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

FORM 10-Q

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from ______ to ______

Commission file number 001-32108

Hornbeck Offshore Services, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**72-1375844** **(I.R.S. Employer Identification Number)**

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

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

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

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

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

Large accelerated filer ☒	Non-accelerated filer ☐
Accelerated filer ☐	Smaller reporting company ☐

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

The total number of shares of common stock, par value $.01 per share, outstanding as of March 31, 2010 was 26,386,818.

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2010

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PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

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

	March 31, 2010	December 31, 2009
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,386	$ 51,019
Accounts receivable, net of allowance for doubtful accounts of $642 and $860, respectively	63,629	61,724
Other current assets	18,983	13,999
Total current assets	126,998	126,742
Property, plant and equipment, net	1,616,877	1,602,663
Deferred charges, net	42,618	41,195
Other assets	15,533	15,748
Total assets	$ 1,802,026	$ 1,786,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 18,753	$ 16,279
Accrued interest	9,626	9,787
Accrued payroll and benefits	6,204	6,878
Deferred revenue	1,508	1,876
Current taxes payable	1,082	1,615
Other accrued liabilities	12,870	4,571
Total current liabilities	50,043	41,006
Long-term debt, net of original issue discount of $50,513 and $53,326, respectively	749,487	746,674
Deferred tax liabilities, net	201,349	198,934
Other liabilities	1,962	2,671
Total liabilities	1,002,841	989,285
Stockholders' equity:		
Preferred stock: $0.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock: $0.01 par value; 100,000 shares authorized; 26,387 and 26,161 shares issued and outstanding, respectively	264	262
Additional paid-in-capital	406,866	407,334
Retained earnings	391,770	389,218
Accumulated other comprehensive income	285	249
Total stockholders' equity	799,185	797,063
Total liabilities and stockholders' equity	$ 1,802,026	$ 1,786,348

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

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(Unaudited)	
Revenues	$ 86,245	$109,647
Costs and expenses:		
Operating expenses	44,332	40,571
Depreciation	13,532	10,145
Amortization	4,311	5,003
General and administrative expenses	8,921	8,762
	71,096	64,481
Gain on sale of assets	524	245
Operating income	15,673	45,411
Other income (expense):		
Interest income	94	139
Interest expense	(11,657)	(2,731)
Other income (expense), net	(23)	(240)
	(11,586)	(2,832)
Income before income taxes	4,087	42,579
Income tax expense	1,535	15,478
Net income	$ 2,552	$ 27,101
Basic earnings per common share	$ 0.10	$ 1.04
Diluted earnings per common share	$ 0.09	$ 1.01
Weighted average basic shares outstanding	26,259	25,942
Weighted average diluted shares outstanding	27,119	26,803

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

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,552	$ 27,101
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,532	10,145
Amortization	4,311	5,003
Stock-based compensation expense	2,358	2,657
Provision for bad debts	(218)	(90)
Deferred tax expense	1,163	8,506
Amortization of deferred financing costs	3,718	2,989
Gain on sale of assets	(524)	(245)
Equity in (income) loss from investment	6	225
Changes in operating assets and liabilities:		
Accounts receivable	(1,709)	16,965
Other receivables and current assets	3,187	(51)
Deferred drydocking charges	(6,424)	(4,953)
Accounts payable	1,393	(8,918)
Accrued liabilities and other liabilities	(3,557)	(5,312)
Accrued interest	(160)	5,596
Net cash provided by operating activities	19,628	59,618
CASH FLOWS FROM INVESTING ACTIVITIES:		
Costs incurred for MPSV program	(7,038)	(37,674)
Costs incurred for OSV newbuild program #4	(15,085)	(42,669)
Net proceeds from sale of assets	1,334	937
Vessel capital expenditures	(5,097)	(1,784)
Non-vessel capital expenditures	(400)	(2,774)
Net cash used in investing activities	(26,286)	(83,964)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under revolving facility	—	25,000
Deferred financing costs	(55)	(6)
Net cash proceeds from other shares issued	45	83
Net cash provided by (used in) financing activities	(10)	25,077
Effects of exchange rate changes on cash	35	(38)
Net increase (decrease) in cash and cash equivalents	(6,633)	693
Cash and cash equivalents at beginning of period	51,019	20,216
Cash and cash equivalents at end of period	$ 44,386	$ 20,909
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:		
Cash paid for interest	$ 11,027	$ 590
Cash paid for income taxes	$ 726	$ 12,365

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

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements do not include certain information and footnote disclosures required by United States generally accepted accounting principles, or GAAP. The interim financial statements and notes are presented as permitted by instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements have been included and consist only of normal recurring items. The unaudited quarterly financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Hornbeck Offshore Services, Inc. (together with its subsidiaries, the “Company”) for the year ended December 31, 2009. The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

The consolidated balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

2. Earnings Per Share

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

	Three Months Ended March 31,	
	2010	2009
Net income	$ 2,552	$27,101
Weighted average number of shares of common stock outstanding	26,259	25,942
Add: Net effect of dilutive stock options and unvested restricted stock (1)(2)	860	861
Adjusted weighted average number of shares of common stock outstanding (3)	27,119	26,803
Earnings per common share:		
Basic	$ 0.10	$ 1.04
Diluted	$ 0.09	$ 1.01

(1) Stock options representing rights to acquire 401 and 429 shares of common stock for the three months ended March 31, 2010 and 2009, respectively, were excluded from the calculation of diluted earnings per share, because the effect was anti-dilutive after considering the exercise price of the options in comparison to the average market price, proceeds from exercise, taxes, and related unamortized compensation.

(2) As of March 31, 2010 and 2009, the 1.625% convertible senior notes were not dilutive, as the average price of the Company’s stock was less than the effective conversion price of such notes. See Note 3 for further information.

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

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Long-Term Debt

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

	March 31, 2010	December 31, 2009
6.125% senior notes due 2014, net of original issue discount of $325 and $341	$ 299,675	$ 299,659
8.000% senior notes due 2017, net of original issue discount of $6,817 and $6,980	243,183	243,020
1.625% convertible senior notes due 2026, net of original issue discount of $43,371 and $46,005 (1)	206,629	203,995
Revolving credit facility due 2013	—	—
	749,487	746,674
Less current maturities	—	—
	$ 749,487	$ 746,674

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

The Company's 6.125% senior notes due 2014, or 2014 senior notes, have semi-annual cash interest payments of $9.2 million due and payable each June 1 and December 1. The Company's 8.000% senior notes due 2017, or 2017 senior notes, have semi-annual cash interest payments of $10.0 million due and payable each March 1 and September 1. The Company's 1.625% convertible senior notes due 2026, or convertible senior notes, have semi-annual cash interest payments of $2.0 million due May 15 and November 15, declining to 1.375%, or $1.7 million semi-annually, beginning on November 15, 2013.

