emergency Response Drills,” the weekly rig-based drills must include (1) a muster and evacuation and (2) at least one scenario that includes blowouts, gas on the surface, fire, vessel collisions, or terrorist threats. In addition, compliance with the “weekly” drill requirement is based on Transocean’s use of a calendar week and not every seven (7) days. This definition used by Transocean was discussed with Transocean and also agreed to by United States representatives during a monthly Consent Decree conference call.

Based on the review of Transocean’s emergency drill records, two (2) of Transocean’s drilling rigs did not conduct a qualified Emergency Response Drill during a total of 13 weeks during 2014. These drilling rigs were the GSF C.R. Luigs and Discoverer Spirit.

According to the drill records, the GSF C.R. Luigs did not conduct a qualified Emergency Response Drill during the weeks of April 6, April 27, and May 25. The Discoverer Spirit did not conduct a qualified Emergency Response Drill during the weeks of January 12, February 9, March 2, March 9, March 23, April 6, April 20, April 27, May 11, and May 25.

It is important to note that, for almost all of the weeks without a qualified Emergency Response Drill, the prior week and the following week did include the performance of a qualified Emergency Response Drill. In addition, during at least eight of the 13 weeks, various emergency drills were conducted, but these drills did not meet the Consent Decree’s definition of a qualified “Emergency Response Drill.”

When identified, Transocean reported this deficiency to the United States in a timely and appropriate manner. The Company also issued an Operational Alert to personnel operating in the Waters of the United States clarifying the definition of a “week” and a qualified “Emergency Response Drill” for the purposes of compliance with this requirement.

3.3 REVISED OIL SPILL RESPONSE PLAN (OSRP) ADDENDUMS SUBMITTED LATE

The Performance Plan Paragraph 18.2.b. states that:

“Within thirty (30) days of any revision of an OSRP addendum, Transocean shall submit to the United States for review and approval pursuant to Paragraph 24 of the Consent Decree 1) the revised OSRP addendum; and 2) an explanation of how the revisions meet the specific requirements of the Consent Decree and the Performance Plan.”

Transocean self-reported that, based on actions the Company undertook to meet new US Coast Guard (USCG) requirements, revised OSRPs, including addendums for 8 of the 12 original OSRPs, were submitted late to the United States.

The revised Non-Tank Vessel OSRPs, including approval letters, were provided by Transocean to the respective rigs on June 11, 2014. However, Transocean did not formally submit the revised OSRPs to the United States until August 21, 2014. When identified, Transocean reported the late submissions to the United States in a timely and appropriate manner.

3.4 LIST OF WELL CONTROL PERSONNEL AND DESIGNATED EMPLOYEES

Paragraphs 15.d.1 and 15.d.2 of the Performance Plan state that:

“Within thirty (30) days of Approval of the Performance Plan, Transocean shall submit to the United States 1) its Well Control Competency Assessment plan; 2) an explanation of how the plan meets the specific requirements of the Consent Decree and the Performance Plan; and 3) a list of the Well Control Personnel currently working in the Waters of the United States.” (Emphasis added)

Transocean submitted a list of “Well Control Personnel” and “Designated Employees” working in Waters of the United States as of January 24, 2014. This list of 206 employees was provided to the United States government on January 31, 2014.

Based on the results of the Independent Auditor’s review, the list provided on January 31 was incomplete and did not contain at least nine (9) employees who were verified to have been working in a defined “Well Control” position or in one of the other “Designated Employee” roles in the Waters of the United States as of January 24, 2014. These employees were not assigned to a specific rig; instead, they belonged to Transocean’s “labor pool” of personnel available to work on any rig. The list is composed of six Drillers, a Toolpusher, a Senior Toolpusher, and an Offshore Installation Manager.

It is important to note that the six Drillers were verified to be appropriately CAP assessed within the allotted timeframe. In addition, the employees have met the annual Designated Employee 40-hour training requirement, if applicable. The omission of their names from the list was an oversight based on the query parameters used to identify the employees whose names were to be provided to the United States.

4.0 OBSERVATIONS

During the review and audit of Transocean's compliance with the requirements of the Consent Decree and Performance Plan, a limited number of observations also were noted by the Independent Auditor. These observations were associated with practices, procedures, operations, or conditions that (1) were not a current compliance deficiency but could potentially result in a future compliance deficiency or (2) represented potential process safety or drilling risk-management issues.

The observations associated with potential future compliance deficiencies appear to result from unexpected situations and unclear language within the Consent Decree and Performance Plan. The observations associated with potential process safety or drilling risk management issues are observations that, in the opinion of the Independent Auditor, should be evaluated further by the Independent Process Safety Consultant required by Paragraph 23.b of the Consent Decree.

