

January 5, 2009

Oil Services, Drilling & Equipment

Improving Oil Fundamentals and “Over Sold” Equities

Increase in US oil demand, coupled with a decline in westbound sailings out of the Middle East, provides a favorable backdrop for an “over sold” OSX as we enter 2009. Over the past few weeks, we have seen a seasonal rebound in US oil demand from 18.5 mbpd to 20.0 mbpd while global supply continues to struggle. Not only is OPEC implementing cuts, but non-OPEC declines are becoming increasingly evident. Daily crude production in Mexico in 2008 through November was down ~9% from 2007 and ~14% from 2006. Russian oil production fell 1% last year, while output at China’s largest oilfield Daqing declined 3.6%. Furthermore, last week’s tanker data has shown a substantial drop in westbound sailings (page 22), suggesting an Atlantic Basin inventory draw underway. Despite a recent pop in the OSX, oil service and drilling stocks continue to trade on very cheap P/S and P/B valuations (page 13) coupled with historic low earnings multiples.

The OSX corrected 60% in 2008, compared to a 50% run in 2007, with seismic, E&C, and the leveraged names underperforming (page 3). The E&C group should face downstream cost cutting initiatives by NOCs, while exploration oriented names are likely to come under broad based pressure (although this could reverse later in 2009). Names with above average debt levels underperformed irrespective of debt structure given the bearish sentiment, causing RIG, WFT and ATW to underperform despite substantial backlogs with reliable customers. The “winners” in 2008 were the gas-levered names, which underperformed in the prior two years. However, while outperforming in 2008, they dropped the most from mid-year highs. Although we expect a very broad based rally, RIG, WFT, NOV, HERO and Subsea 7 appear well positioned as potential relative winners for 2009, given very low valuations and the benefits of leverage in a more constructive tape.

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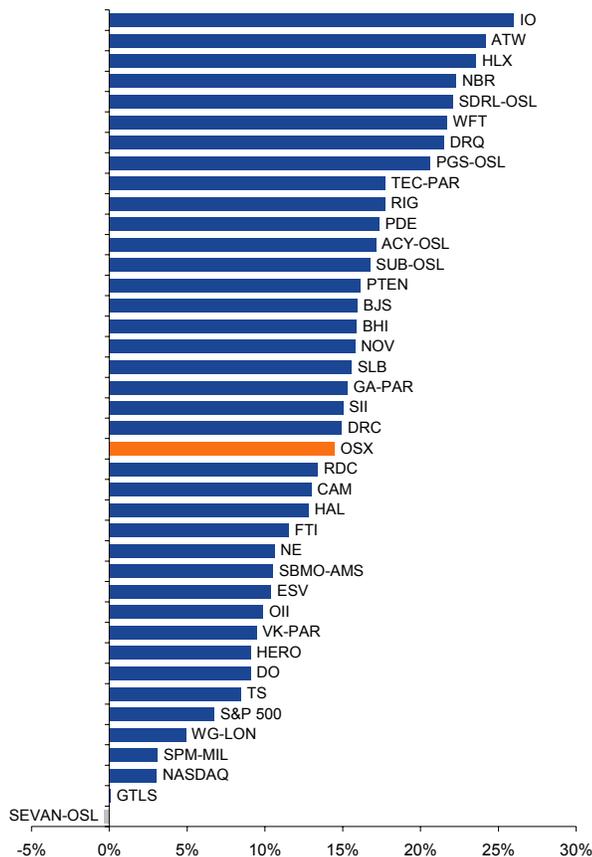
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Investment Perspective

Exhibit 1
Weekly Stock Performance



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

Rig Count up in 2008, but set to Decline during 2009

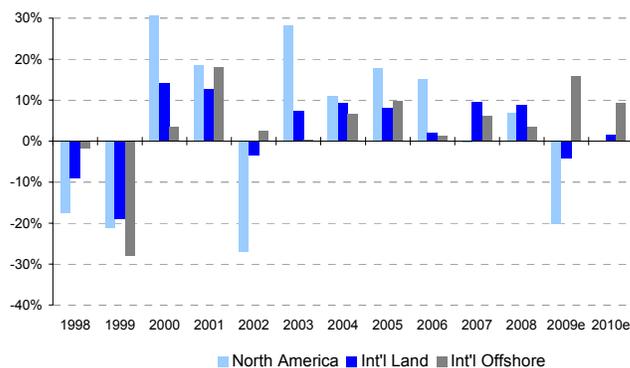
Last year, the NAM and int'l rig counts increased ~7%, buoyed by surging commodity prices through mid-year. But over the past few months the NAM rig count has taken a 25% drop from 2460 to ~1850, exacerbated by a ~50% drop in Canada, despite 1Q usually being the strongest quarter for Canada. Going forward, we are forecasting a 20% y/y decline in NAM rig count, similar to the previous two down cycles, and no improvement in 2010. We are forecasting a more modest decline in int'l land rig count of 5%, similar to 2002. While we see a decline in the int'l land rig count, we expect total int'l rig count to increase in 2009 and 2010, as we see the incoming fleet of newbuild jackups and floaters (page 9), many of which have multi-year contracts, offsetting the decline in int'l land.

- **ION gets a breather from its lenders and implements a shareholder rights plan.** As we anticipated in Nov, ION was unable to place a \$175m unsecured note in the public markets. Instead, ION used all of its available cash to pay down \$72m in revolver and negotiated with its current lenders a refinancing plan at 25% interest rate. We believe this plan leaves ION with no short term financial cushion for what appears to be a difficult 2009. Simultaneously, ION amended its shareholder rights plan to deter a predatory takeover.
- **Oilexco said on 12/31/08 that its North Sea operating unit intends to file for bankruptcy protection, which may affect DO and to a lesser degree RIG.** Both companies have one semi contracted with Oilexco, but we expect DO to be more impacted, as it has fewer rigs and greater exposure to small E&Ps. Based on this filing, we have assumed that the two rigs will be released this quarter and re-contracted around \$250 kpd. Therefore, we've lowered RIG's 2010e EPS from \$14.15 to \$14.10 and DO's 2009e EPS from \$9.85 to \$9.75 and 2010e EPS from \$10.70 to \$10.50.

Morgan Stanley & Co. Limited is acting as strategic and financial advisor to Oilexco Incorporated, as announced on 20th November 2008. In accordance with its general policy, Morgan Stanley currently expresses no rating or price target on Oilexco Incorporated. This report was prepared solely upon information generally available to the public. No representation is made that it is accurate and complete. This report is not a recommendation or an offer to buy or sell the securities mentioned. Please refer to the notes at the end of this report.

- **No new rig orders in 4Q08 for two major shipyards: Keppel and Sembcorp.** We expect orders for both jackups and floaters to drop significantly in 2009 due to difficulty securing financing for spec-builds, as well as more attractive opportunities in acquiring rigs from distressed drillers. This is supported by two data points this week: Global Geo Services' decision to put on hold its newbuild tender project, as well as NIOC's (Iranian NOC) decision to purchase 20 offshore units.

Exhibit 2
Y/Y change in Rig Count: Historical and MS Forecast



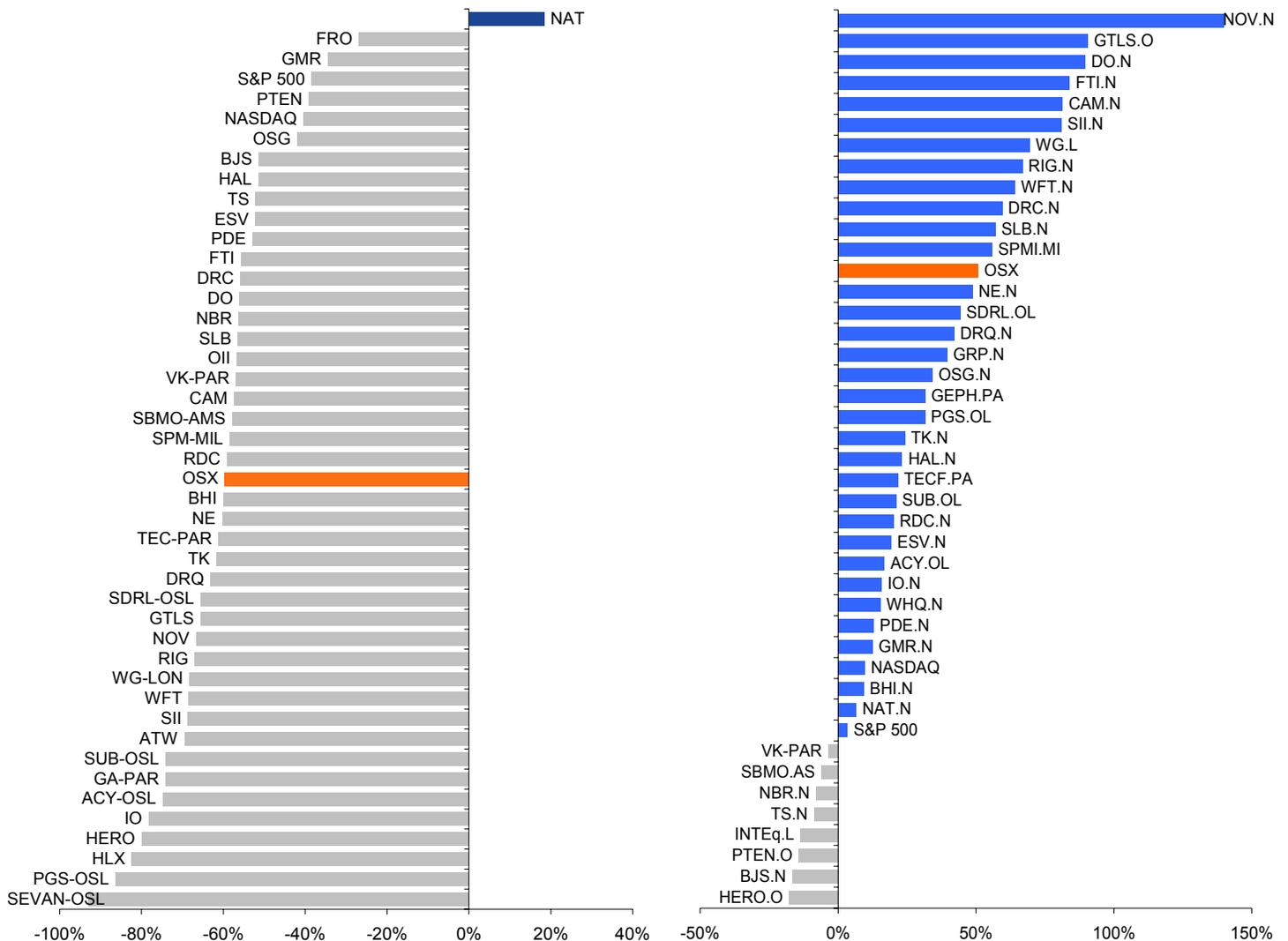
Source: Baker Hughes, Morgan Stanley Research; note: 2008 int'l land rig count includes average rig count through November 2008.

Review of 2008: US Gas Names Finally Outperformed following two years of Disappointment, while Seismic, E&C, and companies with significant debt levels Underperformed

Exhibit 3

Stock Performance in 2008....

....and Stock Performance in 2007



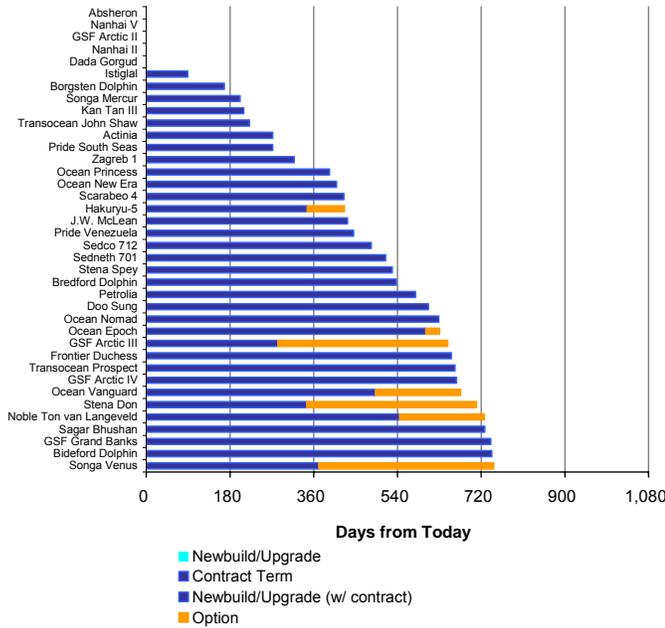
Source: FactSet, Morgan Stanley Research

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Exhibit 4

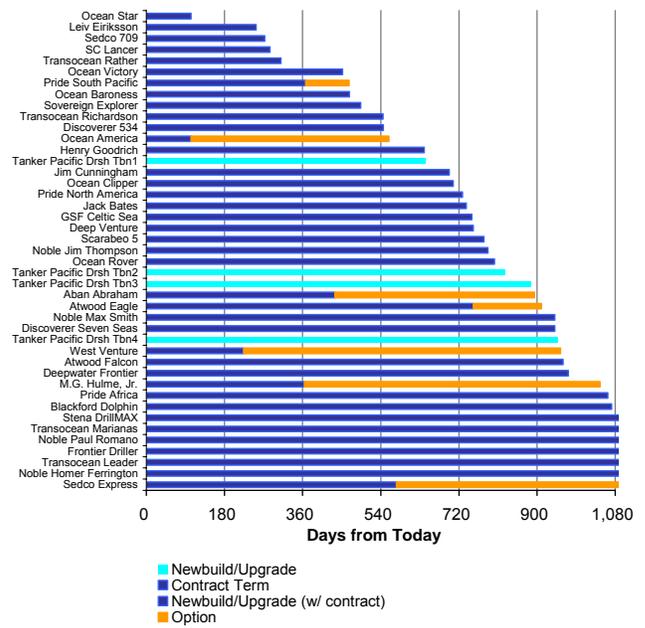
Floater Contract Status: Less than 2,000 Feet



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

Exhibit 6

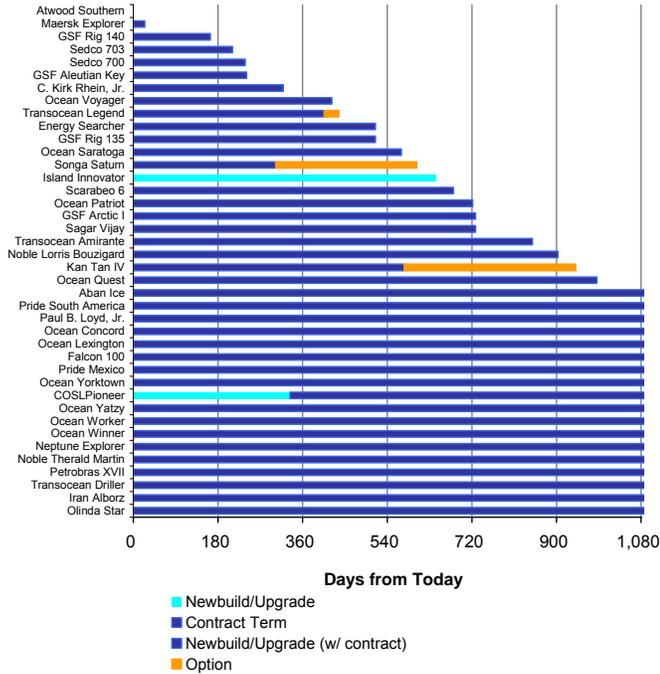
Floater Contract Status: 4,001-7,500 Feet



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

Exhibit 5

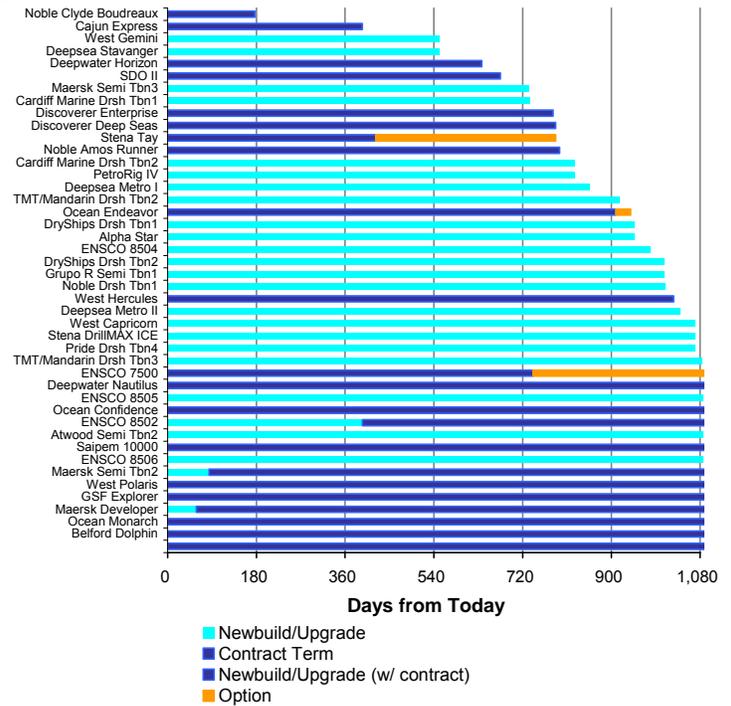
Floater Contract Status: 2,000-4,000 Feet



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

Exhibit 7

Floater Contract Status: 7,500+ Feet



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

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Exhibit 8

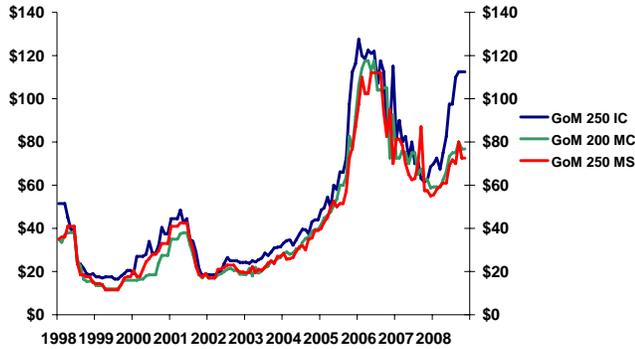
Worldwide Offshore Drilling Snapshot

	Supply	Demand	Util (%)	Previous Week	Weekly Change	Current Dayrate Range (\$000)	Last Month Dayrate Range	Monthly Change	
Jackups									
U.S. Gulf of Mexico									
450'+ IC	3	3	100%	100%	--	\$175.0 -- \$200.0	\$175.0 -- \$200.0	--	
328' - 400' IC	9	8	89%	89%	--	\$130.0 -- \$220.0	\$130.0 -- \$220.0	--	
350' - 380' IS	2	2	100%	100%	--	\$115.0 -- \$120.0	\$115.0 -- \$120.0	--	
300' IC	6	6	100%	100%	--	\$140.0 -- \$160.0	\$140.0 -- \$160.0	--	
250' IC	7	7	100%	100%	--	\$105.0 -- \$110.0	\$105.0 -- \$125.0	▼	
250' MS	12	10	83%	83%	--	\$65.0 -- \$75.0	\$75.0 -- \$80.0	▼	
To 225' IC	3	2	67%	67%	--	\$70.0 -- \$80.0	\$70.0 -- \$80.0	--	
To 200' MC	23	14	61%	61%	--	\$52.0 -- \$65.0	\$60.0 -- \$85.0	▼	
Other	5	4	80%	80%	--				
Total U.S. Gulf of Mexico	70	56	80%	80%	--	\$88.2 -- \$110.9	\$90.2 -- \$115.8	▼	
<i>(Weighted Average Gulf of Mexico Dayrates)</i>									
International									
Far East	25	25	100%	100%	--	\$185.0 -- \$195.0	\$185.0 -- \$195.0	--	
Southeast Asia	52	36	69%	71%	▼	\$175.0 -- \$190.0	\$175.0 -- \$190.0	--	
Indian Ocean	34	33	97%	97%	--	\$111.0 -- \$197.0	\$111.0 -- \$197.0	--	
Middle East	103	87	84%	84%	▲	\$92.0 -- \$199.5	\$92.0 -- \$199.5	--	
Mediterranean	20	16	80%	80%	--	\$120.0 -- \$244.0	\$120.0 -- \$244.0	--	
Mexico	33	29	88%	88%	--	\$84.0 -- \$150.0	\$84.0 -- \$150.0	--	
North Sea	35	31	89%	89%	--	\$207.5 -- \$279.0	\$207.5 -- \$279.0	--	
Latin America	17	14	82%	82%	--	\$84.0 -- \$201.0	\$84.0 -- \$201.0	--	
West Africa	25	21	84%	84%	--	\$170.0 -- \$244.0	\$170.0 -- \$244.0	--	
Other International	14	9	64%	64%	--				
Total International	358	301	84%	84%	--				
Worldwide Total	428	357	83%	81%	▲				
Semisubmersibles									
U.S. Gulf of Mexico									
7,501'+	11	11	100%	100%	--	\$510.0 -- \$535.2	\$510.0 -- \$535.2	--	
5,001' - 7,500'	9	9	100%	100%	--	\$540.0 -- \$605.0	\$540.0 -- \$605.0	--	
3,001 - 5,000'	5	5	100%	100%	--	\$335.0 -- \$335.0	\$335.0 -- \$335.0	--	
To 3,000'	3	2	67%	67%	--	\$285.0 -- \$285.0	\$285.0 -- \$285.0	--	
Total U.S. Gulf of Mexico	28	27	96%	96%	--	\$454.1 -- \$484.9	\$455.2 -- \$487.4	▼	
<i>(Weighted Average Gulf of Mexico Dayrates)</i>									
International									
Far East	8	4	50%	50%	--	\$410.0 -- \$540.0	\$410.0 -- \$540.0	--	
Southeast Asia	10	6	60%	67%	▼	\$285.0 -- \$530.0	\$285.0 -- \$530.0	--	
Mediterranean	7	6	86%	86%	--	\$240.0 -- \$575.0	\$240.0 -- \$575.0	--	
Mexico	5	5	100%	100%	--	\$190.0 -- \$520.0	\$190.0 -- \$520.0	--	
North Sea	40	34	85%	85%	--	\$380.0 -- \$405.0	\$380.0 -- \$405.0	--	
Latin America	33	29	88%	85%	▲	\$270.0 -- \$580.0	\$270.0 -- \$580.0	--	
West Africa	24	21	88%	88%	--	\$255.0 -- \$495.0	\$255.0 -- \$495.0	--	
Other International	16	12	75%	56%	▲				
Total International	148	121	82%	80%	▲				
Worldwide Total	176	148	81%	81%	--				
Drillships									
Indian Ocean	7	6	86%	86%	--	\$157.0 -- \$557.0	\$157.0 -- \$557.0	--	
Latin America	10	9	90%	90%	--	\$290.0 -- \$525.0	\$290.0 -- \$525.0	--	
Southeast Asia	4	0	0%	0%	--	\$410.0 -- \$510.0	\$410.0 -- \$510.0	--	
US Gulf of Mexico	6	6	100%	100%	--	\$640.0 -- \$650.0	\$640.0 -- \$650.0	--	
West Africa	10	9	90%	90%	--	\$602.0 -- \$602.0	\$602.0 -- \$602.0	--	
Other International	0	0	na	0%	▲				
Worldwide Total	42	33	79%	79%	--				
	<u>Jackups</u>	<u>Semis</u>	<u>Ships</u>	<u>Total</u>					
Shipyard	30	12	3	45					
Cold Stacked	16	2	0	18					

Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 9

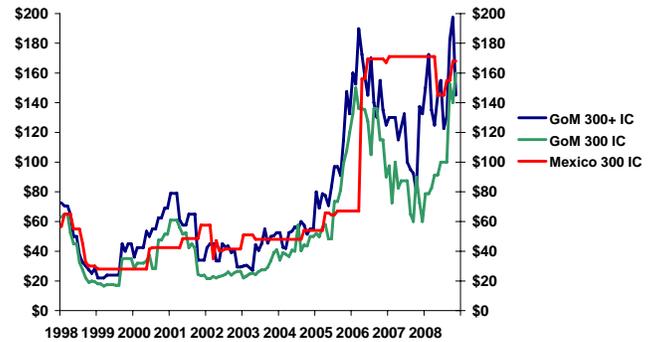
Average Dayrates for GoM Commodity Jackups



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 11

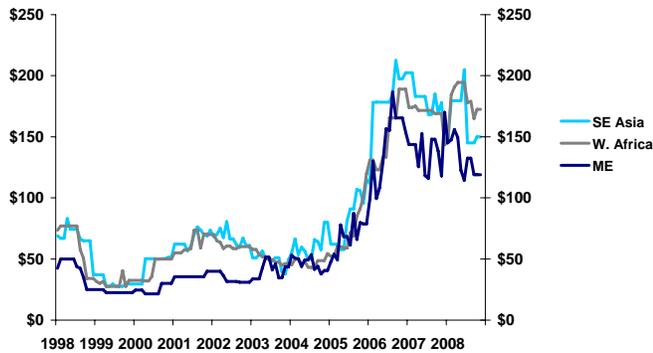
Average Dayrates for GoM High Spec Jackups



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 10

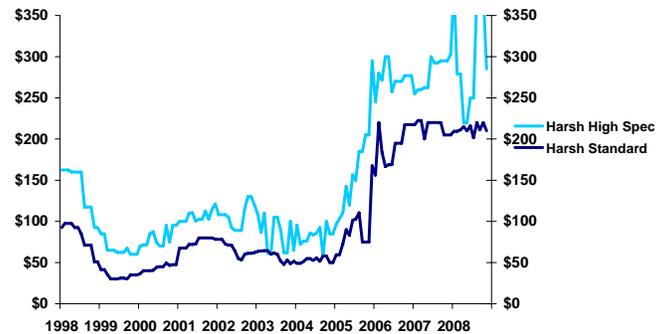
Average Dayrates for International Jackups



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 12

Average Dayrates for North Sea Jackups



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 13

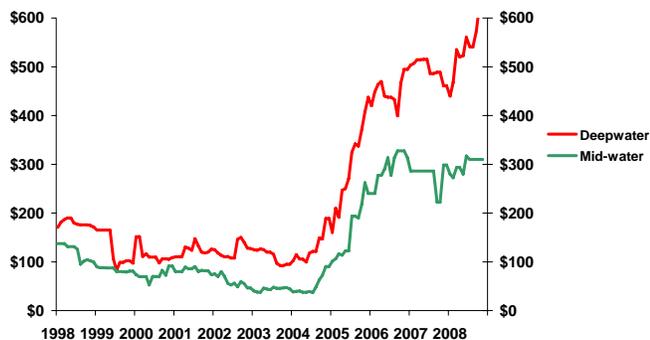
Morgan Stanley: Key Jackup Rollover Assumptions (\$kpd)

GoM Jackups	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
250 MS	60	55	55	55	55	55	65	75
200 MC	63	58	58	58	58	58	68	78
250 IC	65	60	60	60	60	60	70	80
300 IC	95	90	90	90	90	90	100	110
350 IC	110	105	105	105	105	105	115	125
International 300 IC	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Mexico	120	105	105	105	105	105	105	105
N. Sea (standard)	170	150	120	120	120	120	120	120
N. Sea (harsh)	190	170	140	140	140	140	140	140
Middle East	145	125	110	110	110	110	110	110
Rest of World	135	115	115	115	115	115	115	115

Source: ODS-Petrodata, Morgan Stanley Research estimates

Exhibit 14

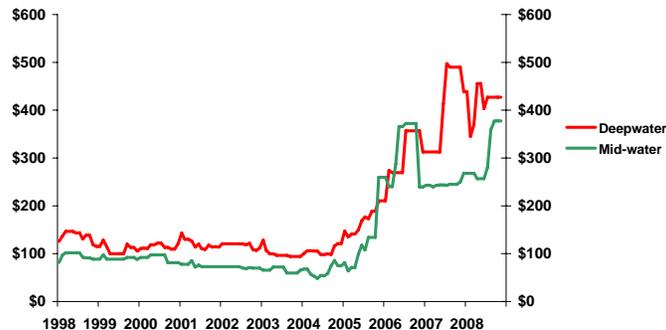
Average Dayrates for Floaters in the GoM



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 16

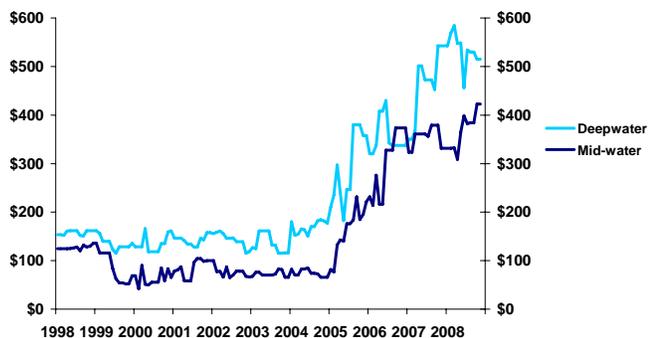
Average Dayrates for Floaters in Brazil



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 15

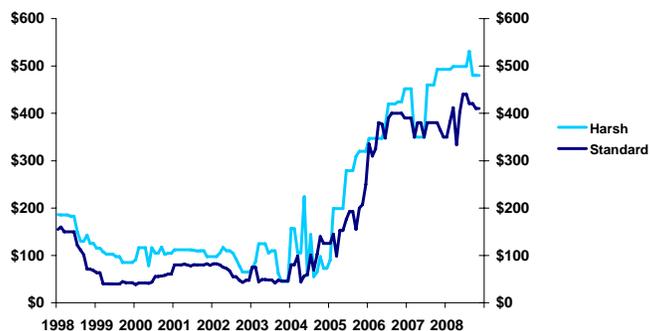
Average Dayrates for Floaters in West Africa



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 17

Average Dayrates for Floaters in the North Sea



Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 18

Morgan Stanley: Key Floater Rollover Assumptions (\$kpd)

Floaters	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
<2,000 ft	252	227	205	185	185	185	185	185
2,000-4,000	312	286	265	245	240	240	240	240
4,001-7,500	464	436	405	384	384	386	388	390
7,500+	576	550	530	512	512	514	516	518

North Sea Floaters	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Standard	330	305	280	255	255	255	255	255
Harsh	400	385	370	370	370	370	370	370

Source: ODS-Petrodata, Morgan Stanley Research estimates

Exhibit 19

Morgan Stanley Estimates of Average Achieved Dayrates by Asset Class and Contractor

AVERAGE RATES BY ASSET CLASS (\$000/day)							
RIG	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
250 IC	14	48	83	123	135	126	105
300 IC	31	65	109	128	161	155	133
350 IC	11	69	103	153	175	171	145
400 IC	7	86	114	170	189	190	155
Floaters							
2G	5	84	139	241	326	364	295
3G/4G	41	110	170	265	319	338	344
5G/6G	30	185	226	291	395	451	489

PDE	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
250 MS	6	41	88	81	79	73	69
200 MC	12	43	85	94	84	69	71
250 IC	2	50	50	45	68	90	98
300 IC	6	53	63	118	140	114	106
Floaters							
2G	4	68	83	165	223	246	225
3G/4G	8	121	154	205	274	305	278
5G/6G	6	165	174	196	265	330	378

DO	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
250 MS	1	43	88	68	61	59	63
200 MC	2	46	99	84	65	63	68
250 IC	1	48	103	115	125	88	85
300 IC	7	60	116	118	123	114	104
350 IC	4	60	110	114	138	163	119
Floaters							
2G	12	73	138	195	286	304	278
3G/4G	13	103	158	248	331	349	376
5G/6G	6	146	211	281	308	370	378

ATW	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
300 IC	1	65	88	140	155	135	115
350 IC	1	na	na	na	na	165	165
400 IC	1	68	75	135	135	131	130
Floaters							
2G	1	46	88	179	320	150	160
3G/4G	3	85	139	193	269	395	464

NE	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
250 IC	11	54	85	143	166	151	100
300 IC	21	53	70	103	138	126	115
350 IC	1	75	108	125	164	190	130
400 IC	7	65	89	124	156	139	158
Floaters							
3G/4G	8	120	185	264	335	394	416
5G/6G	9	111	125	161	223	310	371

ESV	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
250 IC	18	60	101	114	118	110	90
300 IC	10	64	94	128	150	135	119
350 IC	4	80	125	109	156	134	128
400 IC	11	85	129	190	205	190	155
Floaters							
5G/6G	8	161	188	195	395	430	423

HERO	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
250 MS	9	79	79	79	79	76	76
200 MC	10	43	89	80	75	69	71
250 IC	3	na	na	na	143	135	135
350 IC	1	na	na	na	108	106	113
Barges	27	na	39	45	39	38	39
GoM Liftboats	45	na	na	12	9	8	10
Int'l Liftboats	20	na	na	13	17	17	19

RDC	Quantity	2005	2006	2007	2008e	2009e	2010e
Jackups							
300 IC	7	70	136	144	145	144	148
350 IC	11	79	128	135	134	116	115
400 IC	11	106	170	219	223	233	200

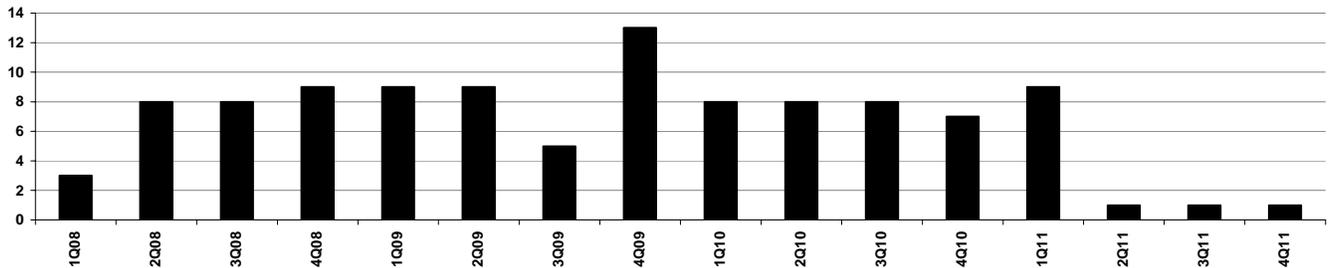
DAYS CONTRACTED							
JACKUPS							
Contractor	Quantity	Total Days		Contracted Days		Percent Covered	
		2009	2010	2009	2010	2009	2010
RIG	64	23,360	23,360	18,231	7,780	78%	33%
DO	14	5,110	5,110	2,097	279	41%	5%
NE	42	15,330	15,330	12,288	4,606	80%	30%
ESV	43	15,695	15,695	10,933	4,875	70%	31%
PDE	23	8,395	8,395	2,832	597	34%	7%
ATW	3	1,095	1,095	569	365	52%	33%
RDC	22	8,030	8,030	6,197	3,093	77%	39%
HERO	30	10,950	10,950	4,528	2,104	41%	19%

FLOATERS							
Contractor	Quantity	Total Days		Contracted Days		Percent Covered	
		2009	2010	2009	2010	2009	2010
RIG	66	24,090	24,090	22,366	17,838	93%	74%
DO	31	11,315	11,315	11,041	8,776	98%	78%
NE	14	5,110	5,110	4,924	4,744	96%	93%
ESV	2	365	365	365	365	100%	100%
PDE	14	5,110	5,110	5,019	4,202	98%	82%
ATW	4	1,460	1,460	1,103	1,095	76%	75%
RDC	0	na	na	na	na	na	na
HERO	0	na	na	na	na	na	na

Source: Company data, Morgan Stanley Research. Note: "Average Rates" section includes contracted and estimated dayrates, and includes cold-stacked rigs in the "quantity"; "Days Contracted" section excludes cold-stacked rigs and rigs under construction

Exhibit 20

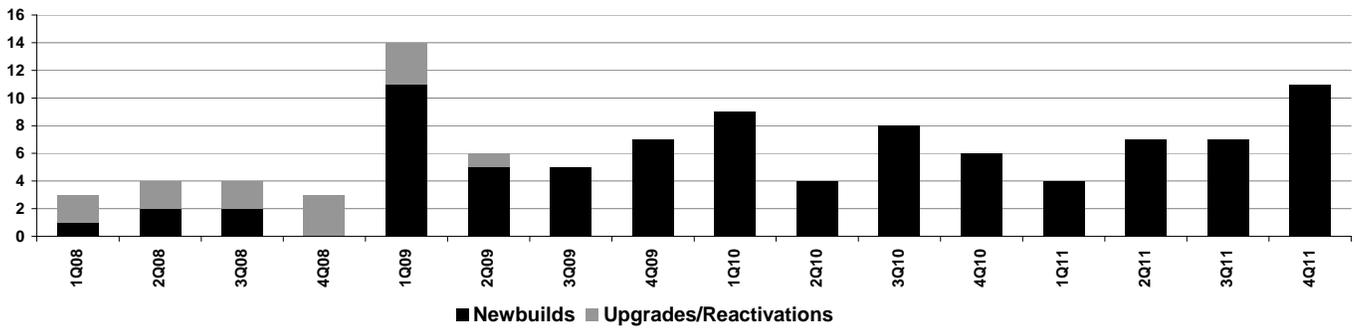
Jackup Expected Deliveries (Full Delivery Table by Rig and Yard on Page 23)



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

Exhibit 21

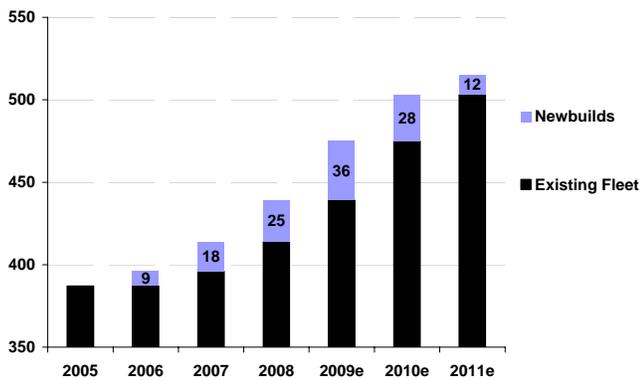
Floater Expected Deliveries (Full Delivery Table by Rig and Yard on Page 24)



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

Exhibit 22

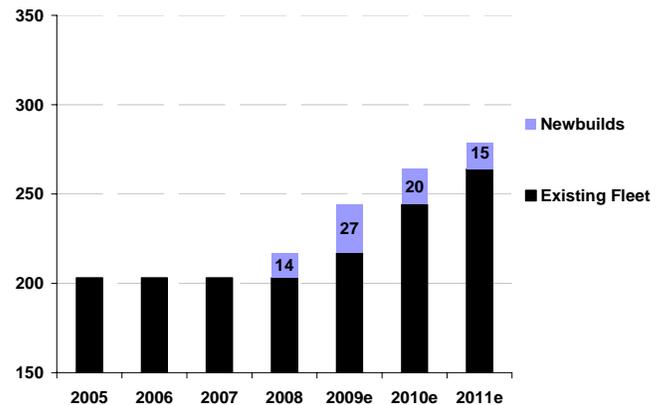
Jackup Supply



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

Exhibit 23

Floater Supply

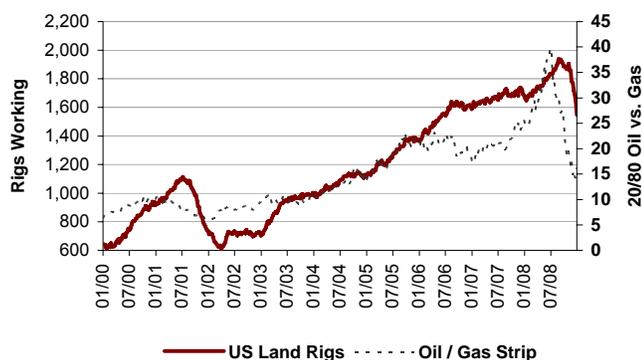


Source: Company data, ODS-Petrodata, Morgan Stanley Research estimates

January 5, 2009
Oil Services, Drilling & Equipment

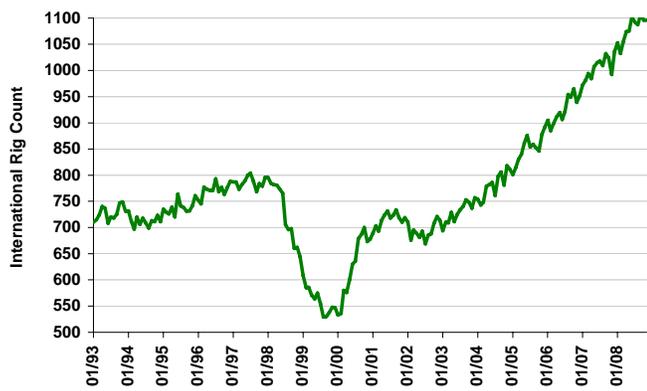
U.S. and International Rig Counts

Exhibit 24
Weekly US Land Rig Count vs. Oil / Gas Strip



Source: Baker Hughes, Bloomberg

Exhibit 25
International Rig Count (Updated Dec 05, 2008)



Source: Baker Hughes (adjusted to exclude Iran and Sudan)

Exhibit 26
Weekly North American Rig Counts

	This Week	Last Week	Change	Last Year	Recent Peak
01/02/09					
US Land	1,547	1,645	(98)	1,682	1,938
US Offshore	68	68	0	63	181
US Inland	8	8	0	29	31
US Total	1,623	1,721	(98)	1,774	2,031
Canada	230	279	(49)	319	727
Total North America	1,853	2,000	(147)	2,093	2,467
Gulf of Mexico	63	64	(1)	61	176
US Gas	1,267	1,347	(80)	1,450	1,606
US Oil	346	364	(18)	316	442

Source: Baker Hughes

Exhibit 27
International Monthly Rig Count (Updated Dec 05, 2008)

Land	11/08	10/08	Change	Last Year	Recent Peak
Europe	55	53	2	34	58
Middle East	244	253	(9)	235	257
Africa	45	48	(3)	51	58
Latin America	320	325	(5)	271	325
Asia / Pacific	135	133	2	129	142
Total Land	799	812	(13)	720	815
Offshore					
Europe	52	48	4	37	71
Middle East	36	35	1	30	43
Africa	14	12	2	18	35
Latin America	77	78	(1)	69	89
Asia / Pacific	118	111	7	118	132
Total Offshore	297	284	13	272	321
US Workover	1,496	1,480	16	1,539	1,657
Canada Workover	635	826	(191)	488	826
NA Workover	2,131	2,306	(175)	2,027	2,407

Source: Baker Hughes. Note: updated the first week of every month. Data from Iran and Sudan discontinued on Jan 1, 2006.