Under the Company's revolving credit facility, it has the option of borrowing at a variable rate of interest equal to either (i) LIBOR, plus an applicable margin, or (ii) the greatest of the Prime Rate, the Federal Funds Effective Rate plus $^1/_2$ of 1% and the one-month LIBOR plus 1%, plus in each case an applicable margin. The applicable margin for each base rate is determined by a pricing grid, which is based on the Company's leverage ratio, as defined in the credit agreement governing the amended revolving credit facility. Unused commitment fees are payable quarterly at the annual rate of 50.0 basis points of the unused portion of the borrowing base of the amended facility. As of March 31, 2010 there were no amounts drawn under the Company's revolving credit facility and $0.9 million posted as a letter of credit. As of March 31, 2010, the Company is in compliance with all financial covenants contained in its revolving credit facility.

The Company estimates the fair value of its 2014 senior notes, its 2017 senior notes and its convertible senior notes by using quoted market prices. The fair value of the Company's revolving credit facility, when there are outstanding balances, approximates its carrying value. The face value, carrying value and fair value of the Company's total debt was $800.0 million, $749.5 million and $746.7 million, respectively, as of March 31, 2010.

Capitalized Interest

Interest expense excludes capitalized interest related to the construction or conversion of vessels in the approximate amounts of $2.6 million and $6.4 million for the three months ended March 31, 2010 and 2009, respectively.

4. Incentive Compensation

Stock-Based Incentive Compensation Plan

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

During the three months ended March 31, 2010, the Company granted time-based and performance-based restricted stock. Time-based restricted stock was granted to directors, executive officers and certain shore-side employees of the Company. Performance-based restricted stock was granted to executive officers of the Company. The shares to be received under the performance-based restricted stock are calculated based on the Company’s achievement of either of two pre-determined performance criteria over a three-year period, which under certain circumstances may be extended two additional years, as defined by the restricted stock agreement governing such awards. The actual number of shares that could be received by these award recipients can range from 0% to 100% of the Company’s base share awards depending on the performance goals attained by the Company.

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

In addition to the restricted stock granted in 2010, the Company granted performance-based and time-based restricted stock in 2007, 2008 and 2009. The performance-based restricted stock grants issued in 2007 were eligible for vesting in February 2010. Based on the Company’s performance, a portion of such restricted stock vested and the remainder was cancelled. The related stock-based compensation expense charges from previously issued equity grants and the financial impact such grants have on the Company’s operating results are reflected in the table below (in thousands, except for per share data):

	Three Months Ended March 31,	
	2010	2009
Income before taxes	$ 2,358	$ 2,657
Net income	$ 1,472	$ 1,689
Earnings per common share:		
Basic	$ 0.06	$ 0.07
Diluted	$ 0.05	$ 0.06

In addition, the Company capitalized approximately $0.2 million and $0.3 million of stock-based compensation expense as part of its ongoing newbuild construction programs and general corporate projects for the three months ended March 31, 2010 and 2009, respectively.

5. Contingencies

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

The Company insures against losses relating to its vessels, pollution and third party liabilities, including claims by employees under Section 33 of the Merchant Marine Act of 1920, or the Jones Act. Third party liabilities and pollution claims that relate to vessel operations are covered by the Company's entry in a mutual protection and indemnity association, or P&I Club, as well as by marine liability policies in excess of the P&I Club's coverage. In February 2010, the terms of entry with the P&I Club for both of the Company's segments contained an annual aggregate deductible (AAD) for which the Company remains responsible. The P&I Club is responsible for covered amounts that exceed the AAD, after payment by the Company of an additional individual claim deductible. The Company provides reserves for those portions of the AAD and any individual claim deductibles for which the Company remains responsible by using an estimation process that considers Company-specific and industry data, as well as management's experience, assumptions and consultation with outside counsel. As additional information becomes available, the Company will assess the potential liability related to its pending litigation and revise its estimates. Although historically revisions to such estimates have not been material, changes in estimates of the potential liability could materially impact the Company's results of operations, financial position or cash flows.

6. Segment Information

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

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table shows reportable segment information for the three months ended March 31, 2010 and 2009, reconciled to consolidated totals and prepared on the same basis as the Company's consolidated financial statements (in thousands).

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Upstream		
Domestic	$ 64,225	$ 71,064
Foreign (1)	12,372	19,512
	76,597	90,576
Downstream		
Domestic	9,285	18,833
Foreign (1)(2)	363	238
	9,648	19,071
Total	$ 86,245	$ 109,647
Operating Expenses:		
Upstream	$ 36,619	$ 29,001
Downstream	7,713	11,570
Total	$ 44,332	$ 40,571
Depreciation:		
Upstream	$ 11,394	$ 7,314
Downstream	2,138	2,831
Total	$ 13,532	$ 10,145
Amortization:		
Upstream	$ 3,685	$ 3,186
Downstream	626	1,817
Total	$ 4,311	$ 5,003
General and Administrative Expenses:		
Upstream	$ 8,231	$ 6,923
Downstream	690	1,839
Total	$ 8,921	$ 8,762
Gain on sale of assets:		
Upstream	$ 520	$ —
Downstream	4	245
Total	$ 524	$ 245
Operating Income:		
Upstream	$ 17,188	$ 44,152
Downstream	(1,515)	1,259
Total	$ 15,673	$ 45,411
Capital Expenditures:		
Upstream	$ 26,263	$ 84,134
Downstream	957	384
Corporate	400	383
Total	$ 27,620	$ 84,901

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	As of March 31, 2010	As of December 31, 2009
Identifiable Assets:		
Upstream	$ 1,569,270	$ 1,552,974
Downstream	204,678	204,850
Corporate	28,078	28,524
Total	$ 1,802,026	$ 1,786,348
Long-Lived Assets:		
Upstream		
Domestic	$ 1,270,669	$ 1,295,100
Foreign (1)	149,120	108,335
	1,419,789	1,403,435
Downstream		
Domestic	170,624	191,627
Foreign (1)(2)	19,166	—
	189,790	191,627
Corporate	7,298	7,601
Total	$ 1,616,877	$ 1,602,663

(1) The Company's vessels conduct operations in international areas. Vessels will routinely move to and from international and domestic operating areas. As these assets are highly mobile, the long-lived assets reflected above represent the assets that were present in international areas as of March 31, 2010 and December 31, 2009, respectively.