4.1 RIG-SPECIFIC PROCEDURES

As part of the SEMS program compliance review, one exception to full conformance across all 13 SEMS Elements was identified in Transocean's internal management system's performance related to SEMS Element 4 – Management of Change (MOC). This MOC non-conformance was the creation and use of "Rig-Specific Procedures" (RSPs) on drilling rigs pertaining to elements of major hazard barriers in rig Safety Cases. These RSPs were not fully captured, controlled, and documented in Transocean's internal management system that is to meet the SEMS MOC requirements.

Transocean's management systems for MOC were effective in all other operational areas reviewed. Therefore, the RSP exception from MOC was not a systemic program deficiency at Transocean in SEMS Element 4. In addition, Transocean undertook corrective actions for this nonconformance to more fully comply with SEMS MOC requirements. As a result, Transocean's SEMS-equivalent program is in general compliance with all 13 SEMS Elements required for Operators in 30 CFR Part 250 Subpart S.

The corrective action undertaken by Transocean was the revision of the Company's THINK process to incorporate any RSPs (including guidelines and operating practices) that "pertain to a Major Hazard Barrier as documented in the installation's Safety Case." Examples of these RSPs included the following:

- Establishing the threshold concentration of total hydrocarbons in drilling mud that would trigger the suspension of Hot Work or other normal practices on a specific drilling rig;

- Determining Safe Hot Work Areas on a specific drilling rig; and
- Setting levels for gas detectors.

These types of RSPs are now classified as Rig Recommended Practices (RRPs). Transocean's revised THINK process also now encompasses RRP and requires a written risk assessment (WRA) be prepared and approved by the OIM as the Ultimate Work Authority (UWA). In addition, the "Departmental Supervisor" is to determine the appropriate level of risk assessment. Finally, the WRA and RRP is to be maintained in Transocean's HSE Toolbox, the electronic management system for Company risk assessment and HSE information.

Modification of the Transocean THINK process to incorporate all Company RRP generally meets the SEMS MOC requirement. However, it is not clear whether the THINK process is as robust of a process risk management control as would be recommended for Transocean's offshore drilling operations. Therefore, the RRP and new THINK process should be reviewed and evaluated by the Consent Decree's Independent Process Safety Consultant. The Independent Process Safety Consultant is designated in the Consent Decree to assist in evaluating Transocean's process safety "including operational risk identification." The Independent Auditor will cooperate and assist in the review and evaluation, as requested.

4.2 SAFETY CRITICAL DESIGNATED EQUIPMENT

Paragraph 15.g. of the Consent Decree requires that Transocean provide an annual report to the United States that includes a "summary report documenting all corrective maintenance and inhibits (i.e., the temporary disabling) of safety critical designated equipment" along with various additional information. The definition of safety critical designated equipment is not provided in the Consent Decree or Performance Plan. Therefore, Transocean relied upon an in-house process to identify and "tag" safety critical designated equipment.

The Company's in-house process used employee experts and a "Rig Equipment Criticality & Risk Assessment" procedure that was developed as part of an operational maintenance strategy. This methodology was used to classify rig equipment and the related risk priority rating, known as the Total Risk Number (TRN). Using this methodology and TRN values for equipment, Transocean prepared and submitted a list of safety critical designated equipment organized by system and component category to the United States. The safety critical designated equipment on this list also received an electronic "tag" in the Transocean Rig Management System (RMS) that allowed the Company to document corrective maintenance for inclusion in the summary report.

During the course of the review and audit, at least one piece of equipment used for well control during drilling operations was not identified on the list of safety critical designated equipment. This omission was consistent with the Transocean methodology used and appeared to be based on a reasonable technical rationale.

Transocean's "Rig Equipment Criticality & Risk Assessment" procedure, however, is not solely focused on process safety but also incorporates impact to equipment or rig downtime and repair costs. Therefore, this risk assessment process may have gaps that result in TRN values that do not fully reflect the safety critical nature of the equipment.

Based on these observations, the methodology used by Transocean to identify safety critical designated equipment should be reviewed and evaluated by the Consent Decree's Independent Process Safety Consultant. The identification of safety critical designated equipment would clearly be within the expertise and potential role of the Independent Process Safety Consultant. The Independent Auditor will again cooperate and assist in the review and evaluation, as requested.

4.3 COMPETENCE ASSESSMENT PROGRAM

Paragraph 15.d.6 of the Consent Decree requires that Transocean use a Competence Assessment Program (CAP) to assess the capability of Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers (CAP positions) to operate at the standards of competence required by the Company's Competence Assessment Management System (CAMS). As part of the CAP, Transocean is to assess any employee new to a CAP position "within six (6) months of the employee entering that position."

During the review and audit of Transocean's CAP compliance, three scenarios were noted regarding the determination of CAP deadlines for Company employees new to a CAP position that may not have been previously contemplated. The first scenario is Transocean's "temporary" promotion of an employee to a CAP position because of an unforeseen reason. This "temporary" nature of the promotion is clearly noted in Company HR records. The employee is in the CAP position for one, two, or even three 21 day tours and is then demoted back to his prior non-CAP position.

