

GLOBAL INDUSTRIES LTD

Form 10-K

February 26, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

**Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2009**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from _____ to _____**

Commission File Number 0-21086

Global Industries, Ltd.

(Exact Name of Registrant as Specified in Its Charter)

Louisiana

(State or Other Jurisdiction of
Incorporation or Organization)

72-1212563

(I.R.S. Employer Identification Number)

8000 Global Drive

Carlyss, Louisiana

(Address of Principal Executive Offices)

70665

(Zip Code)

Registrant's telephone number, including area code: **(337) 583-5000**

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

Title of each class

Name of each exchange on which registered

Common Stock (\$0.01 par value)

The NASDAQ Global Select Market LLC

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company
(Do not check if Smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

YES NO

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2009 was \$610,586,825 based on the last reported sales price of the Common Stock on June 30, 2009 on the NASDAQ Global Select Market.

The number of shares of the registrant's Common Stock outstanding as of February 23, 2010, was 113,842,977.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 19, 2010 are incorporated by reference into Part III hereof.

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FORWARD-LOOKING STATEMENTS

We are including the following discussion to generally inform our existing and potential security holders of some risks and uncertainties that can affect us and to take advantage of the safe harbor protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, to inform existing and potential security holders about us. These statements may include projections and estimates concerning the timing and success of specific projects and our future backlog, revenues, income, and capital spending. Forward-looking statements are generally accompanied by words such as estimate, project, believe, expect, anticipate, plan, goal, or other words that convey uncertainty of future events or outcomes. In addition, various statements in this Annual Report on Form 10-K (the Annual Report), including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. In this Annual Report, forward-looking statements appear under Business in Item 1 of Part I, Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II, in the Notes to Consolidated Financial Statements in Item 8 of Part II, and elsewhere. These forward-looking statements speak only as of the date of this Annual Report. We disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to business, economic, competitive, regulatory, and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

- the level of capital expenditures in the oil and gas industry;
- general economic and business conditions and industry trends;
- risks inherent in doing business abroad;
- operating hazards related to working offshore;
- our dependence on significant customers;
- the level of offshore drilling activity;
- possible construction delays or cost overruns related to construction projects;
- our ability to attract and retain skilled workers;
- environmental matters;
- changes in laws and regulations;
- the effects of resolving claims and variation orders;
- adverse outcomes from legal and regulatory proceedings;
- our ability to obtain surety bonds, letters of credit and financing;
- our availability of capital resources;

our ability to obtain new project awards;

delays or cancellation of projects included in backlog;

fluctuations in the prices of or demand for oil and gas;

our ability to comply with covenants in our credit agreements and other debt instruments and availability, terms and deployment of capital; and

foreign exchange, currency, and interest rate fluctuations.

We believe the items we have outlined above are important factors that could cause actual results to differ materially from those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed many of these factors in more detail elsewhere in this report. These factors are not necessarily all of the important factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this report could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to

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update our description of important factors each time a potential important factor arises, except as required by applicable securities laws and regulations. We advise our security holders that they should (1) be aware that important factors not referred to above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

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PART I

ITEM 1. BUSINESS

We provide worldwide construction and subsea services including pipeline construction, platform installation and removal, project management, construction support, diving services, diverless intervention, and marine support services to the offshore oil and gas industry primarily in selected international areas and the United States Gulf of Mexico. Unless the context indicates otherwise, all references to we, us, our, or the Company refer to Global Industries, Ltd. and its consolidated subsidiaries.

Segments of Business

Our worldwide business is divided into six reportable segments: North America Offshore Construction Division, North America Subsea, Latin America, West Africa, Middle East, and Asia Pacific/India. For additional segment information, please refer to the narrative and tabular descriptions of our segments and operating results under Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II of this Annual Report and under Note 17 Industry, Segment and Geographic Information in Item 8 of Part II of this Annual Report.