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

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our unaudited consolidated financial statements and notes to unaudited consolidated financial statements in this Quarterly Report on Form 10-Q and our audited financial statements and notes thereto included in our Annual Report on Form 10-K as of and for the year ended December 31, 2009. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements. See "Forward Looking Statements" for additional discussion regarding risks associated with forward-looking statements. In this Quarterly Report on Form 10-Q, "company," "we," "us," "our" or like terms refer to Hornbeck Offshore Services, Inc. and its subsidiaries, except as otherwise indicated.

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

General

Outlook

Weakness in the overall economy continues to negatively impact both of our business segments, resulting in reduced dayrates and utilization. Notwithstanding these prevailing conditions, we have seen some indications that demand for services in our Upstream Segment is stabilizing, and perhaps showing signs of improvement. We have seen no improvement of market conditions prevailing in our Downstream Segment. The duration of current conditions affecting both of our segments is not predictable. In addition, we are currently unable to determine the nature, timing and extent of any potential impact on our business segments resulting from the recent oil spill disaster in the U.S. Gulf of Mexico, or GoM.

Upstream Segment

As of March 31, 2010, our 41 active new generation OSVs, and four MPSVs were operating in domestic and international areas as noted in the following table:

Operating Areas	
Domestic	
GoM	27
Other U.S. coastlines	4
	31
Foreign (1)	
Latin America	12
Middle East	2
	14
Total Upstream Vessels (2)	45

(1) Our Upstream foreign areas of operation generally include the following countries: Mexico, Qatar and Brazil.
(2) Excluded from this table are eight of our new generation OSVs and two conventional OSVs that were stacked as of March 31, 2010.

Our average new generation OSV dayrates for the first quarter of 2010 were approximately $20,000 and our average OSV utilization was in the low-70% range. During the first quarter of 2010, our average OSV utilization was affected by approximately 282 days of aggregate downtime related to customer-required modifications and pre-positioning of eight vessels that have mobilized or are mobilizing to Latin America during the first half of 2010 for multi-year charters. This lower utilization also resulted from the continued soft OSV market conditions in the GoM, that began in early 2009. Our 200 class vessels have experienced a quarterly effective, or utilization-adjusted, dayrate decrease of over $9,000 from the first quarter of 2009 and spot dayrate decreases of $10,000, or roughly half of the spot dayrates experienced in early 2009. Effective dayrates for our 240 class and 265 class OSVs have decreased roughly $3,300 from the first quarter of 2009. An overall re-pricing of the OSV market has occurred over the last 6-12 months for long-term contracts that were negotiated from the 2005 to 2008 timeframe to current market fundamentals. Nearly all of our OSVs that were subject to re-pricing risk have rolled onto new contracts priced in the current dayrate environment. We only have two vessels that have contracts expiring before the end of 2010 and which have not already been re-priced in this down market. In addition, we have 21 other OSVs on long-term contracts with attractive pricing that have terms extending beyond the end of 2010, including some contracts that expire in 2014.

Vessels in the spot market will continue to be priced based on prevailing terms. We believe that the OSV demand outlook in the GoM will largely depend on various market indicators such as rig counts and oil and gas industry capital spending budgets for 2010. We also expect the overall supply of new generation OSVs in the GoM to increase over the balance of 2010 with the shipyard deliveries of an estimated 11 additional newbuild OSVs by year-end. Based on these supply/demand fundamentals, we had eight new generation OSVs stacked as of March 31, 2010. However, we expect two of these eight vessels to return to active service during the second quarter of 2010. The timing of any further vessel reactivations of our new generation OSVs will largely depend on the improvement of market drivers or a decrease in the overall supply of new generation OSVs in the GoM related to international deployments.

Fleetwide MPSV effective dayrates have trended about 28% lower than what we originally projected for first quarter 2010. We expect soft market conditions to have a continuing impact on dayrates and utilization of these vessels throughout 2010. Because these vessels, when operating, have worked at dayrates that are often considerably higher than OSV dayrates, their contribution can significantly increase volatility in our results of operations. The *HOS Achiever* is currently undergoing a crane upgrade, which will adversely affect its utilization on account of it being out-of-service for approximately 120 days during the first half of 2010, including 45 days of downtime that was incurred during the first quarter of 2010.

Downstream Segment

As of March 31, 2010, our Downstream fleet was comprised of a mix of nine double-hulled tank barges, four single-hulled tank barges and 16 ocean-going tugs. We also own two additional single-hulled tank barges that were retired from service in 2009 as required under OPA 90. In recognition of the soft market conditions for our single-hulled equipment that began early in the second quarter of 2008, we stacked all of our single-hulled tank barges and six lower horsepower tugs on various dates since the first quarter of 2008. The unfavorable revenue impact of stacking barges and tugs was partially offset by the reduced operating expenses associated with the lower cost of maintaining stacked equipment. Weak demand for Downstream equipment during the first quarter of 2010 has also impacted double-hulled tank barge utilization and dayrates, particularly for our black-oil equipment. Downstream results for the first quarter were adversely impacted by the continued decline in demand for petroleum products in the U.S. and an approximate 1.1 million-barrel increase in industry-wide newbuild double-hulled tank barge capacity during 2009. In addition, the seasonal heating oil market, which has historically driven demand for our vessels higher during the first quarter, was stunted this winter by the macro-economic conditions in the U.S that have existed over the last 12 to 18 months. We anticipate these weak market conditions will continue throughout 2010, and may result in our decision to stack one or more double-hulled tank barges in 2010. We do not expect to return to active service any of the currently stacked single-hulled barges in our Downstream fleet. With the protracted weak demand for tugs and tank barges coupled with the expansion of our Upstream fleet, we expect our Downstream segment to represent a much smaller portion of our consolidated operating results compared to historical trends.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles. In other circumstances, we are required to make estimates, judgments and assumptions that we believe are reasonable based on available information. We base our estimates and judgments on historical experience and various other factors that we believe are reasonable based upon the information available. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are discussed in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Results of Operations