The second scenario is a Transocean employee being promoted to a CAP position on a drilling rig that subsequently loses its contract and is "cold stacked." No drilling operations are being conducted on a cold stacked rig so any employee new to a CAP position cannot be CAP assessed on that rig. In addition, because drilling rigs vary by class and type, employees new to a CAP position should be assessed on the drilling rig they are expected to be working on. However, this requirement is not possible to fulfil when the drilling rig is cold stacked.

A third and final scenario is when an employee is promoted to a CAP position and then sometime prior to CAP assessment the employee is placed on medical or military leave. These situations are most often out of the control of both Transocean and employee. Furthermore, little or no advance warning may be provided.

These three scenarios clearly require additional discussion and clarification by Transocean with United States agency representatives regarding a number of key compliance questions. Based on the Independent Auditor's experience, the questions include, at a minimum, the following;

- 1) Does any time served by an employee new to a CAP position in the CAP position count against the deadline of six (6) months for that employee to be CAP assessed or removed from the CAP position?
- 2) Is the time served in the CAP position calculated on a calendar basis or would the intent be the time served working in the CAP position. For example, should only days spent working on the drilling rig (i.e., On Tour) count against the six months deadline but not an employee's time off.
- 3) Is an employee that is promoted to a CAP position on a cold stacked rig "currently working" in the Waters of United States when the rig is not conducting drilling operation? If not, then is the time clock for CAP assessment within 6 months suspended until drilling operations are restarted again?

As noted in Section 1.1, the Consent Decree provides that the Independent Auditor is not intended to have and does not have the responsibility to monitor or the authority to "exercise the regulatory, enforcement, or other role of the United States." Therefore, these questions and the timing issues surrounding the CAP assessment deadline for these scenarios should be further evaluated and clarified by Transocean and United States agency representatives.

4.4 LIST OF WELL CONTROL EQUIPMENT ON DRILLING RIGS

Paragraph 21.c. of the Consent Decree requires that Transocean enter into the National Response Inventory (NRI) database all "Well Control" and spill response equipment they "own, operate, or with which they contract." This information was provided by Transocean to the United States for inclusion in the NRI database as a "List of Well Control and Spill Response Equipment on Rigs as of January 13, 2014." During the drilling rig field audits, a number of the individual well control items included on this list as being present on the Development Driller III (DD3) and Discoverer India were not present at the time of the field inspection. The missing items included, but were not limited to, spare BOP annular, spare upper and lower rams, spare LMRP connector, subsea test valves, and Yellow/Blue Pod MUX Connectors.

According to Transocean's drilling rig personnel, selected items were on the rig's deployed BOP or located in Transocean's Amelia warehouse. The Independent Auditor also did not identify any Consent Decree or specific regulatory requirement that appeared to require these "Well Control" items to be maintained on the drilling rigs. However, clearly the list is subject to change. Therefore, the intent and composition of the annual list of Well Control equipment provided by Transocean should be further reviewed and evaluated by the Consent Decree's Independent Process Safety Consultant and United States agency representatives.

5.0 CONCLUSIONS

Based on the Independent Auditor's review and audit, Transocean was in material compliance with the Consent Decree and Performance Plan for the calendar year 2014. As discussed in Section 3.0, four (4) compliance deficiencies were identified as findings in 2014. In addition, Independent Auditor noted four observations for additional follow-up.

The four (4) deficiencies identified for calendar year 2014 were not associated with Transocean's implementation and performance of the additional risk management provisions and programs for drilling operations required by the Consent Decree. In addition, the deficiencies did not result in material deficiencies in Transocean's drilling rigs' MAHRAs or the Company's operational oversight of drilling operations. Furthermore, Transocean's current internal management system complies with SEMS requirements in 30 CFR Part 250, Subpart S.

In accordance with Paragraph 22 of the Performance Plan, Transocean is to respond to any "deficiencies" noted in the draft report and develop a corrective action plan within 30 days of receipt of the draft report. The corrective action plan is then to be submitted with the final report that is to be submitted to the United States by April 2, 2015.

Transocean's response to the identified compliance deficiencies for the calendar year 2014 is provided in Appendix B of this final report. This includes a discussion of the actions already undertaken and completed by Transocean or planned for implementation and completion to correct the identified compliance deficiencies. Appendix B also includes Transocean's discussion of additional follow-up on the observations discussed within the final report.

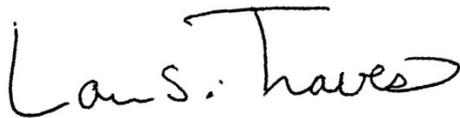
6.0 CERTIFICATION

The undersigned hereby certifies that:

The reported analyses, opinions, findings, and conclusions contained within this report are personal, unbiased, professional, and limited only by the assumptions and qualifications stated herein. Compensation was not contingent upon an action or an event resulting from the analyses, opinions, findings, or conclusions in, or the use of, this report. This project was performed in accordance with accepted practices prevailing in the health, safety, environmental, and quality (HSEQ) auditing and consulting industries.