Exhibit 28
Morgan Stanley US and International Rig Count Forecast

	1Q08A	2Q08A	3Q08A	4Q08E	1Q09E	2Q09E	3Q09E	4Q09E	2006A	2007A	2008E	2009E	2010E
United States	1,770	1,864	1,978	1,879	1,663	1,476	1,369	1,332	1,647	1,767	1,873	1,460	1,449
Change % YoY	2%	6%	11%	5%	-6%	-21%	-31%	-29%	19%	7%	6%	-22%	-1%
Canada	507	169	432	410	457	152	389	369	470	344	380	342	350
Change % YoY	-5%	21%	24%	15%	-10%	-10%	-10%	-10%	3%	-27%	10%	-10%	2%
North America	2,278	2,033	2,410	2,290	2,120	1,628	1,758	1,701	2,117	2,110	2,253	1,802	1,799
Change % YoY	1%	7%	13%	7%	-7%	-20%	-27%	-26%	15%	0%	7%	-20%	0%
Gulf of Mexico	57	65	66	56	57	58	58	60	86	71	61	58	61
Europe	91	97	101	101	100	100	100	100	77	78	97	100	104
Middle East	272	278	287	293	284	274	265	257	238	265	282	270	269
Africa	65	68	64	69	69	68	67	67	58	66	67	68	70
Latin America	373	382	386	407	399	391	383	377	324	355	387	388	402
Asia/Pacific	245	259	257	257	255	253	250	249	228	241	255	252	263
Int'l Land	763	776	797	813	787	762	737	714	656	720	787	750	761
Int'l Offshore	284	308	299	315	320	326	328	336	269	286	301	328	347
Total Int'l	1,046	1,084	1,096	1,128	1,107	1,087	1,066	1,050	925	1,005	1,088	1,078	1,108
Change % YoY	7%	8%	7%	11%	6%	0%	-3%	-7%	2%	9%	8%	-1%	3%

Source: Baker Hughes, Morgan Stanley Research estimates

Trading and Valuation Summary: Contract Drillers

Exhibit 29

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

Average Asset Values				Average Asset Values			2008e					
Water Depth	Type	Repl.	Mkt.	Type	Repl.	Mkt.	Company	Last Price	RVA/ Share	NAV/ Share	RVA	Price/ NAV
550'	IC	\$280	\$180	2G Semi	\$300	\$200	SDRL-OSL	Nkr 58	Nkr 83	Nkr 41	70%	143%
450'	IC	\$265	\$160	3G Semi	\$350	\$240	RIG	\$52	\$98	\$56	53%	94%
400' HD/HE	IC	\$280	\$170	4G Semi	\$450	\$300	DO	\$63	\$108	\$70	58%	90%
400'	IC	\$250	\$150	5G (7,500-ft)	\$650	\$450	ESV	\$30	\$92	\$38	33%	80%
400'	IS	\$205	\$110				HERO	\$5	\$64	\$7	8%	73%
375'	IC	\$220	\$135	5G (10,000-ft) DP	\$700	\$500	NE	\$24	\$58	\$35	41%	69%
350' HD/HE	IC	\$240	\$140	5G (10,000-ft) HE	\$800	\$600	RDC	\$17	\$48	\$25	36%	68%
350'	IC	\$200	\$130				PDE	\$18	\$56	\$34	31%	52%
350'	IS	\$180	\$100	Drillship (5,000-ft) DP	\$650	\$500	ATW	\$18	\$63	\$35	28%	50%
328'	IC	\$180	\$90	Drillship (10,000-ft) DP	\$800	\$600						
300'	IC	\$170	\$80									
Tarzan	IC	\$145	\$80									
250'	IC	\$135	\$68									
250'	MC	\$110	\$50									
250'	MS	\$100	\$30									
250'	IS	\$95	\$30									
200'	IC	\$115	\$55									
200'	MC	\$115	\$35									
200'	MS	\$95	\$28									
150'	IC	\$95	\$25									

North Sea Certification: \$10-20 MM

Source: Company data, Morgan Stanley Research estimates

Exhibit 30

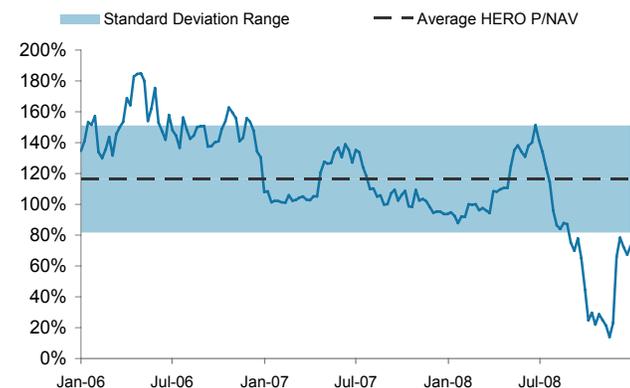
Second-Hand Market Values for Offshore Rigs

	2000 Oct	2001 Oct	2002 Oct	2003 Oct	2004 Oct	2005 Oct	2006 Oct	2007 Oct	2008 Oct	2008E Dec
Jackups built after 1980										
150 feet ind cantilever	21	17	10	10	18	28	40	40	40	25
200 feet mat cantilever	25	21	19	22	25	38	55	55	55	35
250 feet mat slot	21	19	16	16	21	33	45	45	50	30
250 feet ind cantilever	35	32	40	30	45	65	100	100	100	68
300 feet ind cant international	55	50	60	48	65	85	130	130	135	80
300 feet ind cant N Sea	55	55	70	50	65	90	150	150	150	85
New 350 feet IC	n/a	135	135	125	135	145	210	210	220	175
Semisubmersibles										
Aker H-3 North Sea	45	40	25	25	25	80	225	225	275	200
3rd gen North Sea	90	90	70	60	60	115	250	250	325	240
4th generation	200	200	180	170	135	240	300	300	400	300
5th gen 8,000 ft +	n/a	340	325	290	270	390	450	450	650	450
New 6th gen 10,000 ft +	n/a	n/a	n/a	n/a	n/a	n/a	600	675	700	600
Drillships										
Conventional mid 1970s	25	30	23	17	17	45	170	200	250	150
DP 4000 feet+ (not newbuild)	120	100	70	60	55	125	270	285	300	250
5th gen 8,000 ft +	n/a	325	325	270	265	390	450	450	650	450
New 6th gen 10,000 ft+	n/a	n/a	n/a	n/a	n/a	n/a	600	675	725	600

Source: ODS-Petrodata, Morgan Stanley Research

Exhibit 32

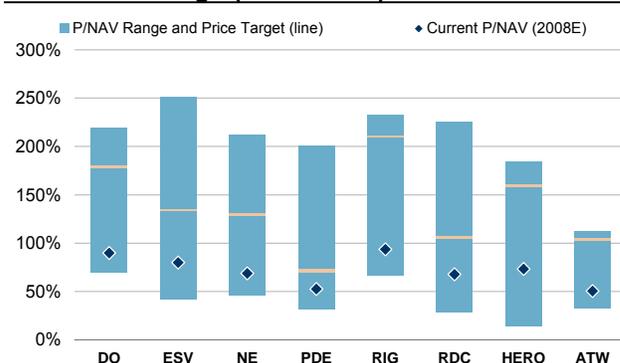
HERO P/NAV Trading Range



Source: FactSet, Morgan Stanley Research

Exhibit 31

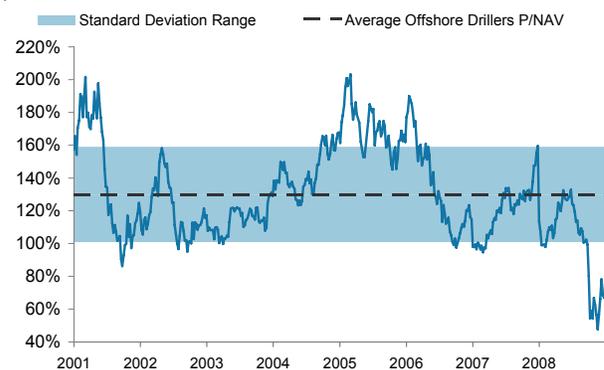
Price/NAV Range (Since 2001)



Source: FactSet, Morgan Stanley Research

Exhibit 33

Equal-Weighted P/NAV Trading Range



Source: FactSet, Morgan Stanley Research, Companies included: DO, ESV, NE, PDE, RDC and RIG.

January 5, 2009
Oil Services, Drilling & Equipment

Exhibit 34

Global Valuation Summary

Company	Reuters Symbol	MS Rating	Recent Price	Price Target	Mkt Cap (\$MM)	Earnings per Share				P/E			EV/EBITDA			RNOA			Net Debt/Market Capitalization		
						07A	08E	09E	10E	08E	09E	10E	08E	09E	10E	08E	09E	10E	08E	09E	10E
Oil Services:																					
Schlumberger	SLB.N	O	\$45.62	\$88	\$54,569	\$4.18	\$4.48	\$3.65	\$4.09	10.2	12.5	11.2	5.6	6.3	5.6	27.5%	19.6%	20.8%	2.9%	0.4%	-0.6%
Halliburton	HAL.N	O	\$19.45	\$36	\$17,384	\$2.47	\$2.75	\$2.00	\$2.20	7.1	9.7	8.8	4.0	5.0	4.7	18.2%	10.9%	12.0%	14.7%	5.0%	7.9%
Weatherford	WFT.N	O	\$11.66	\$29	\$8,019	\$1.67	\$1.93	\$1.35	\$1.65	6.0	8.7	7.1	4.7	5.1	4.6	12.2%	7.8%	9.0%	64.9%	54.0%	49.2%
Baker Hughes	BHI.N	O	\$34.33	\$53	\$10,558	\$4.75	\$5.03	\$3.58	\$3.90	6.8	9.6	8.8	3.3	4.3	4.0	22.9%	14.9%	15.1%	0.7%	-2.4%	-2.8%
Smith International	SI.N	O	\$25.03	\$51	\$5,478	\$3.17	\$3.82	\$3.15	\$3.61	6.6	7.9	6.9	4.5	4.4	4.0	25.8%	11.9%	13.6%	44.5%	23.1%	14.8%
BJ Services	BJS.N	E-W	\$12.43	\$21	\$3,630	\$2.55	\$2.07	\$1.26	\$1.58	6.0	9.9	7.9	5.2	4.7	3.9	18.0%	10.3%	12.1%	11.2%	7.5%	2.3%
<i>Average</i>										7.1	9.7	8.4	4.5	5.0	4.5	20.8%	12.6%	13.8%	23.2%	14.6%	11.8%
Offshore Drillers:																					
Transocean	RIG.N	O	\$52.01	\$117	\$16,600	\$8.52	\$14.45	\$14.25	\$14.10	3.6	3.7	3.7	4.0	3.7	3.1	17.3%	16.2%	14.9%	79.0%	60.5%	36.6%
Diamond Offshore	DO.N	O	\$63.12	\$126	\$8,774	\$6.56	\$9.60	\$9.75	\$10.50	6.6	6.5	6.0	3.7	3.8	3.5	44.9%	40.3%	40.8%	1.7%	1.7%	1.8%
Noble Corporation	NE.N	E-W	\$23.75	\$45	\$6,265	\$4.60	\$5.70	\$5.80	\$5.40	4.2	4.1	4.4	2.9	2.7	2.4	30.1%	25.7%	21.5%	9.1%	1.6%	-8.2%
Seadrill Limited	SDRL.OL	E-W	Nkr 58	Nkr 65	\$3,378	\$0.31	\$1.19	\$2.55	\$3.00	7.1	3.3	2.8	16.8	6.4	4.9	3.9%	9.1%	10.8%	277.5%	239.6%	190.6%
ENSCO International	ESV.N	U	\$30.33	\$51	\$4,301	\$6.68	\$8.11	\$6.50	\$6.20	3.7	4.7	4.9	2.1	2.4	2.1	29.0%	19.4%	16.2%	-12.9%	-20.3%	-25.9%
Pride International	PDE.N	U	\$17.58	\$24	\$3,043	\$2.61	\$3.54	\$2.85	\$2.70	5.0	6.2	6.5	3.0	3.8	4.0	13.6%	8.9%	7.6%	7.9%	10.7%	16.4%
Rowan Companies	RDC.N	E-W	\$17.25	\$27	\$1,949	\$4.14	\$3.82	\$3.50	\$3.20	4.5	4.9	5.4	2.6	3.0	2.9	16.8%	12.7%	10.0%	14.6%	18.8%	8.5%
Hercules Offshore	HERO.O	O	\$5.04	\$11	\$443	\$2.35	\$0.78	\$0.00	\$0.65	6.5	NM	7.8	3.9	4.1	2.9	4.0%	1.5%	3.5%	236.3%	196.8%	175.6%
Atwood Oceanics	ATW.N	E-W	\$17.52	\$36	\$1,122	\$2.16	\$3.34	\$3.85	\$4.60	5.2	4.6	3.8	8.6	4.5	3.8	41.3%	29.9%	22.3%	4.4%	31.9%	33.1%
<i>Average</i>										5.2	4.7	5.0	5.3	3.8	3.3	22.3%	18.2%	16.4%	68.2%	59.8%	47.2%
Land Drillers:																					
Nabors Industries	NBR.N	O	\$13.27	\$27	\$3,776	\$2.96	\$3.11	\$2.00	\$1.70	4.3	6.6	7.8	3.7	4.3	4.5	13.4%	8.2%	6.9%	80.5%	69.0%	63.2%
Patterson-UTI	PTEN.O	E-W	\$12.58	\$17	\$1,945	\$2.55	\$2.31	\$0.50	\$0.40	5.4	25.1	31.4	2.1	4.9	5.1	10.8%	2.2%	1.8%	-4.0%	0.9%	3.4%
<i>Average</i>										4.9	15.8	19.6	2.9	4.6	4.8	12.1%	5.2%	4.3%	38.3%	35.0%	33.3%
Equipment:																					
Tenaris S.A.	TS.N	O	\$22.02	\$40	\$12,998	\$3.16	\$3.73	\$3.20	\$3.20	5.9	6.9	6.9	3.6	3.3	2.9	22.6%	17.4%	19.6%	15.0%	-13.0%	-28.2%
National Oilwell Varco	NOV.N	O	\$26.83	\$44	\$11,197	\$3.74	\$4.90	\$3.50	\$3.15	5.5	7.7	8.5	2.8	3.0	2.7	30.1%	11.2%	10.6%	-7.6%	-28.6%	-40.4%
Vallourec	VLLP.PA	E-W	€ 86.32	€ 115	\$6,470	€ 18.71	€ 18.04	€ 16.12	€ 14.74	4.8	5.4	5.9	2.9	3.0	3.1	42.3%	24.2%	21.7%	9.6%	1.4%	-7.5%
Cameron International	CAM.N	E-W	\$22.07	\$36	\$4,845	\$2.10	\$2.61	\$2.36	\$2.52	8.5	9.4	8.7	4.7	4.6	3.9	27.9%	24.0%	26.0%	0.7%	0.5%	3.7%
FMC Technologies	FTI.N	U	\$25.32	\$44	\$3,166	\$2.29	\$2.89	\$2.80	\$2.90	8.8	9.0	8.7	5.2	5.6	5.2	34.0%	30.5%	26.8%	7.8%	9.6%	13.1%
Oceaneering International	OII.N	O	\$30.34	\$48	\$1,653	\$3.29	\$3.48	\$3.06	\$3.48	8.7	9.9	8.7	4.6	4.8	4.1	17.7%	12.8%	14.3%	20.1%	10.1%	5.9%
Dresser-Rand	DRC.N	E-W	\$18.77	\$33	\$1,538	\$1.57	\$2.23	\$2.38	\$2.15	8.4	7.9	8.7	4.7	4.1	3.8	19.4%	20.5%	19.0%	14.6%	0.5%	-13.3%
Dril-Quip	DRQ.N	O	\$22.03	\$40	\$860	\$2.52	\$2.53	\$2.41	\$2.55	8.7	9.2	8.7	4.6	4.5	4.1	23.4%	17.6%	18.7%	-10.8%	-24.6%	-30.5%
Chart Industries	GTLS.O	U	\$11.02	\$19	\$313	\$1.78	\$2.64	\$2.20	\$1.70	4.2	5.0	6.5	2.8	2.2	2.2	17.5%	14.7%	13.4%	28.7%	-6.4%	-18.5%
<i>Average</i>										7.0	7.8	7.9	4.0	3.9	3.5	26.1%	19.2%	18.9%	8.7%	-5.9%	-12.9%
Engineering & Construction:																					
Helix Energy Solutions	HLX.N	NA	\$7.86	NA	\$722	\$2.90	\$2.08	\$2.24	\$3.05	3.8	3.5	2.6	3.4	2.9	2.2	8.3%	8.2%	10.0%	244.3%	220.0%	166.9%
Saipem	SPMI.MI	O	€ 12.19	€ 23	\$7,495	€ 1.31	€ 1.58	€ 1.66	€ 2.02	7.7	7.4	6.0	5.5	5.5	4.4	18.2%	13.7%	13.2%	46.6%	67.1%	64.1%
Technip	TECF.PA	E-W	€ 23.74	€ 34	\$3,613	€ 1.03	€ 3.98	€ 3.38	€ 3.49	6.0	7.0	6.8	3.0	3.4	3.0	17.9%	14.0%	12.9%	4.2%	1.1%	9.4%
SBM Offshore	SBMO.AS	E-W	€ 10.00	€ 15	\$2,028	\$1.83	\$1.47	\$1.97	\$1.79	9.5	7.1	7.8	5.4	4.2	4.7	11.5%	13.0%	12.2%	50.6%	41.8%	64.1%
Acergy	ACY.OL	E-W	Nkr 42	Nkr 65	\$1,176	\$0.63	\$1.43	\$1.11	\$1.08	4.2	5.5	5.6	2.2	1.9	1.8	44.0%	23.4%	22.0%	1.2%	15.6%	25.0%
Wood Group	WGL	O	€ 2.00	€ 3.40	\$1,527	\$0.37	\$0.51	\$0.46	\$0.49	5.6	6.4	5.8	3.4	3.4	2.9	22.2%	16.5%	17.6%	17.6%	3.5%	5.0%
Subsea 7	SBMO.AS	O	Nkr 43	Nkr 85	\$921	\$1.39	\$1.83	\$1.61	\$1.44	3.4	3.9	4.4	2.5	2.6	2.6	29.4%	18.3%	14.5%	48.4%	38.3%	27.7%
Sevan Marine	SEVAN.OL	O	Nkr 8	Nkr 39	\$238	(\$0.57)	(\$0.35)	\$0.05	\$0.31	NM	NM	4.0	NM	16.0	10.8	4.0%	4.1%	5.2%	474.5%	791.4%	986.6%
<i>Average (excludes Sevan Marine)</i>										5.7	5.8	5.6	3.6	3.4	3.1	21.7%	15.3%	14.6%	57.4%	50.6%	40.5%
Reservoir Information / Seismic:																					
ION Geophysical	IO.N	U	\$3.78	NA	\$376	\$0.52	\$0.66	(\$0.48)	(\$0.00)	5.8	NM	NM	2.8	12.2	7.5	11.3%	-3.8%	1.0%	63.2%	50.0%	63.9%
CGG Veritas	GEPH.PA	U	€ 11.59	€ 13	\$2,431	€ 2.49	€ 3.50	€ 2.60	€ 2.32	3.3	4.5	5.0	2.1	2.7	2.7	11.0%	7.9%	7.0%	51.1%	31.0%	19.6%
Petroleum Geo-Services	PGS.OL	U	Nkr 30	Nkr 40	\$776	\$1.81	\$2.43	\$1.85	\$1.34	1.8	2.3	3.2	2.0	2.2	2.1	23.6%	13.2%	8.3%	150.5%	133.7%	96.7%
<i>Average</i>										3.6	3.4	4.1	2.3	5.7	4.1	15.3%	5.8%	5.4%	88.3%	71.6%	60.0%

Source: FactSet, Company data, Morgan Stanley Research;

e = Morgan Stanley Research estimates

January 5, 2009

Oil Services, Drilling & Equipment

Price Target and Valuation Summary: Oil Services & Drillers

Exhibit 35

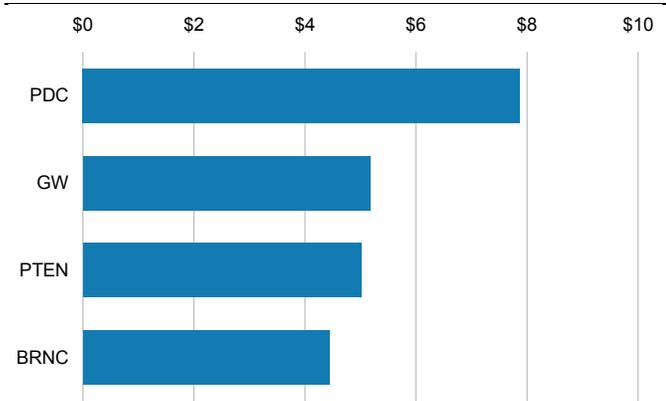
Service/Equipment: Price Target Summary

Symbol	MS Rating	Last Price	2010 EPS	2010 P/E	Target P/E	Target Price	Target Upside
WFT	O	\$11.7	\$1.65	7.1x	17.6x	\$29	149%
SII	O	\$25.0	\$3.61	6.9x	14.1x	\$51	104%
SLB	O	\$45.6	\$4.09	11.2x	21.5x	\$88	93%
HAL	O	\$19.5	\$2.20	8.8x	16.3x	\$36	85%
TS	O	\$22.0	\$3.20	6.9x	12.5x	\$40	82%
DRQ	O	\$22.0	\$2.55	8.7x	15.7x	\$40	82%
DRC	E-W	\$18.8	\$2.15	8.7x	15.3x	\$33	76%
FTI	U	\$25.3	\$2.90	8.7x	15.2x	\$44	74%
GTLS	U	\$11.0	\$1.70	6.5x	11.2x	\$19	72%
BJS	E-W	\$12.4	\$1.58	7.9x	13.3x	\$21	69%
NOV	O	\$26.8	\$3.15	8.5x	14.0x	\$44	64%
CAM	E-W	\$22.1	\$2.52	8.7x	14.3x	\$36	63%
OII	O	\$30.3	\$3.48	8.7x	13.8x	\$48	58%
BHI	O	\$34.3	\$3.90	8.8x	13.6x	\$53	54%

Source: FactSet; Company data, Morgan Stanley Research

Exhibit 37

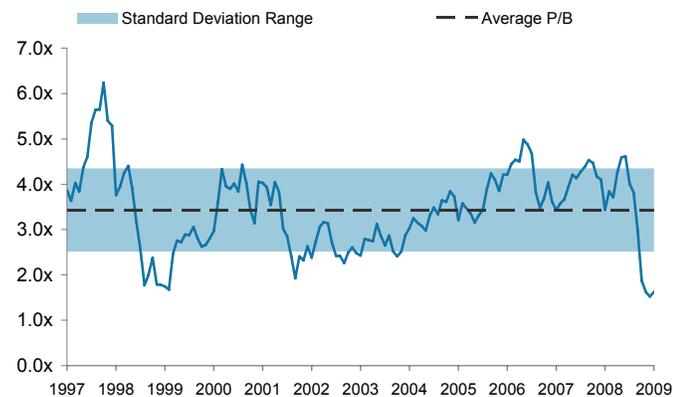
Land Drillers: EV/Rig (Current)



Source: FactSet; Morgan Stanley Research

Exhibit 39

Oil Services and Equipment: Price/Book



Source: FactSet, Morgan Stanley Research. Includes Services, Equipment and Land Drillers

Exhibit 36

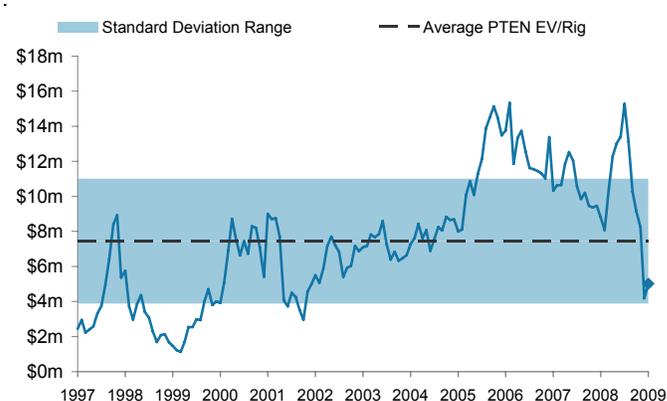
Contract Drillers: Price Target Summary

Symbol	MS Rating	Last Price	2010 EPS	2010 P/E	Target P/E	Target Price	Target Upside
RIG	O	\$52.0	\$14.10	3.7x	8.3x	\$117	125%
HERO	O	\$5.0	\$0.65	7.8x	17.0x	\$11	118%
ATW	E-W	\$17.5	\$4.60	3.8x	7.8x	\$36	105%
NBR	O	\$13.3	\$1.70	7.8x	15.9x	\$27	103%
DO	O	\$63.1	\$10.50	6.0x	12.0x	\$126	100%
NE	E-W	\$23.8	\$5.40	4.4x	8.3x	\$45	89%
ESV	U	\$30.3	\$6.20	4.9x	8.2x	\$51	68%
RDC	E-W	\$17.3	\$3.20	5.4x	8.4x	\$27	57%
PDE	U	\$17.6	\$2.70	6.5x	8.9x	\$24	37%
PTEN	E-W	\$12.6	\$0.40	31.4x	42.4x	\$17	35%