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

	Three Months Ended March 31,	
	2010	2009
Offshore Supply Vessels:		
Average number of new generation OSVs (1)	48.5	40.6
Average new generation OSV fleet capacity (deadweight)	121,280	96,869
Average new generation vessel capacity (deadweight)	2,499	2,389
Average new generation OSV utilization rate (2)	72.9%	93.0%
Effective new generation OSV utilization rate (3)	87.3%	93.0%
Average new generation OSV dayrate (4)	$ 19,986	$ 23,085
Effective new generation OSV dayrate (5)	$ 14,570	$ 21,469
Tugs and Tank Barges:		
Double-hulled tank barges:		
Average number of double-hulled tank barges (6)	9.0	9.0
Average fleet capacity (barrels)	884,621	884,621
Average barge size (barrels)	98,291	98,291
Average utilization rate (2)	75.1%	80.0%
Average dayrate (7)	$ 15,816	$ 20,406
Effective dayrate (5)	$ 11,878	$ 16,325

(1) We owned 49 new generation OSVs as of March 31, 2010. For the quarter ended March 31, 2010, our average number of new generation OSVs above includes the *HOS Arrowhead* and the *HOS Pinnacle*, which are two newly constructed OSVs that were placed in service under our fourth OSV newbuild program in January 2010, and February 2010, respectively. As of March 31, 2010, eight new generation OSVs were stacked. Excluded from this data are ten conventional OSVs that were acquired in August 2007, eight of which were sold on various dates between 2008 and 2010. We consider our two remaining conventional OSVs to be non-core assets.
(2) Utilization rates are average rates based on a 365-day year. Vessels are considered utilized when they are generating revenues.
(3) Effective utilization rate is based on a denominator comprised only of vessel-days available for service by the active fleet, which excludes the impact of stacked vessel days.
(4) Average dayrates represent average revenue per day, which includes charter hire, crewing services and net brokerage revenues, based on the number of days during the period that the OSVs generated revenue.
(5) Effective dayrate represents the average dayrate multiplied by the average utilization rate.
(6) The operating data presented above reflects only the results from our double-hulled tank barges. Our six single-hulled tank barges, all of which have been stacked, have been excluded from our Downstream dayrate and utilization rate information. Our active Downstream fleet is comprised of nine double-hulled barges and ten ocean-going tugs.
(7) Average dayrates represent average revenue per day, including time charters, brokerage revenue, revenues generated on a per-barrel-transported basis, demurrage, shipdocking and fuel surcharge revenue, based on the number of days during the period that the tank barges generated revenue. For purposes of brokerage arrangements, this calculation excludes that portion of revenue that is equal to the cost paid by customers of in-chartering third-party equipment.

Non-GAAP Financial Measures

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

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

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

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

The following table provides the detailed components of EBITDA as we define that term for the three months ended March 31, 2010 and 2009, respectively (in thousands).

	Three Months Ended March 31,	
	2010	2009
Components of EBITDA:		
Net income	$ 2,552	$ 27,101
Interest, net:		
Debt obligations	11,657	2,731
Interest income	(94)	(139)
Total interest, net	11,563	2,592
Income tax expense	1,535	15,478
Depreciation	13,532	10,145
Amortization	4,311	5,003
EBITDA	$ 33,493	$ 60,319

The following table reconciles EBITDA to cash flows provided by operating activities for the three months ended March 31, 2010 and 2009, respectively (in thousands).

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
EBITDA Reconciliation to GAAP:		
EBITDA	$ 33,493	$ 60,319
Cash paid for deferred drydocking charges	(6,424)	(4,953)
Cash paid for interest	(11,027)	(590)
Cash paid for taxes	(726)	(12,365)
Changes in working capital	2,690	14,660
Stock-based compensation expense	2,358	2,657
Changes in other, net	(736)	(110)
Cash flows provided by operating activities	$ 19,628	$ 59,618

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

The following table provides certain detailed adjustments to EBITDA, as defined in our revolving credit facility, for the three months ended March 31, 2010 and 2009, respectively (in thousands).

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Stock-based compensation expense	$ 2,358	$ 2,657
Interest income	94	139

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

- EBITDA does not reflect the future capital expenditure requirements that may be necessary to replace our existing vessels as a result of normal wear and tear,
- EBITDA does not reflect the interest, future principal payments and other financing-related charges necessary to service the debt that we have incurred in acquiring and constructing our vessels,
- EBITDA does not reflect the deferred income taxes that we will eventually have to pay once we are no longer in an overall tax net operating loss carryforward position, as applicable, and
- EBITDA does not reflect changes in our net working capital position.

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

Summarized financial information concerning our reportable segments for the three months ended March 31, 2010 and 2009, respectively, is shown below in the following table (in thousands, except percentage changes):

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Increase (Decrease) $ Change	Increase (Decrease) % Change
Revenues:				
Upstream				
Domestic	$64,225	$ 71,064	$ (6,839)	(9.6)%
Foreign	12,372	19,512	(7,140)	(36.6)
	76,597	90,576	(13,979)	(15.4)
Downstream				
Domestic	9,285	18,833	(9,548)	(50.7)
Foreign (1)	363	238	125	52.5
	9,648	19,071	(9,423)	(49.4)
	$86,245	$109,647	$(23,402)	(21.3)%
Operating expenses:				
Upstream	$36,619	$ 29,001	$ 7,618	26.3%
Downstream	7,713	11,570	(3,857)	(33.3)
	$44,332	$ 40,571	$ 3,761	9.3%
Depreciation and amortization:				
Upstream	$15,079	$ 10,500	$ 4,579	43.6%
Downstream	2,764	4,648	(1,884)	(40.5)
	$17,843	$ 15,148	$ 2,695	17.8%
General and administrative expenses:				
Upstream	$ 8,231	$ 6,923	$ 1,308	18.9%
Downstream	690	1,839	(1,149)	(62.5)
	$ 8,921	$ 8,762	$ 159	1.8%
Gain on sale of assets:				
Upstream	$ 520	$ —	$ 520	>100.0%
Downstream	4	245	(241)	(98.4)%
	$ 524	$ 245	$ 279	>100.0%
Operating income:				
Upstream	$17,188	$ 44,152	$(26,964)	(61.1)%
Downstream	(1,515)	1,259	(2,774)	>(100.0)%
	$15,673	$ 45,411	$(29,738)	(65.5)%
Interest expense	$11,657	$ 2,731	$ 8,926	>100.0%
Interest income	$ 94	$ 139	$ (45)	(32.4)%
Income tax expense	$ 1,535	$ 15,478	$(13,943)	(90.1)%
Net income	$ 2,552	$ 27,101	$(24,549)	(90.6)%

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

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

Revenues. Revenues for the three months ended March 31, 2010 decreased by $23.4 million, or 21.3%, to $86.2 million compared to the same period in 2009 primarily due to a year-over-year decline in effective, or utilization-adjusted, dayrates for both our Upstream and Downstream segments. These lower dayrates were partially offset by the full and partial-period contribution of Upstream vessels that were added to our fleet since March 31, 2009. Although we added 11 vessels to our fleet since March 2009, our weighted-average active operating fleet as of March 31, 2010 was approximately 64 vessels compared to 73 vessels for the same period in 2009 as a result of vessels that were stacked, sold or retired during 2009.