The Independent Auditor, Mr. Traves, has more than 25 years of HSEQ experience, including acting as the Lead Auditor on SEMS and HSEQ compliance audits. He has conducted comprehensive SEMS, HSEQ compliance, and HSE system audit projects for more than 100 operations located both onshore and offshore throughout North America.

Prepared by:



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APPENDIX A

Summary of the Consent Decree and Performance Plan Requirements Articles VI and VIII

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

Paragraph Reference	Topic	General Requirements
15.a.1.a	Drilling Operations - Audits	Do not conduct any Drilling Operations unless the Company designs, implements, and maintains an Audit-Review-and-Closeout Process overseen by Transocean's onshore management that: <ul style="list-style-type: none"> i. Ensures the follow up and closeout of rig-specific audits; and ii. Ensures that all material deficiencies related to rig's Major Accidents and hazard Risk Assessment ("MAHRA") identified in an audit are corrected within sixty days of identification, unless Transocean's supervising auditor or manager agrees in writing to a longer time period
15a.1.b	Drilling Operations - SEMS	Develop a Management System which complies with Operators' Safety and Environmental Management System ("SEMS") for owned or operated rigs, vessels, and facilities operating in the Waters of the United States. Certify that a Management System is in place that complies with SEMs.
15.a.2	Stop Work Authority (SWA)	Do not conduct any Drilling Operations unless the Company establishes a Stop-Work Authority procedure that: <ul style="list-style-type: none"> i. Is consistent with International Safety Management ("ISM") code, SEMS, and federal regulatory requirements; and ii. Grants all personnel and contractors the responsibility and authority, without fear of reprisal, to stop work on Transocean's rigs, vessels, or facilities, or decline to perform an assigned task when such person perceives any significant risk or danger exists (including but not limited to: loss of well control, spill, blowout, and/or loss of life).
15.b	BOP Certification	Do not conduct any Drilling Operations unless the Company provides to the United States prior to the time of the initial deployment of the BOP on a well operation, written certification that: <ul style="list-style-type: none"> i. Scheduled preventive maintenance provided by API Standard 53 for the BOP to be utilized has been performed; ii. All repairs done to the BOP utilized only Original Equipment Manufacturer ("OEM") parts, unless the OEM cannot supply the necessary part, and were completed by Competent Personnel as defined in the Consent Decree. iii. All batteries used in the BOP emergency control systems (including, e.g., deadman, autoshear) have been maintained according to the OEM recommendations; and iv. The blind shear rams were surface tested in accordance with OEM specifications and regulatory requirements.

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

15.d.1 & 15.d.2	Well Control Competency Assessments	<p>Develop, implement, and maintain documentation for a Well Control Competency Assessment plan for all Transocean personnel (including: Offshore Installation Manager (“OIM”), Senior Toolpusher, Toolpusher, and Driller) responsible for conducting or oversight of Drilling Operations on Transocean’s owned, operated, or contracted rigs (collectively “Well Control Personnel”) that:</p> <ul style="list-style-type: none"> i. Includes well control competency requirements for Well Control Personnel that exceed the competency requirements set forth in 30 C.F.R. §§ 250.1500-1510 (Subpart O); ii. Identifies skill sets and other competencies needed to recognize, evaluate, and respond to Well Control events; iii. Provides for the training and assessment of skills and competencies necessary for those events; and iv. Provides appropriate corrective actions for personnel who do not demonstrate the identified skills or competencies, including but not limited to, ensuring that any such personnel who have not demonstrated such skills and competencies shall work under direct
15.d.3	Training	<p>Require all offshore management who conduct or oversee Drilling Operations, specifically the OIM, Senior Toolpusher, Toolpusher and Driller (collectively, “Designated Employees”) to complete at least forty (40) hours of training each calendar year related to:</p> <ul style="list-style-type: none"> i. Outer Continental Shelf (“OCS”) well control operations; ii. Principles of process safety; or iii. Risk Management.
15.d.5	CAMS	<p>Implement and maintain a Competence Assessment Management System (“CAMS”) to develop standards of competence required across Transocean’s United States fleet for Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers (collectively, “CAMS Employees”) and to ensure that those job positions are receiving the correct training for their positions. The CAMS process shall:</p> <ul style="list-style-type: none"> i. Obtain third-party certification of its CAMS process from the Offshore Petroleum Industry Training Organization (“OPITO”); ii. Assess risks associated with CAMS Employees; and iii. Audit training and employee competency records to assure that CAMS Employees are adequately receiving the correct training for their positions.