Source: FactSet; Company data, Morgan Stanley Research

Exhibit 38

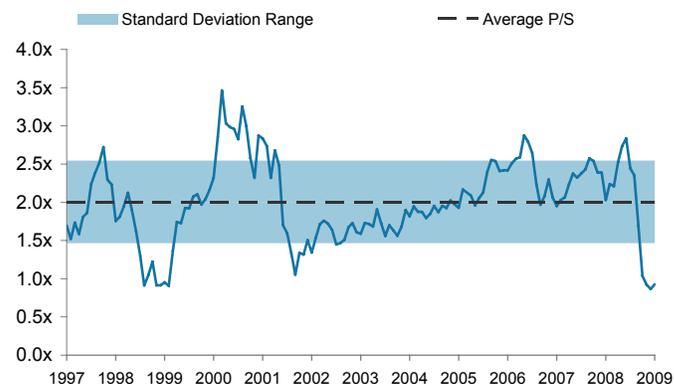
PTEN: Historic EV/Rig (\$/rig, monthly)



Source: Company reports, FactSet, Morgan Stanley Research

Exhibit 40

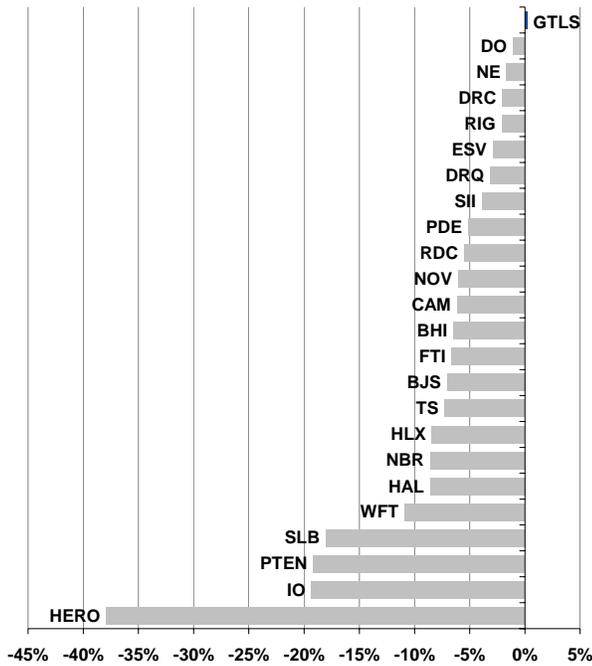
Oil Services and Equipment: Price/Sales



Source: FactSet, Morgan Stanley Research. Includes Services, Equipment and Land Drillers

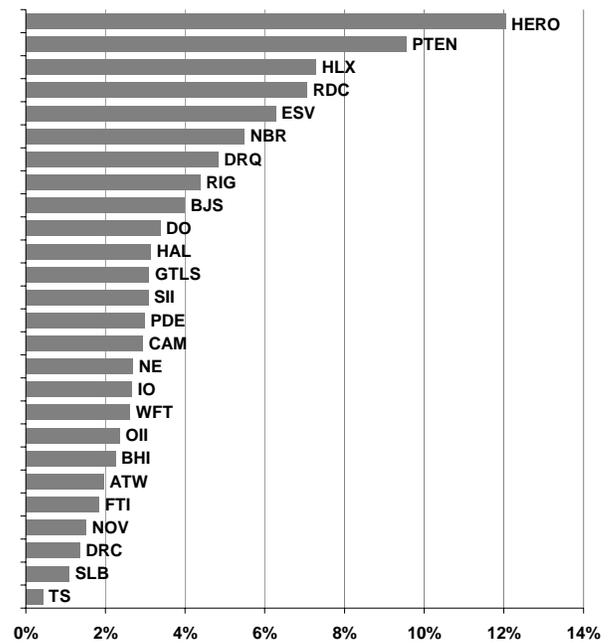
Consensus Earnings Revisions and Short Interest Ratios

Exhibit 41
2009 Consensus EPS Revisions (Past 4-Weeks)



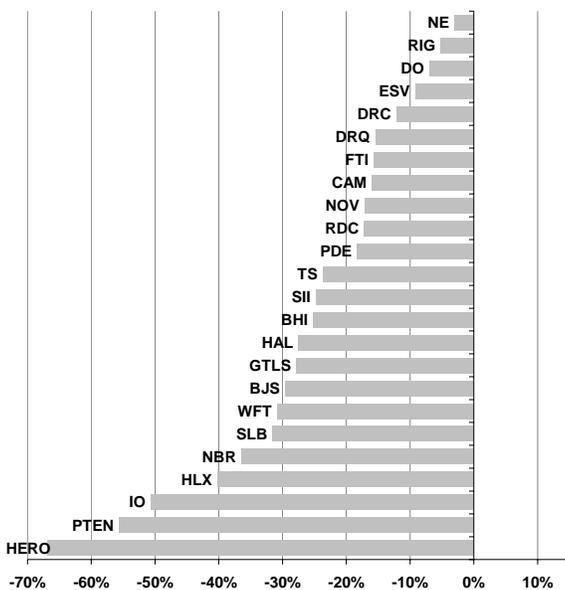
Source: FactSet; Morgan Stanley Research

Exhibit 42
Short Interest Ratio



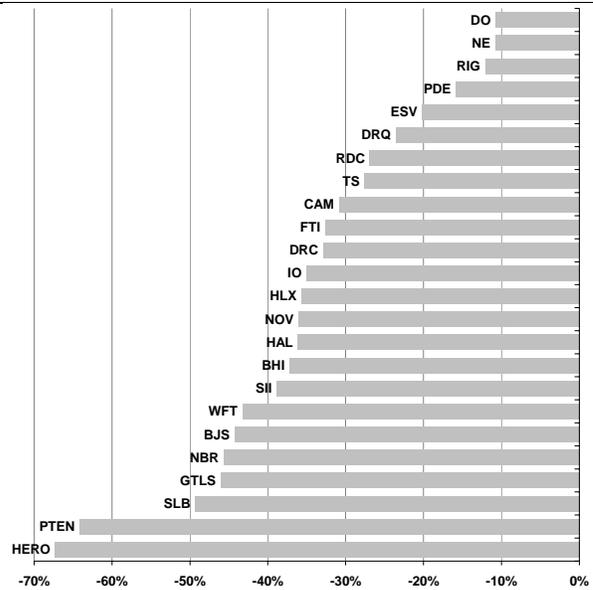
Source: FactSet; Morgan Stanley Research

Exhibit 43
2009 Consensus EPS Revisions (Past 3-Months)



Source: FactSet; Morgan Stanley Research

Exhibit 44
2010 Consensus EPS Revisions (Past 3-Months)



Source: FactSet; Morgan Stanley Research

January 5, 2009

Oil Services, Drilling & Equipment

Exhibit 45

Morgan Stanley EPS Estimates versus FactSet Consensus

Reuters Symbol	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	2007A	2008E	2009E	2010E	08 vs 07	09 vs 08	10 vs 09
SLB.N	1.05	1.16	1.25	1.02	0.97	0.93	0.90	0.85	4.18	4.48	3.65	4.09	7%	-19%	12%
Consensus	1.05	1.16	1.25	1.14	1.07	1.02	1.03	1.07	4.18	4.75	4.15	3.64	14%	-13%	-12%
HAL.N	0.63	0.69	0.76	0.68	0.50	0.50	0.52	0.47	2.47	2.75	2.00	2.20	11%	-27%	10%
Consensus	0.63	0.69	0.76	0.76	0.67	0.66	0.66	0.72	2.47	2.82	2.63	2.73	14%	-7%	4%
BHI.N	1.21	1.36	1.29	1.16	1.07	0.85	0.85	0.81	4.75	5.03	3.58	3.90	6%	-29%	9%
Consensus	1.21	1.36	1.29	1.36	1.23	1.16	1.18	1.21	4.75	5.29	4.85	4.76	11%	-8%	-2%
WFT.N	0.50	0.43	0.55	0.45	0.38	0.29	0.33	0.35	1.67	1.93	1.35	1.65	16%	-30%	22%
Consensus	0.50	0.43	0.55	0.55	0.51	0.44	0.51	0.58	1.67	2.04	2.02	1.98	23%	-1%	-2%
BJS.N	0.43	0.48	0.58	0.41	0.31	0.24	0.30	0.34	2.55	2.07	1.26	1.58	-19%	-39%	25%
Consensus	0.43	0.48	0.58	0.57	0.49	0.41	0.33	0.40	2.55	2.06	1.74	1.58	-19%	-16%	-9%
SII.N	0.87	0.91	1.01	1.03	0.87	0.75	0.77	0.77	3.17	3.82	3.15	3.61	21%	-18%	14%
Consensus	0.87	0.91	1.01	1.07	0.95	0.88	0.88	0.94	3.17	3.84	3.68	3.78	21%	-4%	2%
IO.N	0.08	0.16	0.25	0.17	-0.15	-0.13	-0.13	-0.07	0.52	0.66	-0.48	0.00	26%	-173%	NM
Consensus	0.08	0.16	0.25	0.21	0.01	0.04	0.13	0.19	0.52	0.72	0.53	0.88	37%	-25%	64%
TS.N	0.77	0.96	0.97	1.03	0.91	0.81	0.69	0.79	3.16	3.73	3.20	3.20	18%	-14%	0%
Consensus	0.77	0.96	0.97	1.03	0.95	0.91	0.72	0.74	3.16	3.95	3.41	3.46	25%	-14%	1%
NOV.N	1.11	1.20	1.35	1.22	1.01	0.86	0.83	0.80	3.74	4.90	3.50	3.15	31%	-29%	-10%
Consensus	1.11	1.20	1.35	1.35	1.27	1.21	1.19	1.21	3.74	4.98	4.97	4.47	33%	0%	-10%
CAM.N	0.55	0.65	0.73	0.68	0.61	0.55	0.64	0.55	2.10	2.61	2.36	2.52	24%	-10%	7%
Consensus	0.55	0.65	0.73	0.75	0.67	0.69	0.71	0.75	2.10	2.67	2.77	2.75	27%	3%	-1%
FTI.N	0.70	0.80	0.67	0.72	0.67	0.69	0.70	0.74	2.29	2.89	2.80	2.90	26%	-3%	4%
Consensus	0.70	0.80	0.67	0.70	0.69	0.73	0.73	0.79	2.29	2.73	2.83	2.81	19%	3%	-1%
OII.N	0.74	0.91	0.99	0.85	0.63	0.82	0.84	0.77	3.29	3.48	3.06	3.48	6%	-12%	14%
Consensus	0.74	0.91	0.99	0.95	0.79	0.97	1.03	1.02	3.29	3.58	3.86	4.24	9%	8%	10%
DRC.N	0.26	0.55	0.57	0.87	0.28	0.54	0.64	0.91	1.57	2.23	2.38	2.15	42%	6%	-10%
Consensus	0.26	0.55	0.57	0.81	0.42	0.58	0.65	0.84	1.57	2.18	2.45	2.28	39%	13%	-7%
DRQ.N	0.62	0.68	0.69	0.55	0.56	0.59	0.66	0.59	2.52	2.53	2.41	2.55	1%	-5%	6%
Consensus	0.62	0.68	0.69	0.68	0.69	0.71	0.71	0.72	2.52	2.65	2.95	3.13	5%	11%	6%
GTLS.O	0.51	0.73	0.76	0.65	0.56	0.54	0.64	0.45	1.78	2.64	2.20	1.70	48%	-17%	-23%
Consensus	0.51	0.73	0.76	0.64	0.56	0.58	0.66	0.61	1.78	2.62	2.34	2.08	47%	-11%	-11%
RIG.N	3.80	3.46	3.45	3.74	3.56	3.54	3.62	3.53	8.52	14.45	14.25	14.10	70%	-1%	-1%
Consensus	3.80	3.46	3.45	3.73	3.85	3.69	3.94	4.12	8.52	14.23	15.43	16.65	67%	8%	8%
NE.N	1.45	1.30	1.47	1.48	1.33	1.49	1.50	1.49	4.60	5.70	5.80	5.40	24%	2%	-7%
Consensus	1.45	1.30	1.47	1.51	1.58	1.75	1.81	1.87	4.60	5.69	7.07	7.26	24%	24%	3%
DO.N	2.09	2.93	2.39	2.18	2.12	2.61	2.44	2.58	6.56	9.60	9.75	10.50	46%	2%	8%
Consensus	2.09	2.93	2.39	2.46	2.75	3.00	2.71	3.19	6.56	9.76	11.46	12.89	49%	17%	13%
ESV.N	1.91	2.07	2.13	2.00	1.62	1.79	1.55	1.53	6.68	8.11	6.50	6.20	21%	-20%	-5%
Consensus	1.91	2.07	2.13	2.08	1.99	2.08	2.12	2.15	6.68	8.16	8.27	8.10	22%	1%	-2%
PDE.N	0.70	0.80	1.03	1.02	0.84	0.71	0.77	0.53	2.61	3.54	2.85	2.70	36%	-20%	NM
Consensus	0.70	0.80	1.03	1.07	0.92	0.84	0.87	0.78	2.61	3.65	3.38	3.60	40%	-7%	7%
HERO.O	0.05	0.22	0.37	0.13	0.07	0.02	-0.04	-0.05	2.35	0.78	0.00	0.65	-67%	-100%	NM
Consensus	0.05	0.22	0.37	0.28	0.17	0.23	0.19	0.21	2.35	0.95	0.98	1.06	-59%	3%	9%
RDC.N	0.84	1.05	0.88	1.04	0.82	0.94	0.83	0.90	4.14	3.82	3.50	3.20	-8%	-8%	-9%
Consensus	0.84	1.05	0.88	1.12	1.05	1.07	1.11	1.15	4.14	3.90	4.27	4.04	-6%	10%	-6%
ATW.N	0.65	0.93	1.16	1.14	0.82	0.77	1.12	1.18	2.16	3.34	3.85	4.60	55%	15%	19%
Consensus	0.65	0.93	1.16	1.20	0.93	1.09	1.20	1.35	2.16	3.34	4.48	5.10	55%	34%	14%
NBR.N	0.81	0.72	0.76	0.82	0.72	0.44	0.44	0.40	2.96	3.11	2.00	1.70	5%	-36%	-15%
Consensus	0.81	0.72	0.76	0.85	0.74	0.56	0.55	0.58	2.96	3.10	2.50	2.49	5%	-19%	-1%
PTEN.O	0.50	0.51	0.70	0.60	0.34	0.15	0.04	-0.02	2.55	2.31	0.50	0.40	-10%	-78%	-20%
Consensus	0.50	0.51	0.70	0.62	0.40	0.26	0.21	0.22	2.55	2.32	1.21	1.09	-9%	-48%	-10%
HLX.N	0.37	0.86	0.65	0.20	0.34	0.54	0.71	0.65	2.90	2.08	2.24	3.05	-28%	7%	36%
Consensus	0.37	0.86	0.65	0.43	0.54	0.66	0.74	0.69	2.90	2.82	2.65	3.16	-3%	-6%	19%

Source: FactSet; Company data, Morgan Stanley Research;

e = Morgan Stanley Research estimates

January 5, 2009

Oil Services, Drilling & Equipment

Exhibit 46

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

SLB	REVENUE BY REGION							GROWTH IN REVENUE							
	2004	2005	2006	2007	2008E	2009E	2010E	2003	2004	2005	2006	2007	2008E	2009E	2010E
North America	3,107.0	3,760.3	5,273.4	5,345.0	5,797.5	4,172.6	4,414.1	15.2%	20.8%	21.0%	40.2%	1.4%	8.5%	-28.0%	5.8%
Latin America	1,746.0	2,209.1	2,563.4	3,295.1	4,320.5	4,243.5	4,588.7	8.9%	23.1%	26.5%	16.0%	28.5%	31.1%	-1.8%	8.1%
Europe/CIS/Africa	2,788.0	3,533.3	5,054.0	6,590.1	8,329.1	7,844.2	8,464.2	4.4%	11.9%	26.7%	43.0%	30.4%	26.4%	-5.8%	7.9%
Middle East/Asia	2,477.0	3,032.6	3,723.8	4,880.8	5,752.3	5,669.3	5,750.7	9.3%	20.6%	22.4%	22.8%	31.1%	17.9%	-1.4%	1.4%
OFS	10,240.0	12,648.2	16,762.6	20,306.3	24,414.5	22,149.3	23,437.3	9.2%	19.1%	23.5%	32.5%	21.1%	20.2%	-9.3%	5.8%
WesternGeco	1,239.0	1,661.8	2,475.8	2,962.9	2,799.4	2,542.0	2,788.1	-19.8%	4.7%	34.1%	49.0%	19.7%	-5.5%	-9.2%	9.7%
SLB	11,479.0	14,310.0	19,238.4	23,269.2	27,213.9	24,691.3	26,225.4	4.6%	17.4%	24.7%	34.4%	21.0%	17.0%	-9.3%	6.2%
Consensus			19,238.4	23,269.2	27,302.6	26,740.8	26,264.2	4.6%	17.4%	24.7%	34.4%	21.0%	17.3%	-2.1%	-1.8%
HAL															
North America	3,609.0	4,819.0	6,458.0	7,133.0	7,907.0	5,362.0	5,684.1	1.8%	17.0%	33.5%	34.0%	10.5%	10.9%	-32.2%	6.0%
Latin America	1,082.0	1,344.0	1,514.0	1,798.0	2,444.3	2,435.9	2,523.2	7.2%	19.3%	24.2%	12.6%	18.8%	35.9%	-0.3%	3.6%
Europe/CIS/Africa	1,924.0	2,274.0	2,860.0	3,700.0	4,354.5	4,121.8	4,244.4	7.0%	14.0%	18.2%	25.8%	29.4%	17.7%	-5.3%	3.0%
Middle East/Asia	1,383.0	1,663.0	2,123.0	2,633.0	3,140.1	3,041.5	3,090.9	-4.8%	5.2%	20.2%	27.7%	24.0%	19.3%	-3.1%	1.6%
Total	7,998.0	10,100.0	12,955.0	15,264.0	17,846.0	14,961.3	15,542.6	2.3%	14.3%	26.3%	28.3%	17.8%	16.9%	-16.2%	3.9%
Consensus			12,955.0	15,264.0	18,158.6	18,155.9	18,270.8	2.3%	14.3%	26.3%	28.3%	17.8%	19.0%	0.0%	0.6%
BHI															
North America	2,539.9	3,141.2	4,076.2	4,440.4	4,969.3	3,770.3	4,067.3	14.1%	14.4%	23.7%	29.8%	8.9%	11.9%	-24.1%	7.9%
Latin America	622.9	638.2	751.0	903.3	1,071.3	1,048.6	1,097.5	1.4%	20.1%	2.5%	17.7%	20.3%	18.6%	-2.1%	4.7%
Europe/CIS/Africa	1,765.5	2,006.6	2,489.6	3,076.3	3,437.7	3,324.9	3,397.0	0.9%	14.7%	13.7%	24.1%	23.6%	11.7%	-3.3%	2.2%
Middle East/Asia	1,172.1	1,398.2	1,710.6	2,008.2	2,126.3	2,086.2	2,112.3	11.1%	20.4%	19.3%	22.3%	17.4%	5.9%	-1.9%	1.3%
Total	6,100.4	7,184.2	9,027.4	10,428.2	11,604.7	10,230.0	10,674.0	8.1%	16.1%	17.8%	25.7%	15.5%	11.3%	-11.8%	4.3%
Consensus			9,027.4	10,428.2	11,724.2	11,591.0	11,933.3	8.1%	16.1%	17.8%	25.7%	15.5%	12.4%	-1.1%	3.0%
WFT															
North America	1,887.6	2,400.7	3,672.6	3,937.5	4,347.0	3,129.0	3,475.9	11.3%	4.1%	27.2%	53.0%	7.2%	10.4%	-28.0%	11.1%
Latin America	283.1	424.0	726.2	882.3	1,169.0	1,858.2	2,011.3	11.3%	118.5%	49.7%	71.3%	21.5%	32.5%	59.0%	8.2%
Europe/CIS/Africa	409.0	617.6	827.3	1,188.5	1,594.7	1,548.2	1,677.4	11.3%	5.2%	51.0%	34.0%	43.7%	34.2%	-2.9%	8.3%
Middle East/Asia	566.3	891.0	1,352.8	1,823.8	2,360.4	2,325.6	2,521.4	11.3%	118.5%	57.3%	51.8%	34.8%	29.4%	-1.5%	8.4%
Total	3,145.9	4,333.2	6,578.9	7,832.1	9,471.1	8,860.9	9,686.0	11.3%	21.4%	37.7%	51.8%	19.0%	20.9%	-6.4%	9.3%
Consensus			6,578.9	7,832.1	9,593.8	10,321.9	11,213.6	11.3%	21.4%	37.7%	51.8%	19.0%	22.5%	7.6%	8.6%
SII															
North America	2,470.0	3,234.3	4,276.0	4,739.2	5,819.6	6,069.8	6,561.1	9.9%	26.3%	30.9%	32.2%	10.8%	22.8%	4.3%	8.1%
Latin America	424.1	452.3	543.8	738.0	997.1	945.4	984.7	12.7%	23.2%	6.7%	20.2%	35.7%	35.1%	-5.2%	4.2%
Europe/CIS/Africa	961.8	1,188.0	1,605.6	2,105.7	2,656.8	2,556.9	2,702.3	25.5%	12.4%	23.5%	35.1%	31.2%	26.2%	-3.8%	5.7%
Middle East/Asia	563.2	704.3	908.1	1,181.3	1,254.6	1,171.0	1,202.3	9.0%	28.1%	25.1%	28.9%	30.1%	6.2%	-6.7%	2.7%
Total	4,419.0	5,579.0	7,333.6	8,764.3	10,728.0	10,743.1	11,450.4	13.4%	22.9%	26.2%	31.4%	19.5%	22.4%	0.1%	6.6%
Consensus			7,333.6	8,764.3	10,786.5	11,547.6	11,874.6	13.4%	22.9%	26.2%	31.4%	19.5%	23.1%	7.1%	2.8%
TOP FIVE															
North America	13,613.5	17,355.5	23,756.2	25,595.1	28,840.4	22,503.8	24,202.5	9.7%	16.9%	27.5%	36.9%	7.7%	12.7%	-22.0%	7.5%
Latin America	4,158.1	5,067.6	6,098.4	7,616.7	10,002.2	10,531.7	11,205.3	7.7%	25.3%	21.9%	20.3%	24.9%	31.3%	5.3%	6.4%
Europe/CIS/Africa	7,848.2	9,619.5	12,836.5	16,660.7	20,372.8	19,396.0	20,485.4	6.8%	12.7%	22.6%	33.4%	29.8%	22.3%	-4.8%	5.6%
Middle East/Asia	6,161.6	7,689.1	9,818.3	12,527.1	14,633.8	14,293.6	14,677.5	5.6%	22.2%	24.8%	27.7%	27.6%	16.8%	-2.3%	2.7%
Total	33,142.4	41,506.4	55,133.3	65,557.8	76,863.7	69,486.6	73,578.4	6.3%	17.5%	25.2%	32.8%	18.9%	17.2%	-9.6%	5.9%
Consensus	33,142.4	41,506.4	55,133.3	65,557.8	77,565.6	78,357.1	79,556.5	6.3%	17.5%	25.2%	32.8%	18.9%	18.3%	1.0%	1.5%
TOP FIVE															
International	18,167.9	22,376.3	28,753.2	36,804.5	45,008.8	44,221.2	46,368.3	6.6%	18.6%	23.2%	28.5%	28.0%	22.3%	-1.7%	4.9%
SLB	7,011.0	8,775.0	11,341.2	14,766.0	18,401.9	17,757.1	18,803.6	7.1%	17.6%	25.2%	29.2%	30.2%	24.6%	-3.5%	5.9%
HAL	4,389.0	5,281.0	6,497.0	8,131.0	9,939.0	9,599.2	9,858.5	2.8%	12.3%	20.3%	23.0%	25.2%	22.2%	-3.4%	2.7%
BHI	3,560.5	4,043.0	4,951.2	5,987.8	6,635.4	6,459.7	6,606.8	4.1%	17.4%	13.6%	22.5%	20.9%	10.8%	-2.6%	2.3%
WFT	1,258.4	1,932.5	2,906.3	3,894.6	5,124.1	5,732.0	6,210.1	11.3%	61.9%	53.6%	50.4%	34.0%	31.6%	11.9%	8.3%
SII	1,949.0	2,344.7	3,057.5	4,025.1	4,908.5	4,673.2	4,889.3	17.9%	18.9%	20.3%	30.4%	31.6%	21.9%	-4.8%	4.6%
TOP FIVE															
North America	13,613.5	17,355.5	23,756.2	25,595.1	28,840.4	22,503.8	24,202.5	9.7%	16.9%	27.5%	36.9%	7.7%	12.7%	-22.0%	7.5%
SLB	3,107.0	3,760.3	5,273.4	5,345.0	5,797.5	4,172.6	4,414.1	15.2%	20.8%	21.0%	40.2%	1.4%	8.5%	-28.0%	5.8%
HAL	3,609.0	4,819.0	6,458.0	7,133.0	7,907.0	5,362.0	5,684.1	1.8%	17.0%	33.5%	34.0%	10.5%	10.9%	-32.2%	6.0%
BHI	2,539.9	3,141.2	4,076.2	4,440.4	4,969.3	3,770.3	4,067.3	14.1%	14.4%	23.7%	29.8%	8.9%	11.9%	-24.1%	7.9%
WFT	1,887.6	2,400.7	3,672.6	3,937.5	4,347.0	3,129.0	3,475.9	11.3%	4.1%	27.2%	53.0%	7.2%	10.4%	-28.0%	11.1%
SII	2,470.0	3,234.3	4,276.0	4,739.2	5,819.6	6,069.8	6,561.1	9.9%	26.3%	30.9%	32.2%	10.8%	22.8%	4.3%	8.1%