Revenues from our Upstream segment decreased by $14.0 million, or 15.4%, to $76.6 million for the three months ended March 31, 2010 compared to $90.6 million for the same period in 2009. The vessels placed in service during 2009 and in the three months ended March 31, 2010 under our ongoing newbuild and conversion programs accounted for a $27.8 million increase in Upstream revenues. These incremental revenues were more than offset by a $40.2 million decrease in revenue primarily from lower effective dayrates for our new generation OSVs that were in service during each of the quarters ended March 31, 2010 and 2009 and a $1.6 million decrease in revenue for our conventional OSVs that were in service during the quarter ended March 31, 2009, but have either been stacked or sold on various dates since then. Our new generation OSV average dayrate was $19,986 for the first quarter of 2010 compared to $23,085 for the same period in 2009, a decrease of $3,099, or 13.4%. Our new generation OSV dayrates were impacted by lower demand for our services resulting from decreased drilling and production activity in the markets in which we operate. We had several contracts that were executed prior to 2009 that expired various dates in 2009 and early 2010. These contracts were either renewed or replaced on terms that were not as favorable as those prior to expiration. Several OSV time charter contracts that were in effect during the first quarter of 2009 and previously fixed in 2008 at dayrates in the range of $20,000 to $36,000 have since been replaced or renewed with spot time charters at dayrates that are roughly 50% lower than their previously contracted rates. Our new generation OSV utilization was 72.9% for the first quarter of 2010 compared to 93.0% for the same period in 2009. The decline in utilization was driven by weaker GoM OSV market conditions over the last 12 months and 282 incremental days out-of-service to ready eight OSVs for long-term charters in Latin American. Domestic revenues for our Upstream segment decreased $6.8 million during the three months ended March 31, 2010 due to eight new generation OSVs and two conventional OSVs being stacked since the first quarter 2009. This decrease was partially offset by the full or partial-quarter contribution of nine additional OSVs and two additional MPSVs that were placed in service on various dates during 2009 through March 31, 2010. Foreign revenues for our Upstream segment decreased $7.1 million mainly due to decreased dayrates for international vessels since the first quarter of 2009.

Revenues from our Downstream segment decreased by $9.4 million, or 49.4%, to $9.6 million for the three months ended March 31, 2010 compared to the three months ended March 31, 2009. Soft market conditions that resulted in the stacking of all of our single-hulled tank barges on various dates since the second quarter of 2008 and, to a lesser extent, the OPA 90 retirement of two of our larger, single-hulled tank barges in December 2008 and June 2009 were the primary drivers for our Downstream revenue decline. Our double-hulled tank barge average dayrate was $15,816 for the three months ended March 31, 2010, a decrease of $4,590, or 22.5%, from $20,406 for the same period in 2009. Our double-hulled tank barge utilization was 75.1% for the first quarter of 2010 compared to 80.0% for the first quarter of 2009. The decrease in double-hulled tank barge utilization was driven by reduced demand for petroleum products in the U.S., which we attribute to the depressed state of the economy.

Operating expenses. Operating expenses for the three months ended March 31, 2010 increased by $3.8 million, or 9.3%, to $44.3 million. This increase was primarily associated with adding nine new generation OSVs and two MPSVs to our active fleet during 2009 under our fourth OSV newbuild program and MPSV program, respectively. These increased costs related to fleet additions were partially offset by the reduced operating costs associated with the removal from our active operating fleet, through vessel sales or stacking, of eight new generation OSVs, two conventional OSVs, five single-hulled tank barges and three ocean-going tugs since the first quarter of 2009. Daily vessel operating costs for the first quarter of 2010 were in-line with the same period in 2009 for vessels that operated in both of our segments during 2010 and 2009. Excluding charter specific costs, we expect this trend to continue through the remainder of 2010.

Operating expenses for our Upstream segment were $36.6 million, an increase of $7.6 million, or 26.3%, for the first quarter of 2010 compared to $29.0 million for the same period in 2009. Newly constructed vessels placed in service since early 2009 accounted for an approximate $10.6 million increase in operating expenses. This increase was partially offset by approximately $3.0 million in operating expense decreases primarily from a reduction of our operating fleet through vessel sales or stacking and decreased activity at our shore-base port facility.

Operating expenses for our Downstream segment were $7.7 million, a decrease of $3.9 million, or 33.3%, for the three months ended March 31, 2010 compared to $11.6 million for the same period in 2009. The decrease in operating expenses for the Downstream segment is primarily associated with the lower cost of maintaining equipment that was stacked, sold or retired from service since the first quarter of 2009.

Depreciation and Amortization. Depreciation and amortization was $2.7 million higher for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to incremental depreciation related to nine OSVs placed in service under our fourth OSV newbuild program and two MPSVs placed in service under our MPSV program since the first quarter of 2009. Depreciation and amortization expense is expected to increase further when the remaining vessels to be delivered under our current newbuild program are placed in service and when these and any other recently acquired and newly constructed vessels undergo their initial 30-month and 60-month recertifications.

General and Administrative Expense. General and administrative expenses of $8.9 million, or 10.3% of revenues, increased by $0.2 million during the three months ended March 31, 2010 compared to the three months ended March 31, 2009. Our general and administrative expenses are expected to remain in the approximate range of 9% to 11% of revenues for fiscal 2010.

Gain on Sale of Assets. During the first quarter of 2010, we sold one conventional OSV, the *Cape Fear*, for net cash proceeds of $1.3 million, which resulted in an aggregate gain of $0.5 million. During the first quarter of 2009, we sold the *Stapleton Service*, an older, lower-horsepower tug, for net cash proceeds of $0.9 million, which resulted in an aggregate gain of $0.2 million.

Operating Income. Operating income decreased by $29.7 million, or 65.5%, to $15.7 million during the three months ended March 31, 2010 compared to the same period in 2009 due to the reasons discussed above. Operating income as a percentage of revenues for our Upstream segment was 22.5% for the three months ended March 31, 2010 compared to 48.8% for the same period in 2009. The primary driver for this margin decrease relates to lower effective dayrates in each of our business segments. We recorded an operating loss of $1.5 million for our Downstream segment for the first quarter of 2010, compared to operating income of $1.3 million for the first quarter of 2009. This decrease primarily relates to lower dayrates and utilization due to continued soft market conditions for our double-hulled tonnage during the first quarter of 2010.