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

15.d.6	Competence Assessment Program	<p>Use a Competence Assessment Program (“CAP”) to assess the capability of Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers (collectively, “CAP Employees”) to operate at the CAMS established levels of competence. The CAP shall:</p> <ul style="list-style-type: none"> i. Establish a single standard of competency in each job; ii. Be reviewed semi-annually to identify any potential gaps in on-the-job training and/or classroom training programs; and iii. Be updated, changed, or supplemented at least once each calendar year.
15.d.7 & 15.d.8	Operational Alerts	<p>Develop and commence continuous operation of the Global Management System (“GMS”) to forward operational alerts issued at the corporate level to Transocean’s rigs operating in the Waters of the United States.</p> <p>Require confirmation from the Offshore Installation Managers (“OIMs”) that operational alerts have been received and that the required actions are being taken.</p>
15.f.	Records	<p>Maintain both offshore and onshore copies of all records related to the United States-required drilling and production tests of drilling equipment owned by Transocean.</p> <p>Submit the records to the United States upon request.</p>
15.g	Incident Tracking Report	<p>Annually prepare an Incident Tracking Summary Report documenting all corrective maintenance and inhibits (i.e., the temporary disabling) of safety critical designated equipment, stop-work events, near hits and serious near hit incidents, major loss of containment incidents, and any incidents involving Transocean’s employees or contractors that Operators are required to report under 30 C.F.R. § 250.188 (as modified to include reporting of property or equipment damage greater than \$250,000 in value). The Incident Tracking Report shall include trend analysis for the categories of incidents listed above.</p>
16.a,b	Oil Spill Training	<p>Provide training at least once per calendar year on the National Incident Command System (“ICS”) to Transocean’s personnel engaged in any function associated with emergency planning, preparedness, and response for any drilling rigs.</p> <p>This training requirement applies to the following personnel: Health, Safety, and Environment (“HSE”) Vice President (now titled Vice President of HSE), Vice President of the Americas, HSE Director (now split into Director HSE Field Support and Director HSE Services), HSE Manager, Sector Manager and General Manager (now titled Operations Director), Operations Managers, and Rig Managers (collectively, the “Emergency Response Team” or “ERT”).</p>

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

17.b	Oil Spill Drills - Actual Notification	<p>Quarterly, by the last day of March, June, September, and December of each calendar year, with advance notice, and in coordination with the Operator, conduct one drill with actual notification to the National Response Center clearly identifying that the call is part of an exercise.</p> <p>b. The rig to perform the actual notification drill shall be selected at random by a Transocean Operations Director in the first week of each quarter.</p> <p>c. Transocean shall document the actual notifications in the drill records of the rig and make available those documents to the United States upon request.</p>
17.d	Weekly Emergency Response Drills	<p>Participate with Operator personnel in weekly rig-based Emergency Response Drills, which shall include the following types of scenarios: blowouts, gas on the surface, fire, vessel collisions, terrorist threats, and muster and evacuation. Where appropriate, Emergency Response Drills shall also include drills regarding the applicable OSRP for a particular scenario.</p> <p>Document the Emergency Response Drills in the drill records of the rig and make available those records to the United States upon request.</p>
18	Oil Spill Response Plan	<p>Submit to the United States, for review and approval, an addendum to the approved OSRP for each Operator with which it contracts. The addendum shall include the following:</p> <ul style="list-style-type: none"> i. A listing of all oil spill response equipment stored on each rig; ii. Information on the communication systems and compatibility with the Operator's systems, including those in the approved OSRP; iii. A listing of Transocean employee positions responsible for assisting with an oil spill response pursuant to the OSRP, a description of those positions and duties, and a summary demonstrating that the employees filling the positions have the training or experience related to such positions and/or are engaged in a training program or on-the-job-training related to such positions. Transocean shall provide to the United States the names of employees filling the positions upon request; and iv. Action plans and duties relating to maintaining or regaining well control.
18	Oil Spill Response Plan	<p>Review and update its addendum to the Operator's OSRP, if appropriate, based on any change to the Operator's OSRP.</p> <p>The approved addendum, along with any updates based on changes to the Operator's OSRP, shall be made part of the rig Emergency Response Plan ("ERP").</p>