Source: FactSet, Morgan Stanley Research

e = Morgan Stanley Research estimates

January 5, 2009

Oil Services, Drilling & Equipment

Exhibit 47

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

SLB	EBIT MARGINS BY REGION							CHANGE IN EBIT MARGINS				
	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
North America	16.7%	24.8%	30.4%	28.7%	22.4%	19.3%	20.5%	560bps	-167bps	-634bps	-307bps	121bps
Latin America	12.7%	14.9%	19.3%	22.9%	20.6%	20.4%	21.7%	439bps	357bps	-228bps	-18bps	130bps
Europe/CIS/Africa	16.0%	19.9%	25.5%	28.5%	27.9%	25.7%	25.8%	562bps	299bps	-62bps	-221bps	13bps
Middle East/Asia	26.2%	28.7%	32.1%	35.1%	34.9%	32.4%	33.5%	339bps	299bps	-19bps	-247bps	110bps
OFS	17.6%	22.2%	27.7%	29.3%	26.8%	25.2%	25.9%	552bps	164bps	-257bps	-156bps	73bps
WesternGeco	10.1%	19.0%	32.8%	35.8%	30.1%	17.6%	21.8%	1377bps	300bps	-568bps	-1255bps	424bps
Total	14.7%	20.2%	26.6%	28.8%	26.1%	23.4%	24.5%	634bps	225bps	-271bps	-270bps	103bps
Consensus			26.0%	28.4%	26.2%	23.6%	22.8%		240bps	-221bps	-260bps	-79bps
HAL	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
North America	19.0%	26.8%	32.1%	27.8%	24.4%	17.9%	18.5%	526bps	-431bps	-338bps	-648bps	60bps
Latin America	11.4%	15.0%	19.8%	19.4%	20.8%	19.2%	19.3%	486bps	-40bps	136bps	-155bps	10bps
Europe/CIS/Africa	10.8%	17.8%	18.8%	20.1%	18.5%	17.5%	18.6%	108bps	126bps	-161bps	-105bps	119bps
Middle East/Asia	14.2%	20.2%	24.0%	25.4%	24.9%	23.8%	24.8%	382bps	139bps	-46bps	-110bps	93bps
Total	15.2%	22.1%	26.4%	24.5%	22.6%	19.2%	19.9%	429bps	-188bps	-196bps	-335bps	72bps
Consensus			26.4%	23.0%	21.4%	19.0%	19.7%		-338bps	-162bps	-236bps	70bps
BHI	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
North America		21.6%	26.7%	26.5%	24.6%	17.3%	17.8%	506bps	-15bps	-187bps	-737bps	50bps
Latin America		21.0%	20.3%	19.4%	17.8%	16.7%	17.7%	-74bps	-88bps	-162bps	-102bps	96bps
Europe/CIS/Africa		17.6%	21.3%	22.3%	22.5%	21.8%	22.9%	372bps	96bps	22bps	-74bps	113bps
Middle East/Asia		18.2%	23.0%	23.4%	19.5%	18.1%	19.1%	472bps	47bps	-392bps	-144bps	106bps
Total	14.0%	19.8%	24.0%	24.1%	22.4%	18.8%	19.7%	418bps	10bps	-162bps	-360bps	82bps
Consensus			23.3%	22.0%	20.5%	18.3%	18.4%		-126bps	-151bps	-221bps	7bps
WFT	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
North America			28.0%	25.7%	24.5%	17.4%	19.7%		-232bps	-118bps	-708bps	225bps
Latin America			18.3%	23.0%	22.5%	21.9%	22.2%		471bps	-50bps	-68bps	33bps
Europe/CIS/Africa			20.6%	24.2%	25.5%	24.1%	24.4%		355bps	126bps	-131bps	26bps
Middle East/Asia			20.2%	22.8%	23.0%	21.6%	21.9%		261bps	17bps	-136bps	28bps
Total	12.5%	15.4%	20.7%	21.0%	20.6%	17.3%	18.3%	530bps	29bps	-36bps	-334bps	107bps
Consensus			20.7%	21.3%	21.4%	19.2%	19.5%		60bps	13bps	-222bps	31bps
SII	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
Total	10.6%	12.1%	14.7%	15.6%	15.8%	13.9%	14.4%	261bps	90bps	15bps	-190bps	49bps
Consensus			14.5%	15.4%	15.7%	14.5%	13.5%		91bps	26bps	-120bps	-92bps
TOP FIVE	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
North America	17.8%	24.4%	29.3%	27.2%	24.0%	18.0%	19.1%	487bps	-211bps	-319bps	-600bps	114bps
Latin America	12.0%	17.0%	19.4%	21.2%	20.4%	19.6%	20.2%	247bps	175bps	-76bps	-85bps	67bps
Europe/CIS/Africa	13.4%	18.4%	21.6%	23.8%	23.6%	22.3%	22.9%	316bps	219bps	-18bps	-133bps	67bps
Middle East/Asia	20.2%	22.4%	24.8%	26.7%	25.6%	24.0%	24.8%	244bps	186bps	-110bps	-159bps	84bps
Total	14.0%	18.3%	22.7%	22.9%	21.6%	18.9%	19.6%	438bps	21bps	-127bps	-275bps	77bps
Consensus			22.2%	22.0%	21.0%	18.9%	18.8%		-15bps	-99bps	-212bps	-12bps
TOP FIVE	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
International	15.2%	19.3%	21.9%	23.9%	23.2%	21.9%	22.7%	269bps	193bps	-68bps	-126bps	73bps
SLB	18.3%	21.2%	25.7%	28.8%	27.8%	26.2%	27.0%	447bps	318bps	-103bps	-162bps	84bps
HAL	12.1%	17.6%	20.9%	21.6%	21.4%	20.2%	20.9%	325bps	75bps	-24bps	-123bps	74bps
BHI		18.9%	21.5%	21.7%	19.9%	18.9%	19.9%	257bps	18bps	-177bps	-107bps	105bps
WFT			19.7%	23.3%	23.7%	22.5%	22.8%		362bps	31bps	-112bps	29bps
TOP FIVE	2004	2005	2006	2007	2008	2009	2010	2006	2007	2008E	2009E	2010E
North America	17.8%	24.4%	29.3%	27.2%	24.0%	18.0%	19.1%	487bps	-211bps	-319bps	-600bps	114bps
SLB	16.7%	24.8%	30.4%	28.7%	22.4%	19.3%	20.5%	560bps	-167bps	-634bps	-307bps	121bps
HAL	19.0%	26.8%	32.1%	27.8%	24.4%	17.9%	18.5%	526bps	-431bps	-338bps	-648bps	60bps
BHI		21.6%	26.7%	26.5%	24.6%	17.3%	17.8%	506bps	-15bps	-187bps	-737bps	50bps
WFT			28.0%	25.7%	24.5%	17.4%	19.7%		-232bps	-118bps	-708bps	225bps

Source: FactSet, Morgan Stanley Research

Exhibit 48

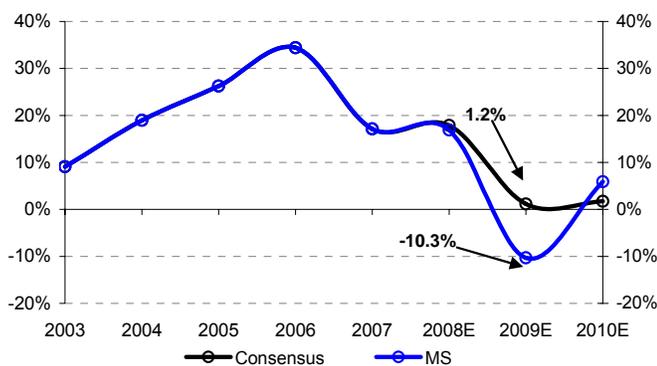
Oil Services: Revenue Growth and EPS Assumptions

		Top Line								Top Line Growth							
		2003	2004	2005	2006	2007	2008E	2009E	2010E	2003	2004	2005	2006	2007	2008E	2009E	2010E
SLB	MS	9,779	11,479	14,310	19,238	23,269	27,214	24,691	26,225	4.6%	17.4%	24.7%	34.4%	21.0%	17.0%	-9.3%	6.2%
	Consensus	9,779	11,479	14,310	19,238	23,269	27,303	26,741	26,264	4.6%	17.4%	24.7%	34.4%	21.0%	17.3%	-2.1%	-1.8%
HAL	MS	6,995	7,998	10,100	12,955	15,264	17,846	14,961	15,543	2.3%	14.3%	26.3%	28.3%	17.8%	16.9%	-16.2%	3.9%
	Consensus	6,995	7,998	10,100	12,955	15,264	18,159	18,156	18,271	2.3%	14.3%	26.3%	28.3%	17.8%	19.0%	0.0%	0.6%
BHI	MS	5,252	6,100	7,184	9,027	10,428	11,605	10,230	10,674	8.1%	16.1%	17.8%	25.7%	15.5%	11.3%	-11.8%	4.3%
	Consensus	5,252	6,100	7,184	9,027	10,428	11,724	11,591	11,933	8.1%	16.1%	17.8%	25.7%	15.5%	12.4%	-1.1%	3.0%
BJS	MS	2,143	2,601	3,243	4,368	4,802	5,426	4,439	4,663	14.9%	21.4%	24.7%	34.7%	9.9%	13.0%	-18.2%	5.0%
	Consensus	2,143	2,601	3,243	4,368	4,802	5,426	5,182	5,030	14.9%	21.4%	24.7%	34.7%	9.9%	13.0%	-4.5%	-2.9%
WFT	MS	2,591	3,146	4,333	6,579	7,832	9,471	8,861	9,686	11.3%	21.4%	37.7%	51.8%	19.0%	20.9%	-6.4%	9.3%
	Consensus	2,591	3,146	4,333	6,579	7,832	9,594	10,322	11,214	11.3%	21.4%	37.7%	51.8%	19.0%	22.5%	7.6%	8.6%
SII	MS	3,595	4,419	5,579	7,334	8,764	10,728	10,743	11,450	13.4%	22.9%	26.2%	31.4%	19.5%	22.4%	0.1%	6.6%
	Consensus	3,595	4,419	5,579	7,334	8,764	10,786	11,548	11,875	13.4%	22.9%	26.2%	31.4%	19.5%	23.1%	7.1%	2.8%
Average MS		5,059	5,957	7,458	9,917	11,727	13,715	12,321	13,040	9.1%	18.9%	26.2%	34.4%	17.1%	16.9%	-10.3%	5.9%
Average Consensus		5,059	5,957	7,458	9,917	11,727	13,832	13,923	14,098	9.1%	18.9%	26.2%	34.4%	17.1%	17.9%	1.2%	1.7%

Source: FactSet, Company data, Morgan Stanley Research. Note: top line figures for SLB excludes Sema prior to 2004, top line figures for HAL excludes KBR prior to 2007

Exhibit 49

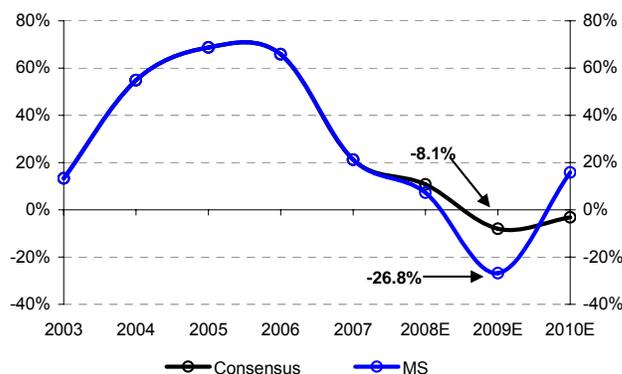
Oil Services Revenue Growth: MS vs. Consensus



Source: FactSet, Company data, Morgan Stanley Research
Includes historical figures and MS vs. consensus projection of top line growth for the average of SLB, HAL, WFT, BHI, SII, and BJS

Exhibit 50

Oil Services EPS Growth: MS vs. Consensus



Source: FactSet, Company data, Morgan Stanley Research
Includes historical figures and MS vs. consensus projection of EPS growth for the average of SLB, HAL, WFT, BHI, SII and BJS

Exhibit 51

Oil Services: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)							
		2003	2004	2005	2006	2007	2008E	2009E	2010E	2003	2004	2005	2006	2007	2008E	2009E	2010E
SLB	MS	0.0%	0.0%	20.2%	26.6%	28.8%	26.1%	23.4%	24.5%	0	0	2024	634	225	-271	-270	103
	Consensus	0.0%	0.0%	20.2%	26.6%	28.8%	26.2%	23.6%	22.8%	0	0	2024	634	225	-264	-260	-79
HAL	MS	12.3%	15.2%	22.1%	26.0%	24.5%	22.6%	19.2%	19.9%	99	290	694	391	-151	-196	-335	72
	Consensus	12.3%	15.2%	22.1%	26.0%	24.5%	21.4%	19.0%	19.7%	99	290	694	391	-151	-312	-236	70
BHI	MS	11.5%	14.0%	18.6%	22.4%	21.7%	20.0%	16.7%	17.6%	-52	258	458	374	-67	-166	-330	82
	Consensus	11.5%	14.0%	18.6%	22.4%	21.7%	20.5%	18.3%	18.4%	-52	258	458	374	-67	-119	-221	7
BJS	MS	13.7%	16.9%	20.0%	26.8%	24.0%	16.7%	13.3%	15.3%	-41	317	318	679	-286	-724	-342	199
	Consensus	13.7%	16.9%	20.0%	26.8%	24.0%	16.7%	14.2%	14.8%	-41	317	318	679	-286	-724	-248	54
WFT	MS	10.6%	12.5%	15.4%	20.7%	21.0%	20.6%	17.3%	18.3%	-116	188	291	530	29	-36	-334	107
	Consensus	10.6%	12.5%	15.4%	20.7%	21.0%	21.4%	19.2%	19.5%	-116	188	291	530	29	43	-222	31
SII	MS	9.3%	10.6%	12.1%	14.7%	15.6%	15.8%	13.9%	14.4%	119	137	148	261	90	15	-190	49
	Consensus	9.3%	10.6%	12.1%	14.7%	15.6%	15.7%	14.5%	13.5%	119	137	148	261	90	3	-120	-92
Average MS		9.5%	11.5%	18.1%	22.9%	22.6%	20.3%	17.3%	18.3%	2	198	656	478	-27	-230	-300	102
Average Consensus		9.5%	11.5%	18.1%	22.9%	22.6%	20.3%	18.1%	18.1%	2	198	656	478	-27	-229	-218	-1

Source: FactSet, Company data, Morgan Stanley Research. Note: figures for SLB excludes Sema prior to 2004, figures for HAL excludes KBR prior to 2007

Exhibit 52

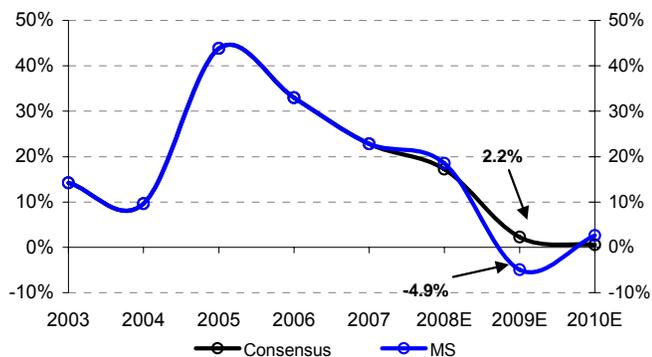
Equipment: Revenue Growth and EPS Assumptions

		Top Line								Top Line Growth							
		2003	2004	2005	2006	2007	2008E	2009E	2010E	2003	2004	2005	2006	2007	2008E	2009E	2010E
NOV	MS	2,582	3,044	5,642	8,419	11,614	13,719	11,129	10,191	37.9%	17.9%	85.3%	49.2%	38.0%	18.1%	-18.9%	-8.4%
	Consensus	2,582	3,044	5,642	8,419	11,614	13,365	14,144	12,108	37.9%	17.9%	85.3%	49.2%	38.0%	15.1%	5.8%	-14.4%
CAM	MS	1,634	2,093	2,518	3,743	4,666	5,756	5,641	6,247	6.3%	28.1%	20.3%	48.7%	24.7%	23.4%	-2.0%	10.7%
	Consensus	1,634	2,093	2,518	3,743	4,666	5,841	6,102	6,171	6.3%	28.1%	20.3%	48.7%	24.7%	25.2%	4.5%	1.1%
FTI	MS	2,307	2,768	3,227	3,905	4,632	5,039	4,896	5,396	11.4%	20.0%	16.6%	21.0%	18.6%	8.8%	-2.8%	10.2%
	Consensus	2,307	2,768	3,227	3,905	4,632	4,785	4,754	4,953	11.4%	20.0%	16.6%	21.0%	18.6%	3.3%	-0.6%	4.2%
TS	MS	3,180	3,718	6,210	7,728	10,180	12,599	11,776	10,902	-1.2%	16.9%	67.0%	24.4%	31.7%	23.8%	-6.5%	-7.4%
	Consensus	3,180	3,718	6,210	7,728	10,180	12,138	11,313	11,185	-1.2%	16.9%	67.0%	24.4%	31.7%	19.2%	-6.8%	-1.1%
DRC	MS	1,335	916	1,208	1,502	1,665	2,198	2,283	2,455	29.5%	-31.4%	31.9%	24.3%	10.9%	32.0%	3.9%	7.5%
	Consensus	1,335	916	1,208	1,502	1,665	2,217	2,291	2,289	29.5%	-31.4%	31.9%	24.3%	10.9%	33.2%	3.3%	-0.1%
DRQ	MS	219	222	341	443	496	540	515	535	1.7%	1.0%	53.8%	29.9%	11.9%	9.0%	-4.5%	3.7%
	Consensus	219	222	341	443	496	549	600	663	1.7%	1.0%	53.8%	29.9%	11.9%	10.7%	9.4%	10.4%
GTLS	MS	266	306	403	537	666	765	737	751	N/A	15.1%	31.9%	33.3%	24.0%	14.7%	-3.7%	2.0%
	Consensus	266	306	403	537	666	759	759	790	N/A	15.1%	31.9%	33.3%	24.0%	13.9%	0.1%	4.0%
	Average MS	1,646	1,867	2,793	3,754	4,846	5,802	5,283	5,211	14.2%	9.6%	43.8%	33.0%	22.8%	18.5%	-4.9%	2.6%
	Average Consensus	1,646	1,867	2,793	3,754	4,846	5,665	5,709	5,451	14.2%	9.6%	43.8%	33.0%	22.8%	17.2%	2.2%	0.6%

Source: FactSet, Company data, Morgan Stanley Research. Note: top line for NOV includes GRP for all periods; some consensus numbers might lack relevance due to the low number of estimates

Exhibit 53

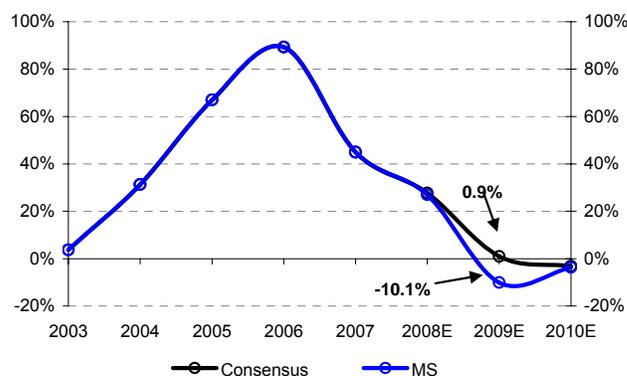
Equipment Revenue Growth: MS vs. Consensus



Source: FactSet, Company data, Morgan Stanley Research
Includes historical figures and MS vs. consensus projection of top line growth for the average of NOV, CAM, FTI, TS, DRC, DRQ and GTLS

Exhibit 54

Equipment EPS Growth: MS vs. Consensus



Source: FactSet, Company data, Morgan Stanley Research
Includes historical figures and MS vs. consensus projection of top line growth for the average of NOV, CAM, FTI, TS, DRC, DRQ and GTLS