Interest Expense. Interest expense increased $8.9 million during the three months ended March 31, 2010 compared to the same period in 2009. Our interest expense variance was driven by incremental interest resulting from our 8.000% senior notes due 2017, which were issued in August 2009; and lower capitalized interest driven by having fewer vessels under construction in our ongoing newbuild and conversion programs. See “Liquidity and Capital Resources” for further discussion.

Interest Income. Interest income decreased 32.4% during the three months ended March 31, 2010 compared to the same period in 2009. The decrease was due to lower rates earned on our invested cash balances. The average interest rate earned on our invested cash balances during the three months ended March 31, 2010 was approximately 0.7% compared to 1.1% for the same period in 2009. This rate decrease more than offset any favorable impact of our average cash balance increasing to $54.5 million for the three months ended March 31, 2010 compared to $26.3 million for the same period in 2009.

Income Tax Expense. Our effective tax rate was 37.6% and 36.4% for the three months ended March 31, 2010 and 2009, respectively. Our effective rate increased mainly due to a larger effect of permanent book-tax differences on our lower 2010 pre-tax income. Our income tax expense primarily consists of deferred taxes. Our income tax rate is higher than the federal statutory rate primarily due to expected state tax liabilities and items not deductible for federal income tax purposes.

Net Income. Net income decreased by $24.5 million, or 90.6%, to $2.6 million for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to the substantial decrease in operating income discussed above and an $8.9 million pre-tax increase in net interest expense.

Liquidity and Capital Resources

Our capital requirements have historically been financed with cash flows from operations, proceeds from issuances of our debt and common equity securities, borrowings under our credit facilities and cash received from the sale of assets. We require capital to fund on-going operations, vessel construction, retrofit or conversion projects, acquisitions, vessel recertifications, discretionary capital expenditures and debt service. The nature of our capital requirements and the types of our financing sources are not expected to change significantly throughout 2010. While we have postponed required drydockings for some of our stacked vessels, we will be required to conduct any deferred drydockings prior to such vessels returning to service. The drydocking funds required to recertify currently stacked vessels will be dependent upon vessel class, certification requirements and the timing and sustainability of any market recovery.

We have reviewed all of our debt agreements as well as our liquidity position and projected future cash needs. Despite volatility in financial and commodity markets, we remain confident in our current financial position, the strength of our balance sheet and the short- and long-term viability of our business model. To date, our liquidity has not been materially impacted and we do not expect that it will be materially impacted in the near-future due to such volatility. We believe that our cash on-hand, projected operating cash flow and recently amended revolver capacity will be more than sufficient to operate the Company and complete our remaining newbuild program.

Although we expect to continue generating positive working capital through our operations, events beyond our control, such as declines in expenditures for exploration, development and production activity, mild winter conditions or any extended reduction in domestic consumption of refined petroleum products and other reasons discussed in the Risk Factors described in our Annual Report on Form 10-K or under the “Forward Looking Statements” discussed in this Quarterly Report on Form 10-Q, may affect our financial condition or results of operations. None of our debt instruments mature any sooner than March 2013. Depending on the market demand for our vessels and other growth opportunities that may arise, we may require additional debt or equity financing. It is possible that, due to events beyond our control, should such need for additional financing arise, we may not be able to access the capital markets on attractive terms at that time. We will continue to closely monitor our liquidity position, as well as the state of the global capital and credit markets.

As of March 31, 2010, we had total cash and cash equivalents of $44.4 million. The remaining construction costs related to our MPSV program and our fourth OSV newbuild program of approximately $0.7 million and $24.8 million, respectively, as of March 31, 2010 have been and will continue to be funded with cash on hand, projected cash flows from operations and, when applicable, borrowings available under our revolving credit facility. The revolving credit facility as of April 30, 2010 remains undrawn. As of March 31, 2010, we had a posted letter of credit for $0.9 million and had $249.1 million of credit immediately available under our revolving credit facility. Our liquidity position is primarily dependent on cash on hand, cash flows generated from operations, shipyard schedules, the achievement of construction milestones, and the potential sale of additional non-core assets. In addition, our liquidity would be affected should we access additional debt or equity financings.

Cash Flows

Operating Activities. We rely primarily on cash flows from operations to provide working capital for current and future operations. Cash flows from operating activities were $19.6 million for the three months ended March 31, 2010 and $59.6 million for the three months ended March 31, 2009. Operating cash flows decreased from the prior-year period mainly due to a decline in effective dayrates and utilization for our Upstream and Downstream segments, which was partially offset by the growth of our Upstream fleet. Cash flows from operations for the three months ended March 31, 2010 reflect full- and partial-period contributions from nine additional new generation OSVs and two MPSVs that were placed in service since the first quarter of 2009. Our cash flows from operations should continue to be favorably impacted in 2010 by the partial-year revenue contribution from vessels placed in service on various dates throughout 2010 under our MPSV program and our fourth OSV newbuild program.

Investing Activities. Net cash used in investing activities was $26.3 million for the three months ended March 31, 2010 and $84.0 million for the three months ended March 31, 2009. Cash utilized during the first three months of 2010 primarily consisted of construction costs incurred for our ongoing newbuild and conversion programs, which were partially offset by approximately $1.3 million in net cash proceeds from the sale of one conventional OSV. Cash utilized during the first quarter of 2009 primarily consisted of construction costs incurred for our ongoing newbuild and conversion programs, which were partially offset by approximately $0.9 million in net cash proceeds from the March 2009 sale of one older, lower-horsepower tug. As of March 31, 2010, the estimated construction costs remaining to be incurred under our MPSV program and fourth OSV newbuild program were approximately $25.5 million, which is expected to be incurred during the remainder of 2010.

Financing Activities. Net cash provided by financing activities for the three months ended March 31, 2010 was comprised of deferred financing costs and net proceeds from common shares issued pursuant to our employee stock-based compensation plan. Net cash provided by financing activities of $25.1 million for the three months ended March 31, 2009 resulted from incremental borrowings under our revolving credit facility.

Contractual Obligations

Debt

As of March 31, 2010, we had total debt of $749.5 million, net of original issue discount of $50.5 million. Our debt is comprised of $299.7 million of our 6.125% senior notes due 2014, or 2014 senior notes, $243.2 million of our 8.000% senior notes due 2017, or 2017 senior notes, and $206.6 million of our 1.625% convertible senior notes due 2026, or convertible senior notes. As of March 31, 2010, we had a posted letter of credit for $0.9 million and had $249.1 million of credit immediately available under our revolving credit facility. The revolving credit facility remains undrawn as of April 30, 2010. For further information on our debt agreements, see Note 3 to our consolidated financial statements included herein.