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

19.b	Alarm System Safety	<p>Maintain current status records or fire/gas alarm inhibits on Rig & Onshore</p> <p>a. Maintain within maintenance system records an up-to-date status of all inhibits made to the fire and gas alarm systems of its rigs operating in the Waters of the United States.</p> <p>b. Record and maintain this information both on the rig and in a Transocean on-shore database located in the United States. This information shall be made available to the United States upon request.</p>
20	Innovation	<p>Transocean shall form a Technology Innovation Group (TIG) to focus on drilling safety and explore and develop next generation solutions to critical aspects of drilling. A minimum of \$10 million will be devoted to this effort. An annual report will be prepared for TIG efforts.</p>
21.a.	HSE Committee	<p>c. The HSE Committee shall be responsible for the Company’s reporting obligations under Paragraph 31.b. of the Consent Decree as follows:</p> <p>i. The HSE Committee shall meet at least quarterly.</p> <p>ii. The HSE Committee shall appoint a Compliance Advisor to prepare quarterly compliance reports regarding the status of Transocean’s compliance with each element of the Consent Decree (“Quarterly Compliance Report”). The Quarterly Compliance Report shall include discussion of, but not be limited to, all steps taken to comply, all problems or challenges encountered in attempting to comply, and any assistance needed from Transocean Ltd.’s Boards of Directors to help secure timely compliance of the Consent Decree.</p> <p>iii. The Quarterly Compliance Reports shall be provided to HSE Committee members prior to each quarterly meeting.</p> <p>iv. Following each quarterly meeting, the HSE Committee shall provide the Quarterly Compliance Report to TODDI’s and Transocean Ltd.’s Boards of Directors.</p>
21.b	Public Web Site	<p>b. To facilitate access to the Public Web Site, Transocean shall create a link to a “United States MACONDO Settlement Compliance Webpage” on Transocean’s web site, www.deepwater.com.</p>
21.c	National Resource Inventory	<p>a. For each calendar year after February 19, 2013, by April 2, provide to the USCG (via the National Strike Force Coordination Center), for entry into the National Response Resource Inventory database, a list of all Well Control and spill response equipment Transocean owns, operates, or for which it has contracted.</p>

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

22	Independent Consent Decree Auditor	As part of its Performance Plan approved by the United States, retain an Independent Consent Decree Compliance Auditor who shall audit and report to the United States on Transocean's compliance with Articles VI ("Measures to Improve Performance and Prevent Recurrence") and VIII ("Reporting") of the Consent Decree.
23	HSE Committee	<p>TODDI shall form an HSE Committee. The HSE Committee shall fulfill the requirements of both Paragraph 21.a. and 23.a. of the Consent Decree.</p> <p>b. The HSE Committee shall evaluate Transocean's response/improvements in Transocean's safety and operational risk identification and management of risk, including Transocean's compliance with the process safety related aspects of the Consent Decree, specifically BOP testing and maintenance, training, and Well Control.</p> <p>The HSE Committee shall meet at least quarterly.</p> <p>Following each quarterly meeting, the HSE Committee shall report its findings and recommendations to TODDI's and Transocean Ltd.'s Boards of Directors</p>
23	Independent Process Safety Consultant	Retain an Independent Process Safety Consultant to review TO's BOP testing and Maintenance, Training, and Well Control
31.a	Consent Decree Annual Report	<p>For each calendar year after the Date of Entry, by April 2 of the following year, describe all measures taken to comply with each of the requirements of Article VI (Measures to Improve Performance and Prevent Recurrence) in a report.</p> <p>Post the annual report on the Company's public website.</p>
31.b	Quarterly Reports to Transocean Board of Directors	For each calendar year after the Date of Entry, beginning after the first full quarter following the Date of Entry, report in detail at least quarterly to the Board of Directors of Transocean Ltd. on the status (in each report for the most recently completed quarter) of the Company's compliance with each element of this Consent Decree.

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

32	Report Incidents of Non-Compliance	In any report required by Article VIII (Reporting), the Transocean Defendants must describe any non-compliance with the requirements of this Consent Decree and provide an explanation of the likely cause and the remedial steps taken, or to be taken, to prevent or minimize such non-compliance. If any of the Transocean Defendants violates any requirement of this Consent Decree, the Transocean Defendants shall report to the United States such violation and its likely duration, in writing, within ten (10) business Days of the Day that any Sector Manager of Transocean Defendants (identified in the Performance Plan) first becomes aware of the violation, with an explanation of the violation's likely cause and of the remedial steps taken, or to be taken, to prevent or minimize such violation. If the cause of a violation cannot be fully explained at the time the report is due, the Transocean Defendants shall so state in the report. The Transocean Defendants shall investigate the cause of the violation and shall then submit an amendment to the report, including a full explanation of the cause of the violation, within thirty (30) Days of the Day any of the Sector Managers of Transocean Defendants (identified in the Performance Plan) becomes aware of the cause of the violation. Nothing in this Paragraph or the following Paragraph relieves the Transocean Defendants of their obligation to provide the notice required by Article X (Force Majeure) or their liability for stipulated penalties as set forth in Article IX (Stipulated Penalties).
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*The summary of Consent Decree Performance Plan Requirements provided as Appendix A is not a fully comprehensive list of all applicable requirements including numerous Transocean “annual report” submission obligations that were not applicable to the audit conducted for the Calendar Year 2014.

APPENDIX B

Transocean Response to Independent Consent Decree Compliance Auditor Annual Report for 2014

Appendix B

TRANSOCEAN RESPONSE TO INDEPENDENT CONSENT DECREE COMPLIANCE AUDITOR ANNUAL REPORT FOR 2014 [PREPARED BY TRANSOCEAN]

INTRODUCTION

Under Paragraph 22 of the Consent Decree dated February 19, 2013 (“Consent Decree”) entered into between certain affiliates of Transocean (“Transocean”) and applicable US government agencies (“United States”) and the related Performance Plan approved by the United States on January 2, 2014 (“Performance Plan”), Transocean provides this “2014 Response” to the Independent Consent Decree Compliance Auditor Annual Report for 2014 (“IA 2014 Report.”)