Exhibit 55

Equipment: EBIT Margins Assumptions

		EBIT Margins								Incremental EBIT Margins (bps)							
		2003	2004	2005	2006	2007	2008E	2009E	2010E	2003	2004	2005	2006	2007	2008E	2009E	2010E
NOV	MS	8.2%	9.6%	13.2%	18.3%	22.6%	21.2%	19.6%	18.8%	-76	132	368	510	428	-145	-155	-82
	Consensus	8.2%	9.6%	13.2%	18.3%	22.6%	22.2%	21.2%	18.6%	-76	132	368	510	428	-41	-97	-266
CAM	MS	5.6%	7.1%	10.4%	13.9%	15.8%	15.4%	14.7%	14.2%	-204	153	326	351	188	-38	-68	-50
	Consensus	5.6%	7.1%	10.4%	13.9%	15.8%	15.7%	15.6%	14.0%	-204	153	326	351	188	-4	-18	-155
FTI	MS	5.6%	4.7%	5.0%	8.9%	10.4%	11.7%	11.5%	10.9%	13	-88	33	394	146	126	-13	-67
	Consensus	5.6%	4.7%	5.0%	8.9%	10.4%	11.4%	11.4%	10.4%	13	-88	33	394	146	100	0	-99
TS	MS	9.1%	21.7%	31.3%	36.1%	29.3%	27.6%	26.4%	27.1%	N/A	1260	967	480	-685	-167	-119	62
	Consensus	9.1%	21.7%	31.3%	36.1%	29.3%	28.0%	27.1%	27.0%	N/A	1260	967	480	-685	-132	-91	-2
DRC	MS	2.9%	8.4%	9.6%	12.5%	14.5%	14.4%	14.5%	12.2%	109	547	121	291	197	-10	11	-230
	Consensus	2.9%	8.4%	9.6%	12.5%	14.5%	14.1%	14.1%	12.1%	109	547	121	291	197	-41	1	-196
DRQ	MS	7.3%	8.3%	14.4%	27.6%	27.9%	25.5%	24.9%	24.3%	-32	100	617	1321	28	-240	-61	-63
	Consensus	7.3%	8.3%	14.4%	27.6%	27.9%	26.2%	25.6%	24.4%	-32	100	617	1321	28	-168	-67	-115
GTLS	MS	13.4%	12.1%	8.5%	12.4%	13.9%	17.0%	15.5%	12.6%	N/A	-123	-366	397	148	308	-152	-289
	Consensus	13.4%	12.1%	8.5%	12.4%	13.9%	17.1%	16.1%	14.3%	N/A	-123	-366	397	148	319	-97	-182
	Average MS	7.4%	10.3%	13.2%	18.6%	19.2%	19.0%	18.2%	17.1%	-38	283	295	535	64	-24	-79	-103
	Average Consensus	7.4%	10.3%	13.2%	18.6%	19.2%	19.3%	18.7%	17.3%	-38	283	295	535	64	5	-53	-145

Source: FactSet, Company data, Morgan Stanley Research. Note: figures for NOV include GRP for all periods; some consensus numbers might lack relevance due to the low number of estimates

January 5, 2009

Oil Services, Drilling & Equipment

Exhibit 56

12-Month Forward Rolling Consensus EPS

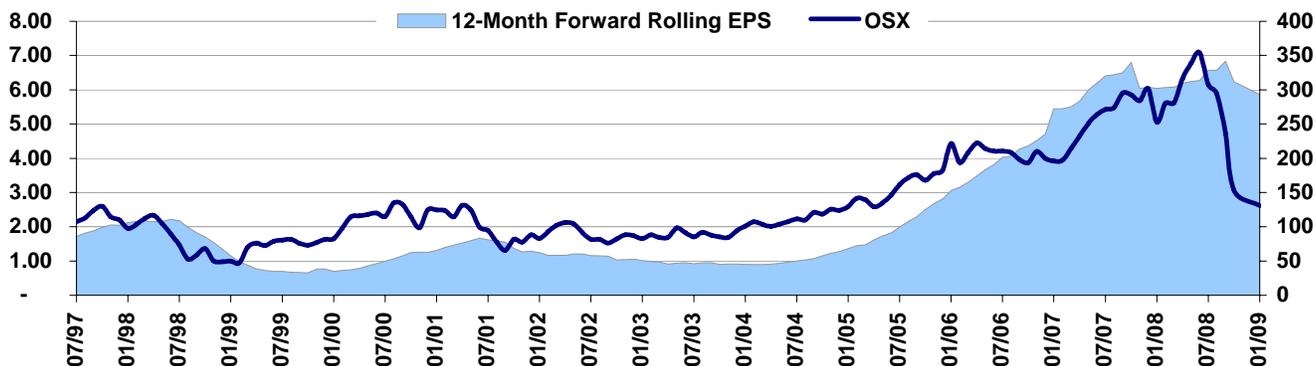
Company	Symbol	Recent Price	Consensus		Price-to-12-Month Rolling EPS					Price-to-12-Month Rolling CEPS					
			12-Month Rolling	CEPS	High	Low	Avg	Std Dev	Current	High	Low	Avg	Std Dev	Current	
Oil Services:															
Schlumberger	SLB	45.62	4.15	5.57	51.9	9.9	27.3	9.6	11.0	22.3	7.7	14.4	3.3	8.2	
Halliburton	HAL	19.45	2.63	3.13	41.5	6.0	19.8	7.9	7.4	21.0	4.8	12.1	3.6	6.2	
Baker Hughes	BHI	34.33	4.85	6.24	55.7	6.5	23.9	10.7	7.1	17.3	4.8	12.2	2.6	5.5	
BJ Services	BJS	12.43	1.70	3.12	47.6	6.3	18.8	8.7	7.3	25.1	4.0	12.5	4.2	4.0	
Weatherford	WFT	11.66	2.02	2.75	51.8	5.4	32.6	12.9	5.8	31.3	3.7	15.5	4.6	4.2	
Smith International	SII	25.03	3.68	4.32	56.4	6.2	22.9	10.5	6.8	27.8	4.8	14.4	4.2	5.8	
ION Geophysical	IO	3.78	0.54	1.16	57.9	4.5	26.8	10.8	7.1	44.1	1.7	15.3	7.3	3.3	
<i>Average (excludes IO)</i>					50.8	6.7	24.2	10.1	7.6		24.1	5.0	13.5	3.8	5.7
Offshore Drillers:															
Atwood Oceanics	ATW	17.52	4.64	3.27	44.2	3.3	16.8	9.3	3.8	49.8	3.0	12.0	6.5	5.4	
Diamond Offshore	DO	63.12	11.46	8.32	5.1	19.5	10.0	0.0	5.5	4.5	11.7	3.2	0.0	7.6	
ENSCO International	ESV	30.33	8.27	8.17	43.1	3.4	17.1	9.5	3.7	30.0	3.0	12.1	5.9	3.7	
Noble Corporation	NE	23.75	7.07	5.72	49.0	3.1	26.8	13.1	3.4	31.6	2.8	16.7	6.6	4.2	
Pride International	PDE	17.58	3.38	4.47	47.7	4.5	18.3	10.8	5.2	12.4	2.2	7.0	2.0	3.9	
Rowan Companies	RDC	17.25	4.27	5.13	50.0	3.7	19.3	13.1	4.0	27.7	3.0	12.1	5.6	3.4	
Transocean	RIG	52.01	15.44	13.21	32.5	3.1	14.9	6.1	3.4	22.4	2.8	9.5	3.1	3.9	
Hercules Offshore	HERO	5.04	0.98	4.02	15.4	3.8	8.7	3.0	5.1	12.6	1.3	6.6	2.5	1.3	
Nabors Industries	NBR	13.27	2.50	5.07	47.0	4.8	19.0	10.1	5.3	23.0	2.6	11.1	4.9	2.6	
Patterson-UTI	PTEN	12.58	1.20	4.39	49.6	5.3	18.4	11.3	10.4	18.2	2.9	9.5	3.8	2.9	
<i>Average</i>					38.4	5.5	16.9	8.7	5.0		23.2	3.5	10.0	4.1	3.9
Equipment:															
Tenaris	TS	22.02	3.41	3.47	23.1	3.7	12.3	3.6	6.5	15.8	2.9	9.2	2.7	6.3	
National Oilwell Varco	NOV	26.83	4.97	4.31	50.7	4.9	30.3	12.3	5.4	42.9	4.6	22.7	8.8	6.2	
Cameron International	CAM	22.07	2.77	2.60	48.9	7.2	33.4	12.7	8.0	31.4	6.3	18.9	5.0	8.5	
FMC Technologies	FTI	25.32	2.83	2.96	25.1	8.4	19.5	3.2	9.0	21.1	2.9	13.5	3.0	8.5	
Oceaneering International	OII	30.34	3.86	5.04	21.4	6.5	16.0	2.9	7.9	14.7	4.3	8.1	2.1	6.0	
Dril-Quip	DRQ	22.03	2.95	2.62	45.9	6.5	23.5	7.7	7.5	37.4	5.7	16.5	5.3	8.4	
Dresser-Rand	DRC	18.77	2.45	2.40	24.5	6.8	16.8	4.2	7.7	16.0	5.4	12.2	2.4	7.8	
Chart Industries	GTLS	11.02	2.33	2.59	18.5	4.1	11.9	4.0	4.7	14.9	3.1	9.0	3.2	4.3	
<i>Average</i>					32.2	6.0	20.5	6.3	7.1		24.3	4.4	13.8	4.1	7.0
Engineering & Construction:															
Helix Energy Solutions	HLX	7.86	2.65	7.06	34.9	2.2	16.2	7.1	3.0	18.4	1.1	8.8	3.5	1.1	

Source: FactSet, Morgan Stanley Research

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

Exhibit 57

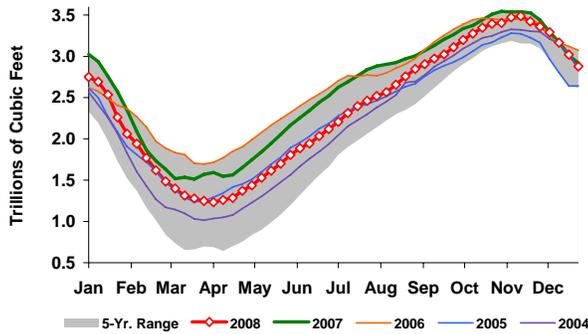
OSX versus Weighted 12-Month Forward Rolling Consensus EPS of OSX Constituents



Source: FactSet, Morgan Stanley Research

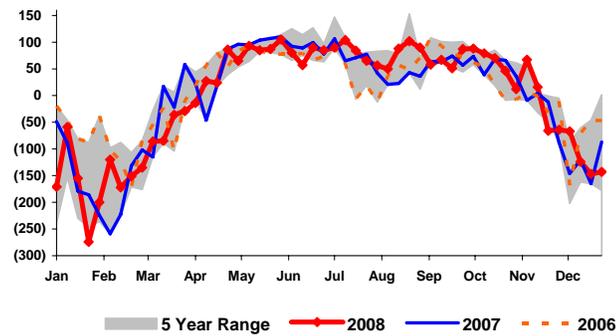
Commodity Data

Exhibit 58
US Natural Gas Storage



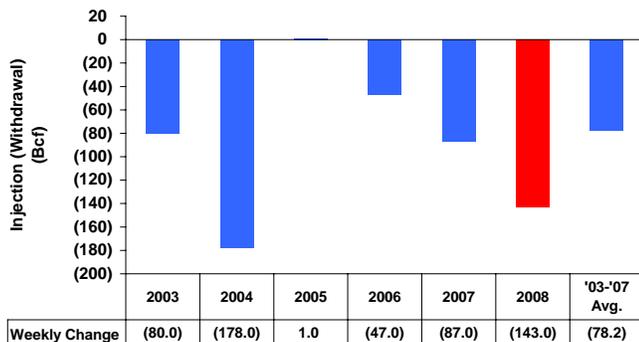
Source: Energy Information Administration (EIA)

Exhibit 59
Natural Gas Injection Rate



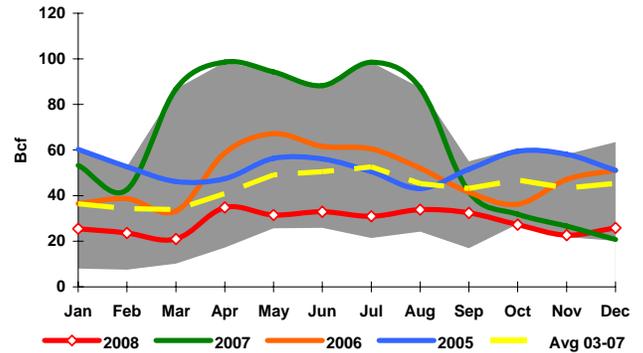
Source: Energy Information Administration (EIA), Morgan Stanley Research

Exhibit 60
Weekly US Natural Gas Storage: Injection (Withdrawal)



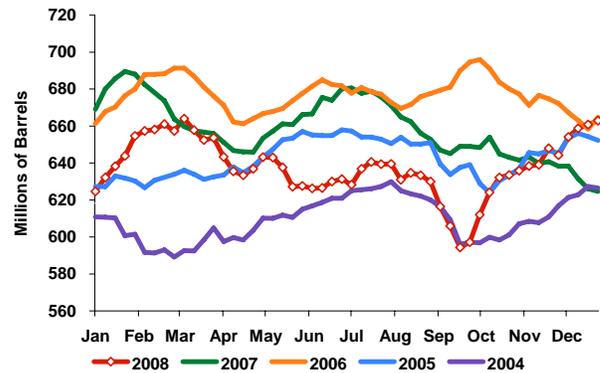
Source: Department of Energy (DOE), Morgan Stanley Research

Exhibit 61
US LNG Monthly Imports



Source: Waterborne, Morgan Stanley Research

Exhibit 62
US Total Oil Inventories



Source: Energy Information Administration (EIA), Morgan Stanley Research

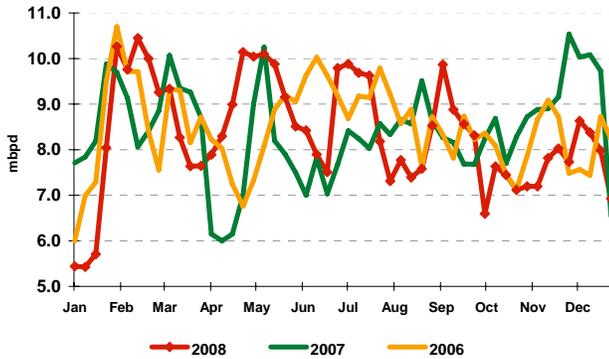
Exhibit 63
US Oil Inventory Data

API	12/26/08	Prior Week	Weekly Change	Previous Year	5-Yr. Avg.
Crude Oil	324.6	316.7	7.9	297.7	296.5
Motor Gasoline	206.6	204.8	1.8	212.9	212.9
Middle Distillates	175.6	172.0	3.6	173.3	178.6
Distillates	137.9	134.1	3.9	133.7	138.5
Kerosene	37.7	37.9	(0.2)	39.6	40.1
Naphtha	-	-	-	-	0.0
Residual	36.1	36.4	(0.3)	39.1	40.0
Unfinished	85.9	87.4	(1.5)	85.3	83.9
Total Oil	828.8	817.2	11.6	808.3	811.9
DOE					
Crude Oil	318.7	318.2	0.5	289.6	293.8
Motor Gasoline	208.1	207.3	0.8	207.8	211.8
Distillates	136.0	135.3	0.7	127.2	132.9
Total Oil	662.9	660.8	2.1	624.6	638.5