The credit agreement governing the revolving credit facility and the indentures governing our 2014 senior notes and 2017 senior notes impose certain operating and financial restrictions on us. Such restrictions affect, and in many cases limit or prohibit, among other things, our ability to incur additional indebtedness, make capital expenditures, redeem equity, create liens, sell assets and make dividend or other restricted payments. Our credit agreement requires us to adhere to financial covenants, including defined ratios of interest coverage of at least 3.00-to-1.0 and a maximum leverage ratio of at least 4.50-to-1.0 through the quarter ending June 30, 2010 and declining by 0.25 every six months thereafter until the quarter ending March 31, 2013, at which time the maximum leverage ratio will be 3.50-to-1.00. The numerators and denominators for these financial ratios are further defined in the credit agreement governing the revolving credit facility. We continuously review our debt covenants and report our compliance with financial ratios on a quarterly basis. We also consider such covenants in evaluating transactions that will have an effect on our financial ratios. As of March 31, 2010, we were in compliance with all of our debt covenants.

Capital Expenditures and Related Commitments

The following table sets forth the amounts incurred for our newbuild and conversion programs, before construction period interest, during the three months ended March 31, 2010 and since each program's inception, respectively, as well as the estimated total project costs for each of our current expansion programs (in millions):

	Three Months Ended March 31, 2010	Incurred Since Inception	Estimated Program Totals (1)	Projected Delivery Dates (1)
Growth Capital Expenditures:				
MPSV program (2)	$ 5.2	$ 489.8	$ 490.5	4Q2008-1Q2010
OSV newbuild program #4 (3)	14.3	420.2	445.0	2Q2008-3Q2010
Total:	$ 19.5	$ 910.0	$ 935.5	

(1) Estimated Program Totals and Projected Delivery Dates are based on internal estimates and are subject to change due to delays and possible cost overruns inherent in any large construction project, including, without limitations, shortages of equipment, lack of shipyard availability, unforeseen engineering problems, work stoppages, weather interference, unanticipated cost increases, the inability to obtain necessary certifications and approvals and shortages of materials, component equipment or skilled labor. All of the above historical and budgeted capital expenditure project amounts for our newbuild and conversion programs represent estimated cash outlays and do not include any allocation of capitalized construction period interest. Projected delivery dates correspond to the first and last vessels that are contracted with shipyards for construction, retrofit or conversion for delivery under our currently active programs, respectively.

(2) Our MPSV program includes the conversion of two coastwise sulfur tankers into U.S.-flagged, proprietary 370 class DP-2 new generation MPSVs at domestic shipyards, and the newbuild construction of two 430 class DP-3 new generation MPSVs at foreign shipyards. The first converted 370 class MPSV, the *HOS Centerline*, was placed in service on March 27, 2009. The second converted 370 class MPSV, the *HOS Strongline*, was placed in service on March 25, 2010. The first newbuild 430 class MPSV, the *HOS Achiever* was placed in service on October 1, 2008. The second newbuild 430 class MPSV, the *HOS Iron Horse*, was placed in service on November 27, 2009. Based on internal estimates, the aggregate cost of the MPSV program, prior to the allocation of construction period interest, is expected to be approximately $490.5 million.

(3) Our fourth OSV newbuild program consists of vessel construction contracts with three domestic shipyards to build six 240 ED class OSVs, nine 250 EDF class OSVs and one 290 class OSV. Of the 16 new generation DP-2 OSVs included in this program, we have placed in service four vessels in 2008, eight vessels in 2009 and two vessels in 2010. The remaining two are expected to be placed in service on various dates in 2010 as follows: one vessel each in May and August. Based on the current schedule of projected vessel in-service dates, we expect to own and operate 51 new generation OSVs as of December 31, 2010. These projections result in an average new generation OSV fleet complement of 49.9 vessels for fiscal year 2010. Inclusive of the prior vessel deliveries discussed above, the aggregate cost of our fourth OSV newbuild program is expected to be approximately $445.0 million.

The following table summarizes the costs incurred, prior to the allocation of construction period interest, for maintenance capital expenditures for the three months ended March 31, 2010 and 2009, and a forecast for 2010 (in millions):

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Year Ending December 31, 2010
Maintenance and Other Capital Expenditures:	*Actual*	*Actual*	*Forecast*
Maintenance Capital Expenditures			
Deferred drydocking charges (1)	$ 6.4	$ 5.0	$ 21.3
Other vessel capital improvements (2)	3.6	1.7	6.1
	10.0	6.7	27.4
Other Capital Expenditures			
Commercial-related vessel improvements (3)	1.5	0.1	23.2
Miscellaneous non-vessel additions (4)	0.4	2.8	4.2
	1.9	2.9	27.4
Total:	$ 11.9	$ 9.6	$ 54.8

(1) Deferred drydocking charges for the full-year 2010 include the projected recertification costs for 11 OSVs, seven tank barges and three tugs.