As required, this 2014 Response addresses any deficiencies noted in the IA 2014 Report, along with a summary of actions taken or to be taken to address such deficiencies. In addition, although not required under the Consent Decree or Performance Plan, this 2014 Response also provides comments to “Observations” identified in the IA 2014 Report.

Transocean is fully committed to complete compliance with the hundreds of individual obligations required under the Consent Decree and Performance Plan and welcomes the feedback and identification of any issues by the Independent Auditor or the United States. This Response is structured by referencing the 2014 Independent Auditor’s report section including the summary bullet point, Transocean’s response to the finding and actions that were taken or to be taken in response.

FINDINGS AND TRANSOCEAN’S RESPONSE

1. IA 2014 Report Section 3.1: Late submission to the United States of three (3) pre-deployment Blow-Out Preventer (BOP) certifications

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiencies and reported the issues to the United States within 10 days of determining each occurred. For reference purposes, during 2014, Transocean submitted 32 BOP Certifications under Consent Decree Section 15.b.

The first late submission was identified on April 17, 2014. Upon review of a newly created Certification, it was determined that the Rig Manager did not send in the signed BOP Certification to be submitted to the United States until three days after deployment of the BOP on the wellhead. The issue was an oversight by the Rig Manager. However, importantly, all aspects of the Certification were accurate and the maintenance of the BOP was properly and timely conducted. The issue was clearly caused by an administrative oversight on the part of the Rig Manager. In response, a Transocean Operations Executive sent out a specific reminder fleet-wide to all Rig Managers, Operations Manager and other rig management personnel that this important obligation must be followed. The Transocean Macondo Obligations Team (Obligations Team) also created an additional information sheet that was distributed throughout the United States fleet.

The second late submission was identified on September 22, 2014. A BOP Certification was sent in to the internal Transocean electronic mailbox that was being monitored by the Obligations Team. At that time one member of the Obligations Team was on sick leave and another was out of the office. The Certification was not noticed until the following Monday. Though immediately submitted, it was three days after the BOP had been deployed on the wellhead. Again importantly, all aspects of the Certification were accurate and the maintenance of the BOP was properly and timely conducted. The cause was due to an oversight by the Obligations Team not timely noticing the Certification coming in to the Obligations Team electronic mailbox. A newly developed process was immediately put in place in which two Obligations Team members are assigned to monitor the Obligations Team mailbox 365 days a year.

The third late submission was identified on October 9, 2014. During a follow-up review by the Independent Auditor, it was discovered that a Certification submitted on March 31 was late by one day. This Certification had been timely completed and provided by the Rig Manager on March 28 but must not have been noticed by the Obligations Team member until the following Monday, March 31st. Again, of note, the Independent Auditor and the Obligations Team confirmed that all aspects of the Certification were accurate and the maintenance of the BOP was properly and timely conducted. This issue occurred prior to the new process implemented by the Obligations Team to ensure coverage of the internal electronic mailbox 365 days a year. However, the issue prompted a thorough review by the Obligations Team of all BOP Certifications submitted to date to confirm when the BOP was latched to the well. It was confirmed there were no additional situations to report. The Obligations Team now performs this BOP tracking review for each Certification submitted.

2. IA 2014 Report Section 3.2: Failure of two (2) rigs to perform qualified weekly Emergency Response Drills during a total of 13 separate weekly time periods

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiencies and reported this issue to the United States within 10 days of determining it occurred. For reference purposes, during 2014, Transocean conducted approximately 1400 documented weekly emergency response drills throughout its fleet operating in US waters.

In June 2014, while reviewing test reports to confirm compliance with this obligation, the Obligations Team determined that two Transocean rigs had not clearly understood the requirement and there were a few instances where the rigs did not conduct an appropriate emergency response drill each week. The cause was that certain rig personnel had a misunderstanding of the obligation and followed what they believed to be required. In response, a Transocean Operations Executive sent an email to all rigs clarifying the obligation. In addition, the Obligations Team developed and sent out a broadly distributed Macondo Obligations Alert addressing the issues identified and clarifying what needed to be done.

3. IA 2014 Report Section 3.3: Late submission of revised Oil Spill Response Plan (OSRP) Addendums to the United States

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within 10 days of determining it occurred.

This is a complicated issue relating to revised Oil Spill Response Plans (OSRPs). Out of 13 submitted, eight Non-tank Vessel Response Plans (each over 200 pages in length) were revised to reflect changes in regulations and submitted to the Coast Guard for approval in late January. However, the rigs involved implemented the revised Plans under an “interim operating authorization”. Transocean provided these “interim” Plans to the United States for reference, pending formal submission upon USCG approval. The Plans received USCG approval which was communicated to the rigs in June.