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

Exhibit 64

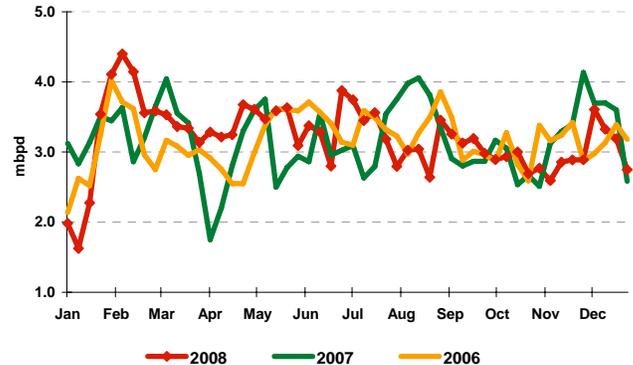
Middle East Total Fixings



Source: Oil Movements, Morgan Stanley Research. Note: 4-week average

Exhibit 65

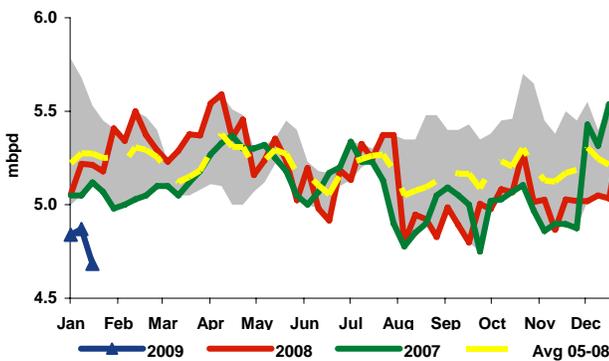
Middle East Westbound Fixings



Source: Oil Movements, Morgan Stanley Research. Note: 4-week average

Exhibit 66

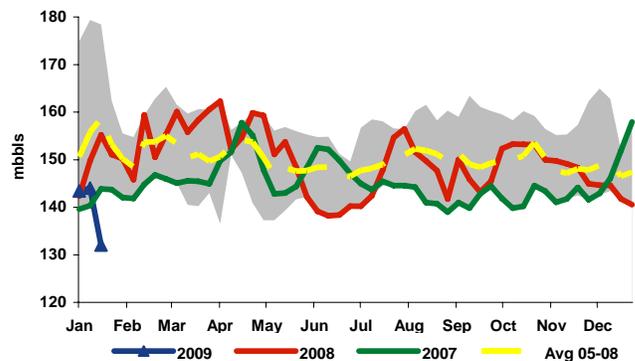
Middle East Westbound Sailings



Source: Oil Movements, Morgan Stanley Research. Note: 4-week average

Exhibit 67

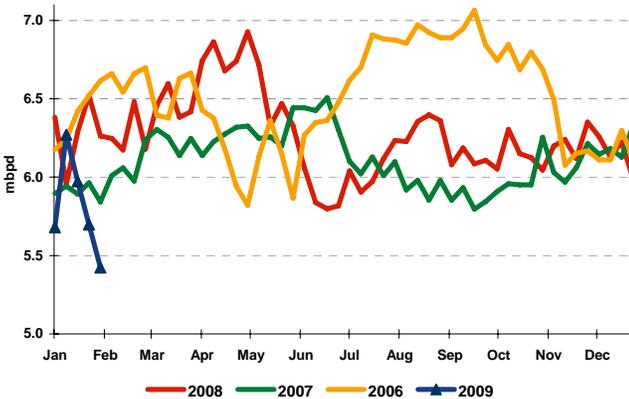
Middle East Westbound Oil in Transit



Source: Oil Movements, Morgan Stanley Research. Note: 4-week average

Exhibit 68

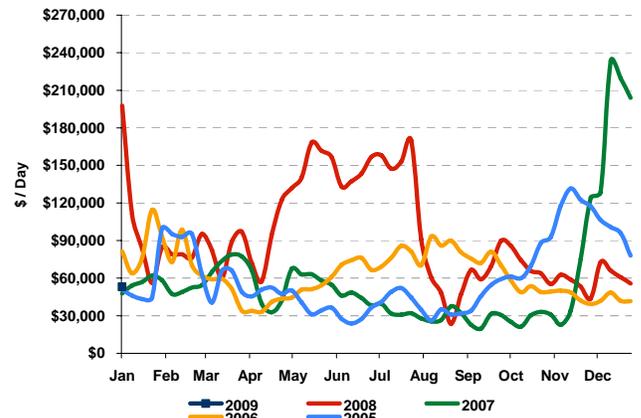
North American Long Haul Arrivals



Source: Oil Movements, Morgan Stanley Research. Note: 4-week average

Exhibit 69

VLCC Rates



Source: CRS, Morgan Stanley Research

Exhibit 70

Future Deliveries of Newbuild Jackups

Owner	Manager	Rig Name	Design	Water Depth (ft)	Type	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract	
1	Aban Offshore (Sinvest)	Premium Drilling	Deep Driller 8	KFELS MOD V Super B Class (HP/H	350	IC	\$197	1Q09	Keppel FELS	Sing.	2009	Industan Petroleum
3	Awilco AS	Pernium Drilling	WilStrike	KFELS Mod V B	400	IC	\$163	2Q09	Keppel FELS	Sing.	2009	--
4	Awilco AS	Pernium Drilling	Wil Confidence	Baker Marine Pacific Class 375	375	IC	\$149	3Q09	Jurong	Sing.	2009	--
5	Chekovo (Saudi interests)	Contractor TBC	Thule Power	Baker Marine BMC-200-H	250	IC	\$350	1Q09	QGM Group	M.E.	2009	--
6	COSL	COSL	COSL 936	MSC CJ46-X100D	350	IC	--	1Q10	Yiu Lian	China	2010	--
7	COSL	COSL	COSL 937	MSC CJ46-X100D	350	IC	--	1Q10	Dalian	China	2010	--
8	COSL	COSL	COSL 921	Friede & Goldman L-780 MOD II	200	IC	--	4Q09	--	China	2009	--
9	COSL	COSL	COSL 922	Friede & Goldman L-780 MOD II	200	IC	--	2Q10	Tanggu	China	2010	--
10	COSL	COSL	COSL 923	Friede & Goldman L-780 MOD II	200	IC	--	2Q10	Tanggu	China	2010	--
11	COSL	COSL	COSL 924	Friede & Goldman L-780 MOD II	200	IC	--	3Q10	Tanggu	China	2010	--
12	CPOE	CPOE	CPOE-7	Offshore Engineering & Equipment	131	IC	--	2Q09	Qingdao Beihai	China	2009	CPOE
13	CPOE	CPOE	CPOE-8	Offshore Engineering & Equipment	131	IC	--	2Q09	Qingdao Beihai	China	2009	CPOE
14	CPOE	CPOE	CPOE-9	Friede & Goldman	300	IC	--	2Q09	Dalian	China	2009	CPOE
15	CPOE	CPOE	CPOE-10	Friede & Goldman L-780 MOD II	300	IC	--	4Q09	Dalian	China	2009	CPOE
16	Drydocks World	Drydocks World	Unnamed	GustoMSC CJ46-X100D	350	IC	--	4Q10	Drydocks	Indonesia	2010	--
17	Drydocks World	Drydocks World	Unnamed	GustoMSC CJ46-X100D	350	IC	--	1Q11	Drydocks	Indonesia	2011	--
18	EODC	EGAS	Unnamed	Baker Marine Pacific Class 375	375	IC	\$213	4Q10	Jurong	Sing.	2010	--
19	EODC	EGAS	Unnamed	Baker Marine Pacific Class 375	375	IC	\$213	1Q11	Jurong	Sing.	2011	--
20	Egyptian Drilling	Egyptian Drilling	Unnamed	Baker Marine Pacific Class 375	375	IC	\$201	1Q10	Jurong	Sing.	2010	--
21	Egyptian Drilling	Egyptian Drilling	Unnamed	Baker Marine Pacific Class 375	375	IC	\$220	3Q10	Jurong	Sing.	2010	--
22	Essar	Essar	Unnamed	F&G JU-2000-A	350	IC	\$240	4Q10	ABG Shipyard	India	2010	--
23	Essar	Essar	Unnamed	F&G JU-2000-A	350	IC	\$240	2Q11	ABG Shipyard	India	2011	--
24	Gazflot	Gazflot	Arkticheskaya	CDB Corral 6500/10-30	328	IC	\$100	2Q09	Zvezdochka	Russia	2009	--
25	Great Offshore	Great Offshore	Samed Shikhar	LeTourneau Super 116E	350	IC	\$230	2Q09	Bharati Shipyard	India	2009	ONGC
26	Greatship	Greatship	Greatdrill Chitra	KFELS MOD V B	350	IC	\$182	4Q09	Keppel FELS	Sing.	2009	ONGC
27	KS Energy	KS Energy	KS Endeavour	F&G Super M2	300	IC	\$148	3Q09	MIS Shipyard	M.E.	2009	--
28	Maersk	Maersk	Maersk High Efficiency 3	CJ50-X100MC	350	IC	\$153	1Q09	Keppel FELS	Sing.	2009	Private
29	Maersk	Maersk	Maersk High Efficiency 4	CJ50-X100MC	350	IC	\$153	2Q09	Keppel FELS	Sing.	2009	--
30	MEANDrill	MEANDrill	Unnamed	Friede & Goldman Super M2	300	IC	\$182	4Q10	MIS Shipyard	Sing.	2010	--
31	MEANDrill	MEANDrill	Unnamed	Friede & Goldman Super M2	300	IC	\$182	1Q11	MIS Shipyard	Sing.	2011	--
32	Mercator Offshore	Greatship	Greatdrill Chetna	KFELS Mod V B	350	IC	\$211	1Q09	Keppel FELS	Sing.	2009	ONGC
33	Mosvold ME Jackup	Mosvold ME Jackup	Mosvold 106	F&G Super M2	300	IC	\$184	1Q10	MIS Shipyard	M.E.	2010	--
34	Mosvold ME Jackup	Mosvold ME Jackup	Mosvold 108	F&G Super M2	300	IC	\$184	2Q10	MIS Shipyard	M.E.	2010	--
35	NIDC	NIDC	Unnamed	---	300	IC	\$117	1Q11	Khorramshahr	M.E.	2011	Pars Oil & Gas
36	NIDC	NIDC	Unnamed	---	300	IC	\$117	1Q11	Khorramshahr	M.E.	2011	Pars Oil & Gas
37	NIDC	NIDC	Unnamed	---	300	IC	--	4Q09	Sanaye Farasahel	M.E.	2009	Pars Oil & Gas
38	NIDC	NIDC	Unnamed	---	300	IC	--	4Q09	Sanaye Farasahel	M.E.	2009	Pars Oil & Gas
39	NIDC	NIDC	Unnamed	---	300	IC	--	4Q10	Khorramshahr	M.E.	2010	Pars Oil & Gas
40	Noble Corp.	Noble Corp.	Noble Scott Marks	F&G JU 2000E (HE)	400	IC	\$190	3Q09	Dalian	China	2009	Venture
41	Odebrecht	Odebrecht	Unnamed	LeTourneau	350	IC	--	3Q10	Bahia	Brazil	2010	Petrobras
42	Odebrecht	Odebrecht	Unnamed	LeTourneau	350	IC	--	3Q10	Bahia	Brazil	2010	Petrobras
43	Perforadora Central	Perforadora Central	Tuxpan	LeTourneau Super 116E	350	IC	\$190	4Q09	AMFELS	USA	2009	PEMEX
44	PetroProd	PetroProd	Unnamed	GustoMSC CJ-70-X-150A	492	IC	\$560	3Q10	Jurong	Sing.	2010	--
45	PV Drilling	PV Drilling	PV Drilling II	KFELS Mod V B	375	IC	\$191	4Q09	Keppel FELS	Sing.	2009	Undisclosed
46	PV Drilling	PV Drilling	PV Drilling III	KFELS Mod V B	360	IC	\$205	4Q09	Keppel FELS	Sing.	2009	--
47	Riginvest	Riginvest	Unnamed	LeTourneau Super 116E	350	IC	\$186	2Q10	Lamprell	M.E.	2010	--
48	Rowan	Rowan	Ralph Coffman	LeTourneau 240-C (HT/HP)	400	IC	\$165	3Q09	LeTourneau	USA	2009	--
49	Rowan	Rowan	Unnamed	LeTourneau Super 116E	350	IC	\$175	2Q10	AMFELS	USA	2010	--
50	Rowan	Rowan	Unnamed	LeTourneau Super 116E	350	IC	\$175	3Q10	AMFELS	USA	2010	--
51	Rowan	Rowan	Unnamed	LeTourneau Super 116E	350	IC	\$175	1Q11	AMFELS	USA	2011	--
52	Rowan	Rowan	Unnamed	LeTourneau Super 116E	350	IC	\$175	1Q11	AMFELS	USA	2011	--
53	Rowan	Rowan	Unnamed	LeTourneau 240-C (HT/HP)	400	IC	\$200	3Q10	LeTourneau	USA	2010	--
54	Rowan	Rowan	Unnamed	LeTourneau 240-C (HT/HP)	400	IC	\$200	3Q11	LeTourneau	USA	2011	--
55	Saipem	Saipem	Petro Negro 6	GustoMSC CJ-46-X 100D	350	IC	\$147	2Q09	Drydocks World	Indonesia	2009	--
56	Saipem	Saipem	Unnamed	GustoMSC CJ-46-X 100D	350	IC	\$154	4Q09	Drydocks World	Indonesia	2009	--
57	Scorpion Offshore	Scorpion Offshore	Offshore Intrepid	LeTourneau Super 116	350	IC	\$144	1Q09	AMFELS	USA	2009	Khafji O&G (LOI)
58	Scorpion Offshore	Scorpion Offshore	Offshore Freedom	LeTourneau Super 116E	350	IC	\$200	1Q09	Lamprell	M.E.	2009	Khafji O&G (LOI)
59	Scorpion Offshore	Scorpion Offshore	Offshore Mischief	LeTourneau Super 116E	350	IC	\$211	1Q10	Lamprell	M.E.	2010	--
60	SeaWolf	SeaWolf	SeaWolf Oritsetimeyin	F&G Super M2	300	IC	\$143	1Q09	MIS Shipyard	M.E.	2009	TBA
61	SeaWolf	SeaWolf	SeaWolf Onome	F&G Super M2	300	IC	\$143	1Q09	MIS Shipyard	M.E.	2009	TBA
62	SeaDrill	SeaDrill	West Callisto	KFELS Mod V B	400	IC	\$210	2Q10	Keppel FELS	Sing.	2010	--
63	SeaDrill	SeaDrill	West Juno	KFELS Mod V B	400	IC	\$210	4Q10	Keppel FELS	Sing.	2010	--
64	SeaDrill	SeaDrill	West Leda	Baker Marine Pacific Class 375	375	IC	\$220	1Q10	Jurong	Sing.	2010	--
65	SeaDrill	SeaDrill	West Elara	Baker Marine Pacific Class 375	375	IC	\$220	4Q10	Jurong	Sing.	2010	--
66	Sinopec	Sinopec	Unnamed	Baker Marine Pacific Class 375	375	IC	\$229	1Q11	Jurong	Sing.	2011	--
67	Skeie	Skeie	Unnamed	KFELS N Class	400	IC	\$450	2Q10	Keppel FELS	Sing.	2010	--
68	Skeie	Skeie	Unnamed	KFELS N Class	430	IC	\$480	3Q10	Keppel FELS	Sing.	2010	Skeie
69	Skeie	Skeie	Unnamed	KFELS N Class	430	IC	\$504	1Q11	Keppel FELS	Sing.	2011	--
70	Thule Drilling	Thule Drilling	Thule Energy	F&G Super M2	300	IC	\$160	1Q10	QGM Group	M.E.	2010	--
71	Thule Drilling	Thule Drilling	Thule Force	F&G Super M2	300	IC	\$160	2Q10	QGM Group	M.E.	2010	--
72	Togico/SAAG	SAAG Drilling	Unnamed	MSC CJ46-X 100D	300	IC	\$155	4Q11	Labuan Shipyard	Malaysia	2010	TBA
73	UMW Standard Drilling	UMW Standard Drilling	Naga-2	MSC CJ46-X 100D	350	IC	\$177	1Q09	Drydocks World	Indonesia	2009	PCPP JOC
74	UMW Standard Drilling	UMW Standard Drilling	Naga-3	MSC CJ46-X 100D	350	IC	\$154	2Q09	Drydocks World	Indonesia	2009	--
75	Vantage	Vantage	Aquamarine Driller	Baker Marine Pacific Class 375	375	IC	\$190	1Q10	Jurong	Sing.	2010	--
29	Vantage	Vantage	Sapphire Driller	Baker Marine Pacific Class 375	375	IC	\$155	3Q09	Jurong	Sing.	2009	--
30	Vantage	Vantage	Topaz Driller	Baker Marine Pacific Class 375	375	IC	\$198	4Q09	Jurong	Sing.	2009	--
31	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	IC	--	4Q09	Yantai Raffles	China	2009	--
32	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	IC	--	4Q09	Yantai Raffles	China	2009	--
33	Yantai Raffles	Yantai Raffles	Unnamed	Friede & Goldman Super M2	300	IC	--	4Q09	Yantai Raffles	China	2009	--

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

January 5, 2009
Oil Services, Drilling & Equipment

Exhibit 71

Future Deliveries of Newbuild Floaters

Owner	Manager	Rig Name	Design	Water Depth (ft)	Est. Cost	Expected Delivery	Shipyard	Region	Date of Delivery	Term Contract	
Newbuilds:											
1	Aker Drilling	Aker Drilling	Aker Spitsbergen	Aker H-6e (Harsh)	10,000	\$615	1Q09	Aker Kvaerner	Norway	2009	Statoil
2	Aker Drilling	Aker Drilling	Aker Barents	Aker H-6e (Harsh)	10,000	\$603	2Q09	Aker Stord	Norway	2009	Aker Exploration/Pertra
3	Atwood Oceanics	Atwood Oceanics	Unnamed	Friede & Goldman Ex-D Millennium	6,000	\$580	1Q11	Jurong	Sing.	2011	Chevron
4	Atwood Oceanics	Atwood Oceanics	Unnamed	Friede & Goldman Ex-D Millennium	10,000	\$750	2Q12	Jurong	Sing.	2012	--
5	CNOOC	COSL	Unnamed	Friede & Goldman ExD	9,843	\$599	1Q11	Shanghai Waigaoqiao	China	2011	CNOOC
6	COSL	COSL	COSLPioneer	GM-4000	2,460	\$365	3Q09	Yantai Raffles	China	2009	British Petroleum
7	COSL	COSL	COSLInnovator	GM-4000	2,460	\$380	1Q10	Yantai Raffles	China	2009	Norsk Hydro
8	COSL	COSL	COSLPromoter	GM-4000	2,460	\$360	3Q10	Yantai Raffles	China	2010	Norsk Hydro
9	Delba	Delba	Delba III	GustoMSC TDS 2500	7,874	\$611	2Q10	IMAC	Abu Dhabi	2010	Petrobras
10	Delba	Delba	Delba IV	GustoMSC TDS-2500	7,874	--	4Q11	--	UAE	2011	Petrobras
11	Delba	Delba	Delba V	--	8,000	--	2Q12	--	--	2012	Petrobras
12	Delba	Delba	Delba VI	--	8,000	--	2Q12	--	--	2012	Petrobras
13	Delba	Delba	Delba VII	Samsung Heavy Industries	10,000	\$700	1Q12	Samsung Heavy	Korea	2012	Petrobras
14	Delba	Delba	Delba VIII	Samsung Heavy Industries	10,000	\$740	2Q12	Samsung Heavy	Korea	2012	Petrobras
15	Dryships	Ocean Rig	Unnamed (Drillship)	Samsung Heavy Industries	10,000	\$790	3Q11	Samsung Heavy	Korea	2011	--
16	Dryships	Ocean Rig	Unnamed (Drillship)	Samsung Heavy Industries	10,000	\$792	4Q11	Samsung Heavy	Korea	2011	--
17	Dryships	Ocean Rig	Unnamed (Drillship)	Samsung Heavy Industries	10,000	\$713	1Q11	Samsung Heavy	Korea	2011	--
18	Dryships	Ocean Rig	Unnamed (Drillship)	Samsung Heavy Industries	10,000	\$713	2Q11	Samsung Heavy	Korea	2011	--
19	ENSCO	ENSCO	ENSCO 8501	ENSCO 8500	8,500	\$338	2Q09	Keppel FELS	Sing.	2009	Nexen/Noble
20	ENSCO	ENSCO	ENSCO 8502	ENSCO 8500	8,500	\$385	4Q09	Keppel FELS	Sing.	2009	Nexen
21	ENSCO	ENSCO	ENSCO 8503	ENSCO 8500	8,500	\$427	3Q10	Keppel FELS	Sing.	2010	Cobalt
22	ENSCO	ENSCO	ENSCO 8504	ENSCO 8500	8,500	\$515	3Q11	Keppel FELS	Sing.	2011	--
23	ENSCO	ENSCO	ENSCO 8505	ENSCO 8500	8,500	\$537	2Q12	Keppel FELS	Sing.	2012	--
24	ENSCO	ENSCO	ENSCO 8506	ENSCO 8500	8,500	\$560	3Q12	Keppel FELS	Sing.	2012	--
25	Etesco	Etesco	ET-VIII	--	10,000	\$709	2Q12	Samsung Heavy	Korea	2012	Petrobras
26	Frontier/Shell	Frontier Drilling	Bully	GustoMSC PRD12,000 (Harsh)	12,000	--	1Q10	Keppel FELS	Sing.	2010	Frontier/Shell
27	Frontier/Shell	Frontier Drilling	Bully 2	GustoMSC PRD12,000 (Harsh)	12,000	\$632	3Q10	Keppel FELS	Sing.	2010	Frontier/Shell
28	Gaztrot	Gaztrot	Unnamed (Semi)	Moss Maritime CS-50	1,148	\$573	2Q10	Samsung Heavy	Korea	2010	Gaztrot
29	Gaztrot	Gaztrot	Unnamed (Semi)	Moss Maritime CS-50	1,148	\$573	2Q11	Samsung Heavy	Korea	2011	Gaztrot
30	Grupo R	IPC	Unnamed (Semi)	GVA 7500-N	8,200	\$709	4Q11	Daewoo	Korea	2011	--
31	Grupo R	IPC	La Muralla III	GVA 7500-N	7,500	\$633	3Q10	Daewoo	Korea	2010	PEMEX
32	Maersk	Maersk Drilling	Maersk Developer	DSS 21	10,000	\$450	1Q09	Keppel FELS	Sing.	2009	Statoil
33	Maersk	Maersk Drilling	Unnamed	DSS 21	10,000	\$450	1Q09	Keppel FELS	Sing.	2009	Woodside
34	Maersk	Maersk Drilling	Unnamed	DSS 21	10,000	\$415	4Q10	Keppel FELS	Sing.	2010	--
35	MARACC	Offshore Offshore	Island Innovator	Global Maritime GM-4000	2,460	\$633	4Q10	COSCO	China	2010	--
36	Metrostar	Offfield Drilling	Deepsea Metro I	GustoMSC P10000	10,000	\$668	2Q11	Hyundai Heavy	Korea	2011	--
37	Metrostar	Offfield Drilling	Deepsea Metro I	GustoMSC P10000	10,000	\$668	4Q11	Hyundai Heavy	Korea	2011	--
38	NIOC	COSL	Iran Alborz	GVA4000	3,281	\$270	1Q09	Sadra	Iran	2009	Caspian Oil/NOIC
39	Noble Corp.	Noble Corp.	Noble Danny Adkins	Bingo 9000	12,000	\$500	1Q09	Jurong	Sing.	2009	Shell
40	Noble Corp.	Noble Corp.	Noble Jim Day	Bingo 9000	12,000	\$550	4Q09	Jurong	Sing.	2009	Marathon
41	Noble Corp.	Noble Corp.	Unnamed	Huisman Globetrotter	10,000	\$585	4Q11	Dalian	China	2011	--
42	Odebrecht	Odebrecht	Norbe VI	GustoMSC TDS-2000Plus	7,874	--	1Q10	IMAC	Abu Dhabi	2010	Petrobras
43	Odebrecht	Odebrecht	Norbe VIII	--	10,000	\$690	4Q11	Daewoo	Korea	2011	Petrobras
44	Odebrecht	Odebrecht	Norbe IX	--	10,000	\$690	4Q11	Daewoo	Korea	2011	Petrobras
45	Offfield Drilling	Offfield Drilling	Deepsea Stavanger	GVA 7500-N-E	10,000	\$674	3Q10	Daewoo	Korea	2010	--
46	Petrobras	Petrobras	Unnamed	Samsung Heavy Industries	10,000	\$616	2Q10	Samsung Heavy	Korea	2010	Petrobras
47	Petromena	Larsen Oil & Gas	PetroRig IV	F&G Ex-D	10,000	\$640	2Q11	Jurong	Sing.	2011	--
48	Petromena	Larsen Oil & Gas	PetroRig III	F&G Ex-D	10,000	\$620	1Q10	Jurong	Sing.	2010	PEMEX
49	Petromena	Larsen Oil & Gas	PetroRig II	F&G Ex-D	10,000	\$553	4Q09	Jurong	Sing.	2009	Petrobras
50	Petromena	Larsen Oil & Gas	PetroRig I	F&G Ex-D	10,000	\$555	1Q09	Jurong	Sing.	2009	Petrobras
51	Petroseav	Petroseav	SSV Victoria	GVA 7500-N	7,874	\$485	2Q09	Daewoo	Korea	2009	Petrobras
52	Petroseav	Unnamed	Unnamed	--	10,000	\$755	2Q11	Daewoo	Korea	2011	Petrobras
53	Pride International/Pacific	Pride International	Unnamed	Saipem 1000 (Harsh)	10,000	\$730	1Q10	Samsung Heavy	Korea	2010	BP
54	Pride International	Pride International	Unnamed	Samsung Heavy Industries	12,000	\$725	3Q10	Samsung Heavy	Korea	2010	BP
55	Pride International	Pride International	Unnamed	Samsung Heavy Industries	12,000	\$720	2Q11	Samsung Heavy	Korea	2011	Petrobras
56	Pride International	Pride International	Unnamed	Samsung Heavy Industries	12,000	\$745	4Q11	Samsung Heavy	Korea	2011	--
57	Queiroz Galvao	Queiroz Galvao	Lone Star	GustoMSC TDS-2000Plus	7,874	\$480	2Q09	IMAC	Abu Dhabi	2009	Petrobras
58	Queiroz Galvao	Queiroz Galvao	Gold Star	KFELS/MSC DSS 38	9,000	--	4Q09	Keppel FELS	Sing.	2009	Petrobras
59	Queiroz Galvao	Queiroz Galvao	Alpha Star	KFELS/MSC DSS 38	9,000	--	3Q11	Keppel FELS	Sing.	2011	Petrobras
60	Saipem	Saipem	Scarabeo 8	Moss Maritime CS-50 MkII (N)	9,843	\$615	1Q10	Fincantieri	Italy	2010	Eni
61	Saipem	Saipem	Saipem 12000	Samsung/Saipem 12,000	12,000	\$660	1Q10	Samsung Heavy	Korea	2010	Total
62	Saipem	Saipem	Scarabeo 9	D90 DRR DP3	12,000	\$533	3Q09	Yantai Raffles	China	2009	Eni
63	Schahin	Schahin	Schahin III	Friede & Goldman ExD	7,875	--	3Q09	Yantai Raffles	China	2009	Petrobras
64	Schahin	Schahin	Schahin I	Friede & Goldman ExD	6,560	--	1Q10	Yantai Raffles	China	2010	Petrobras
65	Schahin	Schahin	Unnamed	--	10,000	\$682	3Q11	Samsung Heavy	Korea	2011	Petrobras
66	Schahin	Schahin	Unnamed	--	10,000	--	4Q12	Samsung Heavy	Korea	2012	Petrobras
67	Scorpion Offshore	Scorpion Offshore	Unnamed	KFELS/MSC DSS 38	7,874	\$714	2Q12	Keppel FELS	Sing.	2012	Petrobras
68	SeaDragon Offshore	SeaDragon Offshore	Oban B	Moss CS50 6G	10,000	\$510	4Q09	Haverton/Severodvinsk	Russia	2009	PEMEX
69	SeaDragon Offshore	SeaDragon Offshore	SDD II	Moss CS50 6G	10,000	\$510	4Q10	Haverton/Vyborg	Russia	2010	--
70	SeaDrill	SeaDrill	West Aquarius	GVA 7500-N (Harsh)	7,500	\$526	1Q09	Daewoo	Korea	2009	ExxonMobil
71	SeaDrill	SeaDrill	West Orion	Friede & Goldman ExD	10,000	\$625	2Q10	Jurong	Sing.	2010	Petrobras
72	SeaDrill	SeaDrill	West Gemini	Samsung/Saipem 10,000	10,000	\$615	3Q10	Samsung Heavy	Korea	2010	--
73	SeaDrill	SeaDrill	West Capricorn	Friede & Goldman ExD	10,000	\$640	4Q11	Jurong	Sing.	2011	--
74	Sevan	Sevan	Sevan Driller	SSP Drilling Unit	7,874	\$500	1Q09	Hantong	China	2009	Petrobras
75	Sevan	Sevan	Sevan Brasil	Sevan Drilling Sevan 650	7,874	--	4Q11	COSCO	China	2011	Petrobras
76	Sevan	Sevan	Sevan Driller 2	Sevan Drilling Sevan 650	10,000	--	1Q11	COSCO	China	2011	ONGC
77	Stena	Stena	Stena Forth	Stena/Samsung (Harsh)	7,500	\$760	3Q09	Samsung Heavy	Korea	2009	Hess
78	Stena	Stena	Stena DrillMAX IV	Stena/Samsung (Harsh)	10,000	\$1,150	4Q11	Samsung Heavy	Korea	2011	--
79	Tanker Pacific	Pacific Drilling	Unnamed	Samsung Heavy Industries	10,000	\$632	4Q10	Samsung Heavy	Korea	2010	--
80	Tanker Pacific	Pacific Drilling	Unnamed	Samsung Heavy Industries	10,000	\$632	2Q11	Samsung Heavy	Korea	2011	--
81	Tanker Pacific	Pacific Drilling	Unnamed	Samsung Heavy Industries	10,000	\$650	3Q11	Samsung Heavy	Korea	2011	--
82	Tanker Pacific	Pacific Drilling	Unnamed	Samsung Heavy Industries	10,000	\$650	3Q11	Samsung Heavy	Korea	2011	--
83	TMT/Mandarin	TMT/Mandarin	Unnamed	Daewoo Shipbuilding & Marine	12,000	\$782	3Q11	Daewoo	Korea	2011	--
84	TMT/Mandarin	TMT/Mandarin	Unnamed	Daewoo Shipbuilding & Marine	10,000	\$672	1Q12	Daewoo	Korea	2012	--
85	Transocean	Transocean	Discoverer Clear Leader	Enterprise-Class	12,000	\$650	1Q09	Daewoo	Korea	2009	Chevron
86	Transocean	Transocean	Discoverer Americas	Enterprise-Class	12,000	\$615	2Q09	Daewoo	Korea	2009	Norsk Hydro
87	Transocean	Transocean	Discoverer Inspiration	Enterprise-Class	12,000	\$670	4Q09	Daewoo	Korea	2009	Chevron
88	Transocean	Transocean	Discoverer Luanda	Daewoo Shipbuilding & Marine	7,500	\$670	1Q10	Daewoo	Korea	2010	British Petroleum
89	Transocean	Transocean	Dhirubhai Deepwater KG1	Samsung/Saipem 10,000	12,000	\$600	1Q09	Samsung Heavy	Korea	2009	Reliance
90	Transocean	Transocean	Dhirubhai Deepwater KG2	Samsung/Saipem 10,000	10,000	\$550	4Q09	Samsung Heavy	Korea	2009	Reliance
91	Transocean	Transocean	GSF DD III	DSS 51	7,500	\$599	1Q09	Keppel FELS	Sing.	2009	British Petroleum
92	Transocean	Transocean	Transocean HHI Drsh	GustoMSC P10,000 (Harsh)	10,000	\$740	3Q10	Hyundai Heavy	Korea	2010	ExxonMobil
93	Transocean	Transocean	Unnamed	Enterprise-Class	10,000	\$730	4Q10	Daewoo	Korea	2010	Reliance
94	Transocean	Transocean	Petrobras 10000	Samsung Heavy Industries	10,000	\$750	3Q09	Samsung Heavy	Korea	2009	Petrobras
95	Vantage Energy	Vantage Energy	Platinum Explorer	Daewoo Shipbuilding & Marine	12,000	\$761	4Q10	Daewoo	Korea	2010	--