DESCRIPTION OF OPERATIONS

We and our predecessors began as a provider of diving services to the offshore oil and gas industry in 1974 and formed Global Industries, Ltd. in 1990 under the corporate laws of Louisiana. Over the years we have used selective acquisitions, new construction, and upgrades to expand our operations and assets. On December 31, 2009, our fleet included eight derrick lay barges (DLBs), one heavy lift ship, one pipelay barge, four multi-service vessels (MSVs), three dive support vessels (DSVs), one offshore supply vessel (OSV), and one cargo barge. Our major construction vessels, which include nine barges and one ship, have various combinations of pipelay, pipe bury, derrick, dive support and deepwater lowering capabilities. Presently, two pipelay/derrick vessels, the *Global 1200* and *Global 1201*, are under construction with expected delivery dates in 2010 and 2011, respectively.

We are a leading offshore construction company offering a comprehensive and integrated range of marine construction and support services in the North America, Latin America, West Africa, Middle East, and Asia Pacific/India regions. These services include pipeline construction, platform installation and removal, project management, construction support, diving services, diverless intervention, and marine support services. We are equipped to provide services from shallow water to water depths of up to 10,000 feet. As exploration companies have made considerable commitments and expenditures for production in water depths over 1,000 feet, we have invested in vessels, equipment, technology, and skills to increase our abilities to provide services in this growing deepwater market.

Our business consists of two principal activities:

Offshore Construction Services, which include pipeline construction and platform installation and removal services; and

Subsea Services, which include diving and diverless intervention, SURF (subsea equipment, umbilical, riser, and flow line), and support services for construction.

For financial information regarding our operating segments and the geographic areas in which we operate, please read Note 17 Industry, Segment and Geographic Information in Item 8 of Part II of this Annual Report.

Offshore Construction Services

Our offshore construction services include pipelay, derrick, project management, and related services. We are capable of installing steel pipe by either the conventional or the reel method of pipelaying using

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either manual or automatic welding processes. With the conventional method, 40-foot to 60-foot segments of up to 60-inch diameter pipe are welded together, non-destructive tested and corrosion coated on the deck of the pipelay vessel. Each segment of pipe is connected to the prior segment of pipe and then submerged in the water as the vessel is moved forward by its anchor winches or, in some instances, onboard thrusters. This process is repeated until the desired length of pipe has been laid. In good weather conditions and shallow water, our vessels can install approximately 400 feet per hour of small diameter pipe using the conventional pipelay method. As pipe diameter increases, water depth increases, or weather conditions become less favorable, our rate of pipeline installation declines. The conventional method of pipeline construction is still the preferred method for laying pipelines in certain situations, especially in shallow water where pipeline burying is required and can be performed simultaneously with the laying of pipe. We have the ability to install pipelines using the conventional method in the U.S. Gulf of Mexico, Latin America, West Africa, Middle East, and Asia Pacific/India. Three of our offshore construction vessels employ dynamic positioning technology, which uses onboard thrusters in conjunction with global positioning system technology to enable a vessel to remain on station or move with precision without the use of anchors.

We are also capable of installing pipelines using the reel method of pipeline construction. Under the reel method, welding and testing are performed onshore, and then the pipe is spooled in one continuous length onto a large reel on a specially designed major construction vessel. Once the vessel is in the proper position offshore, the pipe is unreeled onto the ocean floor as the vessel moves forward. This method of pipeline construction is generally used for pipelines with diameters of 12.0 inches or less and is especially well suited for deep water where pipeline burying is not required and for seasons with inclement weather since offshore installation can be performed quickly between periods of rough weather. The pipeline construction services that we perform by the reel method are primarily performed in the U.S. Gulf of Mexico.

All of our major construction vessels are equipped with cranes designed to lift and place equipment into position for installation. Seven of these vessels are capable of lifts of 500 tons or more, making them suitable for very heavy lifts such as offshore platform installations. In addition, the vessels can be used to disassemble and remove platforms and prepare them for salvage or refurbishment. In the Gulf of Mexico, the United States Department of Interior Minerals Management Service (MMS) regulations require platforms to be removed within twelve months after production ceases and require the site be restored to meet stringent standards. According to the MMS, in January 2010 there were approximately 3,700 platforms on active leases in U.S. waters of the Gulf of Mexico.