This approval was not communicated to the Obligations Team until later at which time the formal submission was made, even though the United States had received informal copies of the Plan previously. The cause was a lack of communication between the Obligations Team and Operations personnel. In response, the Obligations Team immediately sent out reminders of the importance of communication with the Obligations Team. The Obligations Team also moved its two remaining members to the US operations headquarters. A member of the Obligations Team is represented at all weekly Operations meetings and made aware of any changes to policies, documents, etc.

4. IA 2014 Report Section 3.4: Submission to the United States of an incomplete list of the “Well Control Personnel” and “Designated Employees” working in Waters of the United States as of January 24, 2014

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiencies and reported the issue to the United States within 10 days of determining it occurred.

In January 2014, Transocean timely submitted a combined list of 15.d.1&2 Well Control Personnel and 15.d.3 Designated Employees, identifying employees in the specified roles who were then currently working in the Waters of the United States (Well Control/Designated Employees List). In February 2015 the Independent Auditor identified in a draft report that the Well Control/Designated Employees List was deficient when submitted because it did not contain nine (9) employees assigned to the Transocean Labor Pool. (). The Obligations Team explained the good faith rationale used in developing the original list was based on employees “assigned” to rigs operating in US waters, but then decided to submit a non-compliance report because of the Independent Auditor’s opinion .

The list was prepared in good faith based on an extensive review of job positions and the Obligations Team then confirming with each rig that the list included all individuals in the specified job roles assigned to the rig. The focus was on employees in January 2014 that were currently assigned to rigs and because employees in the Labor Pool may or may not be assigned to work in US waters, the nine (9) Labor Pool employees that were working on rigs in US waters in January 2014 were not included on the list. In response, Transocean confirmed to the Independent Auditor and United States that

going forward the names of any Labor Pool employees in the defined positions will be included in annual lists submitted. Ensuring that will be done will not be an issue.

[THE FOLLOWING ARE OBSERVATIONS, NOT DEFICIENCIES OR NON-COMPLIANCES AND THEREFORE DO NOT INCLUDE AS MUCH DETAIL REGARDING TRANSOCEAN'S RESPONSE]

- 1. IA 2014 Report Section 4.1: One exception noted by the Independent Auditor to full compliance with all 13 elements of the Safety and Environmental Management System (SEMS) was whether a management of change process was being documented for certain rig specific procedures. In response, Transocean developed and implemented a revision to its internal process requirements to mandate that a management of change process must be documented in Transocean's electronic system if there is a modification to any process which could impact a major safety issue. Clear definitions with examples were developed and communicated to Transocean personnel.**
- 2. IA 2014 Report Section 4.2: The Independent Auditor reviewed the list of equipment that Transocean had designated as "Safety Critical". The Independent Auditor acknowledged that Transocean used a standard methodology but noticed during the audits at least one piece of equipment that potentially could have been listed as Safety Critical. Transocean immediately responded with full detail and explanation as to why that piece of equipment was not deemed Safety Critical. In addition, Transocean and the Independent Auditor agreed that this issue should be reviewed further by the Independent Process Safety Consultant appointed per the Consent Decree.**
- 3. IA 2014 Report Section 4.3: The Independent Auditor noted that Transocean is required to assess any new employee to certain designated positions within six months of the employee entering the position. There was some uncertainty as to how employees should be identified as being new to a position and how should the six months be calculated. For example, at times an employee may be temporarily assigned to a position and then go back to her or his original position. In addition, an employee may be assigned to a rig that is not operating and it is difficult or impossible to assess a person on a non-operating rig. Finally, an employee may be assigned to a position and then goes off on personal, medical, military or other leave. Transocean acknowledges that these issues are difficult to determine the best way to manage and agrees with the Independent Auditor the issue should be reviewed further, and perhaps clarified, by the Transocean and the United States.**
- 4. IA 2014 Report Section 4.4: The Independent Auditor noted that on an annual basis Transocean is required to enter into the National Response Inventory (NRI) database all "Well Control" and spill response equipment Transocean "own, operate, or in with which they contract". Transocean timely submitted that list in 2014 and shall timely submit the 2015 list on or before April 2, 2015. Although Transocean explained it's good faith belief that the intent and the Consent Decree and Performance Plan are clear that the list was to be a "point in time" list and there is no obligation to maintain the equipment identified, Transocean agreed with the Independent Auditor that the issue could be reviewed further by the Independent Process Safety Consultant appointed per the Consent Decree.**

CONCLUSION

As reference above, Transocean is fully committed to complete compliance with all aspects of Macondo Settlement Consent Decree and Performance Plan. Transocean and the Obligations Team communicated extensively with the Independent Auditor and United States representatives throughout the year and received a significant amount of feedback and ongoing questions. In all cases Transocean responded promptly and with full transparency, understanding that all parties, the Independent Auditor, the United States and Transocean, are focused on the same thing - safe and environmentally sound operations without incident.