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

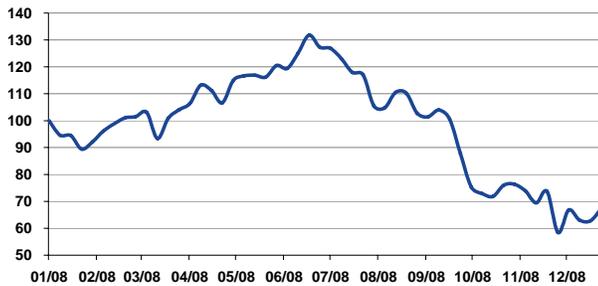
Performance Review

Exhibit 72 Segment and Index Performance

	Last		2009	2008	2007	2006
	Week	Month				
Logistics	17.9%	21.6%	3.2%	-42.8%	22.1%	15.4%
Land Drillers	12.5%	3.2%	5.4%	-45.7%	-4.4%	-23.1%
Equipment	12.2%	16.7%	6.7%	-58.0%	54.2%	43.4%
Offshore Drillers	14.9%	5.9%	8.7%	-63.2%	36.9%	20.3%
Services	18.6%	22.6%	8.6%	-64.6%	28.5%	9.9%
Offshore Construction	13.1%	21.5%	8.7%	-72.1%	45.0%	42.7%
Seismic	16.7%	13.0%	8.6%	-73.4%	33.4%	81.5%
Henry Hub (Gas)	-2.9%	-10.9%	0.0%	-24.4%	18.8%	-43.9%
XNG	10.0%	4.9%	5.2%	-34.5%	29.6%	11.2%
XOI	9.7%	14.2%	4.1%	-37.2%	31.3%	20.4%
S&P 500	6.8%	7.0%	3.2%	-38.5%	3.5%	13.6%
WTI (Oil)	18.3%	-4.7%	0.0%	-53.5%	57.2%	0.0%
OSX	14.5%	13.4%	7.6%	-59.8%	50.9%	9.8%

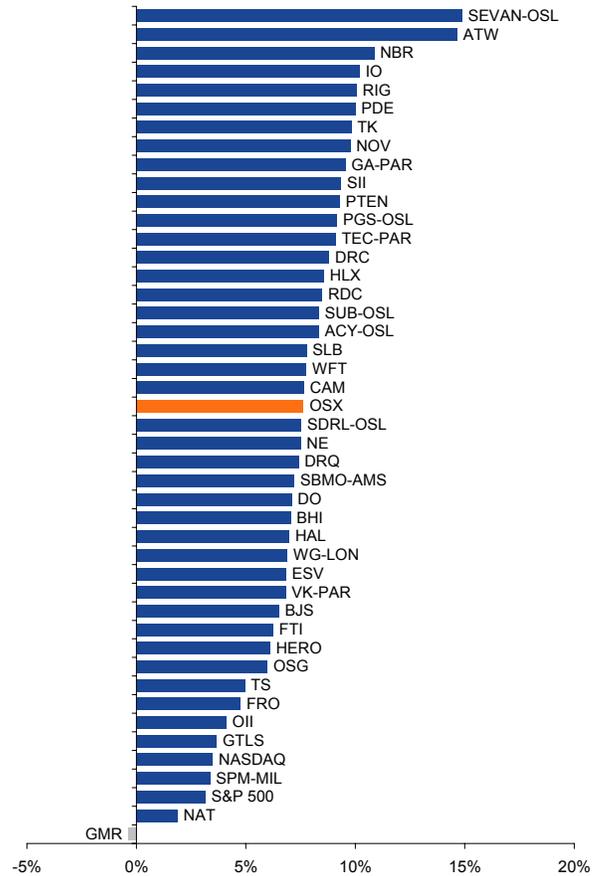
Source: Company data, Morgan Stanley Research

Exhibit 73 Relative Performance of the OSX to S&P 500 (52-wk)



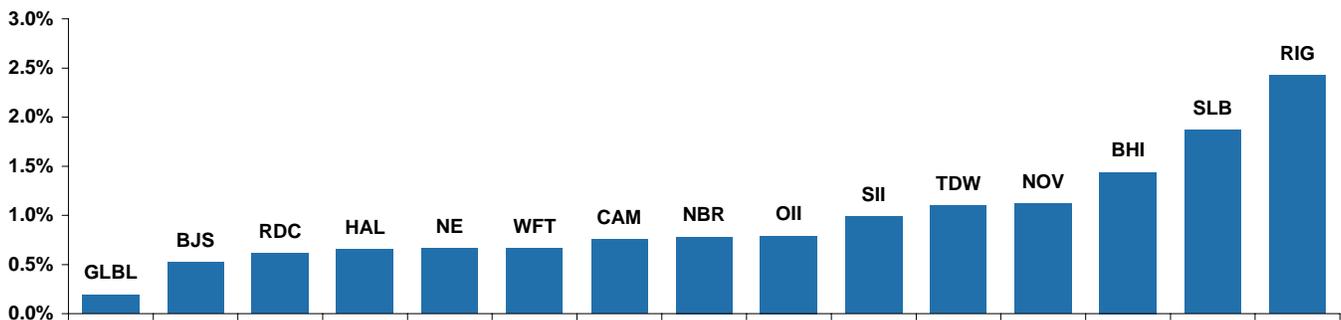
Source: FactSet; Morgan Stanley Research

Exhibit 74 Stock Performance in 2009 (YTD)



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

Exhibit 75 Component Contribution to Overall Performance of the OSX Last Week



Source: FactSet; Morgan Stanley Research

January 5, 2009

Oil Services, Drilling & Equipment

Exhibit 76

Global Coverage Universe (US\$) Performance Review

Company	Price USD	52-wk High	52-wk Low	% Below 52W-HI	% Above 52W-LO	Last Week	Last 4-Wks	Last 3-Mos	2008	2009
Oil Services:										
BJ Services	12.43	34.94	8.34	-64.4%	49.0%	16.0%	34.8%	-24.6%	-51.9%	6.5%
Halliburton	19.45	55.38	12.80	-64.9%	52.0%	12.8%	41.1%	-27.0%	-52.0%	7.0%
Schlumberger	45.62	111.95	37.07	-59.3%	23.1%	15.6%	14.0%	-36.8%	-57.0%	7.8%
Baker Hughes	34.33	90.81	24.40	-62.2%	40.7%	15.9%	31.9%	-30.1%	-60.5%	7.0%
Weatherford	11.66	49.98	7.75	-76.7%	50.5%	21.7%	34.3%	-41.7%	-68.5%	7.8%
Smith International	25.03	88.40	18.23	-71.7%	37.3%	15.0%	26.9%	-50.7%	-69.0%	9.3%
Offshore Drillers:										
ENSCO International	30.33	83.24	22.38	-63.6%	35.5%	10.4%	21.9%	-40.1%	-52.4%	6.8%
Pride International	17.58	48.86	11.38	-64.0%	54.5%	17.4%	39.1%	-29.7%	-52.9%	10.0%
Diamond Offshore	63.12	147.77	54.52	-57.3%	15.8%	9.1%	6.5%	-31.1%	-58.5%	7.1%
Rowan Companies	17.25	47.94	12.00	-64.0%	43.8%	13.4%	26.0%	-32.2%	-59.7%	8.5%
Noble Corporation	23.75	68.99	19.23	-65.6%	23.5%	10.6%	13.6%	-36.6%	-60.9%	7.5%
Transocean	52.01	163.00	41.95	-68.1%	24.0%	17.7%	8.4%	-45.1%	-67.0%	10.1%
Seadrill Limited	8.46	36.57	5.64	-76.9%	50.0%	22.1%	23.0%	-50.3%	-67.8%	7.5%
Atwood Oceanics	17.52	63.46	12.60	-72.4%	39.0%	24.2%	19.6%	-42.6%	-69.5%	14.7%
Hercules Offshore	5.04	39.47	3.06	-87.2%	64.7%	9.1%	10.5%	-55.4%	-80.0%	6.1%
Land Drillers:										
Patterson-UTI	12.58	37.45	8.64	-66.4%	45.6%	16.2%	34.7%	-20.3%	-41.0%	9.3%
Nabors Industries	13.27	50.58	9.72	-73.8%	36.5%	22.3%	21.3%	-37.4%	-56.3%	10.9%
Equipment:										
Tenaris S.A.	22.02	75.43	15.32	-70.8%	43.7%	8.5%	14.5%	-31.8%	-53.1%	5.0%
Dresser-Rand	18.77	42.49	11.70	-55.8%	60.4%	14.9%	23.9%	-32.3%	-55.8%	8.8%
Oceaneering International	30.34	82.49	18.05	-63.2%	68.1%	9.9%	53.7%	-26.0%	-56.7%	4.1%
Cameron International	22.07	58.53	16.15	-62.3%	36.7%	13.0%	27.9%	-29.3%	-57.4%	7.7%
FMC Technologies	25.32	78.96	20.27	-67.9%	24.9%	11.5%	12.5%	-37.5%	-58.0%	6.3%
Vallourec	120.29	353.63	80.29	-66.0%	49.8%	9.5%	18.6%	-35.0%	-58.4%	6.8%
Dril Quip	22.03	65.36	14.15	-66.3%	55.7%	21.5%	28.0%	-38.7%	-63.2%	7.4%
Chart Industries	11.02	55.73	6.42	-80.2%	71.7%	0.1%	34.2%	-53.3%	-65.6%	3.7%
National Oilwell Varco	26.83	92.70	17.60	-71.1%	52.4%	15.8%	35.8%	-35.0%	-66.7%	9.8%
Engineering & Construction:										
SBM Offshore	13.93	42.07	12.16	-66.9%	14.6%	10.5%	2.6%	-30.4%	-58.8%	7.2%
Saipem	16.99	48.69	12.51	-65.1%	35.7%	3.1%	22.1%	-35.7%	-59.0%	3.4%
Technip	33.08	99.49	20.95	-66.8%	57.9%	17.7%	34.2%	-35.1%	-62.0%	9.1%
Wood Group	2.89	10.03	2.26	-71.1%	28.2%	4.9%	6.4%	-49.4%	-68.6%	6.9%
Subsea 7	6.27	30.56	4.60	-79.5%	36.1%	16.8%	7.8%	-48.2%	-74.2%	8.3%
Aceryg	6.03	28.53	3.49	-78.9%	72.8%	17.1%	17.9%	-33.3%	-75.1%	8.3%
Helix Energy Solutions	7.86	42.83	3.91	-81.6%	101.0%	23.6%	51.2%	-61.2%	-82.6%	8.6%
Sevan Marine	1.21	17.83	0.89	-93.2%	37.0%	-0.3%	-0.5%	-53.8%	-93.0%	14.9%
Reservoir Information / Seismic:										
CGG Veritas	16.14	59.10	10.56	-72.7%	52.9%	15.3%	18.0%	-40.5%	-74.2%	9.6%
ION Geophysical	3.78	18.26	2.14	-79.3%	76.6%	26.0%	35.0%	-68.0%	-78.3%	10.2%
Petroleum Geo-Services	4.31	32.63	2.84	-86.8%	51.9%	20.6%	25.2%	-62.9%	-86.4%	9.2%
Energy Shipping:										
Nordic American Tankers	34.39	42.00	22.00	-18.1%	56.3%	2.5%	15.8%	22.3%	2.8%	1.9%
Frontline	31.02	72.36	25.00	-57.1%	24.1%	6.1%	18.3%	-24.8%	-38.3%	4.8%
General Maritime	10.76	23.13	6.60	-53.5%	63.1%	8.5%	18.4%	-9.0%	-40.8%	-0.4%
Overseas Shipholding	44.63	87.79	28.29	-49.2%	57.8%	14.7%	31.9%	-12.6%	-43.4%	6.0%
Teekay	21.58	54.71	10.95	-60.6%	97.1%	35.4%	54.1%	-3.6%	-63.1%	9.8%
Indices:										
XNG	395.0	776.1	300.8	-49.1%	31.3%	10.0%	17.3%	-13.5%	-34.5%	5.2%
XOI	1,019.8	1,664.0	744.6	-38.7%	37.0%	9.7%	20.9%	-3.7%	-37.2%	4.1%
S&P 500	931.8	1,471.8	741.0	-36.7%	25.7%	6.8%	10.2%	-15.2%	-38.5%	3.2%
NASDAQ	1,632.2	2,661.5	1,295.5	-38.7%	26.0%	6.7%	12.9%	-16.2%	-40.5%	3.5%
OSX	130.7	364.3	97.2	-64.1%	34.5%	14.5%	25.5%	-35.0%	-59.8%	7.6%

Source: FactSet; Morgan Stanley Research

Valuation Methodologies and Investment Risks

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

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

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

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

Net Asset Value (NAV) is one of the more useful exercises in terms of identifying support levels for the asset intensive offshore drilling stocks. Depending on the mix of assets, a typical price/NAV support level has been 70–100%, while the upside is near two times NAV. The variance in the multiples on

net asset value is largely a function of the fleet composition. Today the horsepower is in the deepwater, whereas in prior years, a bias toward jackups yielded a wider trading range. We calculate a NAV/share by applying a vendor published second-hand market value to each rig within a company’s fleet, then grossing up to a fleet market value plus other assets, then adjusting for debt.

Investment Risks

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

Main Investment Risks include:

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

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

January 5, 2009

Oil Services, Drilling & Equipment

Exhibit 77

Oil Service: Price Target Methodology and Risks

Ticker	Price Target Methodology
Oil Service	
SLB	Based on 21.5x 2010E EPS or 77% historical 12-month forward average of 28x. Multiple compression due to risks on sustainability of commodity price cycle which would result in lower oil demand and drilling activity.
HAL	Based on 16.3x 2010E EPS or 82% historical 12-month forward average of 20x. Multiple compression due to risks of additional pressure pumping capacity leading to pricing pressure in the North American market.
BHI	Based on 13.6x 2010E EPS or 57% historical 12-month forward average of 24x. Multiple compression due to lingering execution risks related to capacity additions in international markets.
WFT	Based on 17.6x 2010E EPS or 53% historical 12-month forward average of 33x. Multiple compression due to execution risks related to international expansion and large percentage of revenue exposure to the North American market.
BJS	Based on 13.3x 2010E EPS or 70% historical 12-month forward average of 19x. Multiple compression due to risks of additional pressure pumping capacity leading to pricing pressure in the North American market.
SII	Based on 14.1x 2010E EPS or 61% historical 12-month forward average of 23x. Multiple compression due to risks related to delays in the offshore newbuilding cycle which could delay the company's organic growth profile in 2008 and beyond.

Source: Company data, Morgan Stanley Research

Exhibit 78

Oil Service Equipment: Price Target Methodology and Risks

Ticker	Price Target Methodology
Equipment	
TS	Based on 12.5x 2010E EPS, roughly a 20% discount to US equipment names CAM (13.9x) and DRQ (16.9x). Risks include integration of recent acquisition of Maverick and Hydril as well as potential capacity additions of seamless OCTG.
NOV	Based on 14.0x 2010E EPS or 45% historical 12-month forward average of 31x. Multiple compression due to risks of a slowdown in rig construction as the cycle matures.
CAM	Based on 14.3x 2010E EPS or 42% historical 12-month forward average of 34x. Multiple compression due to integration of Dresser Flow Control.
FTI	Based on 15.2x 2010E EPS or 76% historical 12-month forward average of 20x. Multiple compression due to risks associated with supply chain management and ability to execute on record backlog.
DRC	Based on 15.3x 2010E EPS or 90% historical 12-month forward average of 17x. Execution risks associated with back-end loaded year-end results and competition in compressors from GE and Siemens.
DRQ	Based on 15.7x 2010E EPS or 65% historical 12-month forward average of 24x. Multiple compression due to risks associated with the introduction of new technologies including liner hangers and fully integrated subsea systems.
OII	Based on 13.8x 2010E EPS or 86% historical 12-month forward average of 16x. Multiple compression due to risks associated with cancellations and delays of deepwater floater newbuilds.
GTLS	Based on 11.2x 2010E EPS, roughly a 20-30% discount to the production-oriented equipment peers (CAM, FTI, DRQ). Risks include the company's exposure to the industrial gas market, delays in sanctioning planned large-scale LNG projects and execution risks.

Source: Company data, Morgan Stanley Research

Exhibit 79

Offshore and Land Drillers: Price Target Methodology and Risks

Ticker	Price Target Methodology
Offshore Drillers	
RIG	Based on 8.3x 2010E EPS or 55% historical 12-month forward average of 15x. Multiple compression due to oversupply concerns based on the current newbuilding cycle.
NE	Based on 8.3x 2010E EPS or 31% historical 12-month forward average of 27x. Multiple compression due to oversupply concerns based on the current newbuilding cycle.
DO	Based on DO adopting a relatively full quarterly payout policy, with shares re-rating to a 7% dividend yield.
ESV	Based on 8.2x 2010E EPS or 48% historical 12-month forward average of 17x. Multiple compression due to oversupply concerns based on the current newbuilding cycle.
PDE	Based on 8.9x 2010E EPS or 46% historical 12-month forward average of 19x. Multiple compression due to oversupply concerns based on the current newbuilding cycle and execution on restructuring efforts.
RDC	Based on 8.4x 2010E EPS or 42% historical 12-month forward average of 20x. Multiple compression due to oversupply concerns based on the current newbuilding cycle.
HERO	Based on 17.0x 2010E EPS, above industry peers, due to greater post-trough growth potential. Risks include continued weakness in North American natural gas prices that will depress demand for jackups in the Gulf of Mexico as well as a political or economic disruption that may reduce liftboat activity in West Africa.
ATW	Based on 7.8x 2010E EPS or 46% historical 12-month forward average of 17x. Multiple compression due to oversupply concerns based on the current newbuilding cycle.
Land Drillers	
NBR	Based on 15.9x 2010E EPS or 83% historical 12-month forward average of 19x. Multiple compression due to high leading edge dayrates and oversupply concerns on rig capacity additions in North America.
PTEN	Based on 42.4x 2010E EPS or 236% historical 12-month forward average of 18x, and in line with historical trough earnings multiples.

Source: Company data, Morgan Stanley Research.

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(as of December 31, 2008)

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January 5, 2009

Oil Services, Drilling & Equipment

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	811	34%	240	40%	30%
Equal-weight/Hold	1060	45%	271	45%	26%
Not-Rated/Hold	33	1.4%	8	1.3%	24.2%
Underweight/Sell	463	20%	87	14%	19%
Total	2,367		606		

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January 5, 2009

Oil Services, Drilling & Equipment

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Industry Coverage: Oil Services, Drilling & Equipment

Company (Ticker)	Rating (as of)	Price (01/02/2009)
Ole Slorer		
Atwood Oceanics Inc (ATW.N)	E (09/16/2008)	\$17.52
BJ Services (BJS.N)	E (09/25/2008)	\$12.43
Baker Hughes (BHI.N)	O (07/27/2006)	\$34.33
Cameron International (CAM.N)	E (09/25/2008)	\$22.07
Chart Industries (GTLS.O)	U (10/20/2008)	\$11.02
Diamond Offshore (DO.N)	O (10/23/2007)	\$63.12
Dresser-Rand (DRC.N)	E (09/25/2008)	\$18.77
Dril Quip Inc. (DRQ.N)	O (03/03/2008)	\$22.03
ENSCO (ESV.N)	U (11/13/2006)	\$30.33
FMC Technologies (FTI.N)	U (02/01/2008)	\$25.32
Halliburton Co. (HAL.N)	O (01/25/2008)	\$19.45
Helix Energy Solutions (HLX.N)	NA (12/14/2008)	\$7.86
Hercules Offshore (HERO.O)	O (06/12/2007)	\$5.04
ION Geophysical (IO.N)	U (02/18/2005)	\$3.78
Nabors Industries Inc. (NBR.N)	O (09/25/2008)	\$13.27
National Oilwell Varco (NOV.N)	O (09/25/2008)	\$26.83
Noble Corporation (NE.N)	E (06/26/2008)	\$23.75
Oceaneering International Inc (OII.N)	O (09/16/2008)	\$30.34
Patterson-UTI Energy (PTEN.O)	E (09/25/2008)	\$12.58
Pride International Inc. (PDE.N)	U (07/25/2007)	\$17.58
Rowan Companies (RDC.N)	E (01/19/2006)	\$17.25
Schlumberger (SLB.N)	O (04/21/2008)	\$45.62
Smith International Inc. (SII.N)	O (06/30/2008)	\$25.03
Transocean (RIG.N)	O (10/20/2008)	\$52.01
Weatherford International (WFT.N)	O (09/22/2003)	\$11.66

Stock Ratings are subject to change. Please see latest research for each company.