Subsea Services

Demand for subsea services covers the full life cycle of an offshore oil and gas property, including:

- supporting exploration;

- supporting platform and pipeline installation;

- performing periodic inspections of pipelines and platforms;

- performing repairs and maintenance to pipelines and platforms;

- supporting SURF (subsea equipment, umbilical, riser and flow line);

- providing remotely operated vehicle (ROV) services, and

- performing salvage and site clearance services.

To support our subsea operations, we operate a fleet of three DSVs and four MSVs. We also have two 200-horsepower work class ROVs that can operate in water depths up to 10,000 feet. In 2009, we began construction on two saturation diving systems, with expected completion in 2010 and 2011.

In the Gulf of Mexico, the United States Department of Interior Minerals Management Service (MMS) requires the burial of all offshore oil and gas pipelines greater than 8.75 inches in diameter and located in water depths of 200 feet or less. We believe we have the equipment and expertise necessary to assist our customers with compliance with these

MMS regulations. Regulations also require that these pipelines be periodically inspected, repaired, and if necessary, reburied. Inspection requires extensive diving or ROV services, and reburial requires either hand-jetting by divers or the use of one of our major

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construction vessels and a jet sled (a large machine, typically towed behind a major construction vessel, which uses powerful streams of water to bury a pipeline as the vessel moves forward).

For the Gulf of Mexico, the MMS requires that all offshore structures have extensive and detailed inspections for corrosion, metal thickness, and structural damage every five years. As the age of the offshore infrastructure increases, we anticipate demand for inspections, repairs, and wet welding technology to remain steady over the next three to five years.

For subsea projects involving long-duration and deepwater dives, we use saturation diving systems that maintain an environment for the divers at the subsea water pressure at which they are working until the job is completed.

Saturation diving allows divers to make repeated dives without decompressing, which reduces the time necessary to complete the job and reduces the divers exposure to the risks associated with frequent decompression. At December 31, 2009, we had ten saturation diving systems available for use. Our pipelay and derrick operations create captive demand for our saturation diving services. This ability to offer our divers saturation diving work helps us to attract and retain qualified and experienced divers.

We utilize wet underwater welding techniques in our Subsea Services. Underwater welds are made by two methods: dry hyperbaric welding and wet welding. In dry hyperbaric welding, a customized, watertight enclosure is engineered and fabricated to fit the specific requirements of the structural joint or pipeline requiring repairs. The enclosure is lowered into the water, attached to the structure or pipeline, and then the water is evacuated, allowing divers to enter the enclosure and perform dry welding repairs. Wet welding is accomplished while divers are in the water, using specialized welding rods. Wet welding is less costly because it eliminates the need to construct an expensive, customized, single-use enclosure.

Business Strategy

In 2010, we plan to concentrate on strengthening our core business by focusing on:

business development and backlog accumulation,

retention and hiring of key personnel,

cost management,

successful project execution, and

successful integration of the *Global 1200* into our fleet.

We also intend to broaden our business segments with emphasis on deepwater/SURF; integrated projects; inspection, repair and maintenance (IRM); and decommissioning/plug and abandonment.

Raw Materials

Our offshore construction activities require raw materials, such as carbon and alloy steels in various forms, welding gases, paint, fuels and lubricants, which are available from many sources. We do not depend on a single supplier or source for any of these materials. Although shortages of some of these materials and fuels have existed from time to time, no material shortage currently exists nor do we anticipate any. However, steel prices are volatile, and shortages may occur from time to time.

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Our customers are primarily oil and gas producers and pipeline companies. During the year ended December 31, 2009, we provided offshore marine construction services to approximately sixty customers. Seven customers accounted for at least 10% each of consolidated revenues in at least one of the years ended December 31, 2009, 2008, and 2007.

Customer	2009	2008	2007
	%	%	%
Chevron	15%	15%	14%
Petroleo Brasileiro S.A. (Petrobras)	13%	14%	
Petroleos Mexicanos (PEMEX)	12%	10%	23%
Mobile Producing Nigeria	12%	1%	
PT Transportasi Gas Indonesia	10%		
Saudi Aramco	8%		