(2) Other vessel capital improvements include costs for discretionary vessel enhancements, which are typically incurred during a planned drydocking event to meet customer specifications.
(3) Commercial-related vessel improvements includes items, such as cranes, ROVs and other specialized vessel equipment, which costs are typically included in and offset by higher dayrates charged to customers.
(4) Non-vessel capital expenditures are primarily related to information technology initiatives.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements,” as contemplated by the Private Securities Litigation Reform Act of 1995, in which we discuss factors that we believe may affect our performance in the future. Forward-looking statements are all statements other than historical facts, such as statements regarding assumptions, expectations, beliefs and projections about future events or conditions. You can generally identify forward-looking statements by the appearance in such a statement of words like “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “remain,” “should” or “will” or other comparable words or the negative of such words. The accuracy of the Company’s assumptions, expectations, beliefs and projections depends on events or conditions that change over time and are thus susceptible to change based on actual experience, new developments and known and unknown risks. The Company gives no assurance that the forward-looking statements will prove to be correct and does not undertake any duty to update them. The Company’s actual future results might differ from the forward-looking statements made in this Quarterly Report on Form 10-Q for a variety of reasons, which include: the Company’s inability to successfully or timely complete its remaining vessel construction program; less than anticipated success in marketing and operating its MPSVs; bureaucratic, administrative or operating barriers that delay vessels chartered to Petrobras from going on-hire or result in contractual penalties imposed by Petrobras; further weakening of demand for the Company’s services; inability to effectively curtail operating expenses from stacked vessels; inability to sell or otherwise dispose of non-core assets on acceptable terms; unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters or failures to finalize commitments to charter vessels; industry risks; further reductions in capital spending budgets by customers; decline in oil and natural gas prices; increases in operating costs; the inability to accurately predict vessel utilization levels and dayrates; less than anticipated subsea infrastructure demand activity in the U.S. Gulf of Mexico and other markets; the level of fleet additions by competitors that could result in over-capacity; economic and political risks; weather related risks; the inability to attract and retain qualified marine personnel; regulatory risks; the repeal or administrative weakening of the Jones Act; the imposition of laws or regulations that result in reduced exploration and production activities in the United States or that increase the Company’s operating costs or operating requirements, including any such laws or regulations that may arise as a result of the recent oil spill disaster in the Gulf of Mexico; drydocking delays and cost overruns and related risks; vessel accidents or pollution incidents resulting in lost revenue or expenses that are unrecoverable from insurance policies or other third parties; unexpected litigation and insurance expenses; fluctuations in foreign currency valuations compared to the U.S. dollar and risks associated with expanded foreign operations. In addition, the Company’s future results may be impacted by continued volatility or further deterioration in the capital markets and the worldwide economic downturn; inflation, deflation, or other adverse economic conditions that may negatively affect it or parties with whom it does business resulting in their non-payment or inability to perform obligations owed to the Company, such as the failure of shipyards and major suppliers to complete orders or the failure by banks to provide expected funding under the Company's credit agreement. Should one or more of the foregoing risks or uncertainties materialize in a way that negatively impacts the Company, or should the Company's underlying assumptions prove incorrect, the Company's actual results may vary materially from those anticipated in its forward-looking statements, and its business, financial condition and results of operations could be materially and adversely affected. Additional factors that you should consider are set forth in detail in the "Risk Factors" section of the Company's most recent Annual Report on Form 10-K as well as other filings the Company has made and will make with the Securities and Exchange Commission which, after their filings, can be found on the Company's website www.hornbeckoffshore.com.

Item 3—Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to our market risks during the quarter ended March 31, 2010. For additional information on market risk, refer to Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 4—Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1—Legal Proceedings

None.

Item 1A—Risk Factors

There were no changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, in response to Item 1A to Part I of Form 10-K.

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

None.

Item 3—Defaults Upon Senior Securities

None.

Item 4—Removed and Reserved

Item 5—Other Information

None.

Item 6—Exhibits

Exhibit Index

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

Exhibit Number		Description of Exhibit
4.5	—	Amendment to Rights Agreement dated as of March 5, 2004 between the Company and Mellon Investor Services LLC as Rights Agent (incorporated by reference to Exhibit 4.13 to the Company's Form 10-K for the period ended December 31, 2003).
4.6	—	Second Amendment to Rights Agreement dated as of September 3, 2004 by and between the Company and Mellon Investor Services, LLC as Rights Agent (incorporated by reference to Exhibit 4.3 to the Company's Form 8-A/A filed September 3, 2004, Registration No. 001-32108).
4.7	—	Indenture dated as of November 13, 2006 by and among Hornbeck Offshore Services, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (including form of 1.625% Convertible Senior Notes due 2026) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 13, 2006).
4.8	—	Confirmation of OTC Warrant Confirmation dated as of November 7, 2006 by and between Hornbeck Offshore Services, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed November 13, 2006).
4.9	—	Confirmation of OTC Warrant Confirmation dated as of November 7, 2006 by and between Hornbeck Offshore Services, Inc and Bear, Stearns International Limited, as supplemented on November 9, 2006 (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed November 13, 2006).
4.10	—	Confirmation of OTC Warrant Confirmation dated as of November 7, 2006 by and between Hornbeck Offshore Services, Inc. and AIG-FP Structured Finance (Cayman) Limited, as supplemented on November 9, 2006 (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed November 13, 2006).
4.11	—	Indenture dated as of August 17, 2009 by and among Hornbeck Offshore Services, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (including form of 8% Senior Notes due 2017) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 18, 2009).
4.12	—	Specimen 8% Series B Senior Note due 2017 (incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-4 dated September 29, 2009, Registration No. 333-162197).
*10.1†	—	Form of Restricted Stock Unit Agreement for Executive Officers (Performance Based).
*31.1	—	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	—	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit Number		Description of Exhibit
*32.1	—	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	—	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Hornbeck Offshore Services, Inc.

Date: May 10, 2010	/s/ JAMES O. HARP, JR.
	James O. Harp, Jr.
	Executive Vice President and Chief Financial Officer

Exhibit 10.1

RESTRICTED STOCK UNIT AGREEMENT
FOR EXECUTIVE OFFICERS
(Performance Vesting)

under the

SECOND AMENDED AND RESTATED
HORNBECK OFFSHORE SERVICES, INC.
INCENTIVE COMPENSATION PLAN

THIS RESTRICTED STOCK UNIT AGREEMENT (this "***Agreement***") is made effective as of ______ (the "***Award Date***") by and between Hornbeck Offshore Services, Inc. (the "***Company***") and ______ ("***Employee***").

1. **GRANT OF RESTRICTED STOCK UNITS**. Pursuant to the Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan (the "***Plan***"), Employee is hereby awarded Restricted Stock Units covering ______ shares of the Common Stock of the Company. On any day, the value of a Restricted Stock Unit shall equal the Fair Market Value of one share of Common Stock of the Company. All of the Restricted Stock Units shall be subject to the Forfeiture Restrictions.

2. **EFFECT OF THE PLAN**. The Restricted Stock Units awarded to Employee are subject to all of the terms and conditions of the Plan, which terms and conditions are incorporated herein for all purposes, and of this Agreement together with all rules and determinations from time to time issued by the Committee and by the Board pursuant to the Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the Plan without the consent of Employee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Employee hereunder, and this Award shall be subject, without further action by the Company or Employee, to such amendment, modification, restatement or supplement unless provided otherwise therein. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to such terms in the Plan.

3. **DEFINITIONS**.

(a) "***Disability***" means the "disability" of Employee as defined in a then effective long-term disability plan maintained by the Company or a Subsidiary that covers such Employee, or if such a plan does not exist at any relevant time, "***Disability***" means the permanent and total disability of Employee within the meaning of Section 22(e)(3) of the Code.

(b) "Forfeiture Restrictions" means the prohibition on transfer of the Restricted Stock Units and the obligations to forfeit the Restricted Stock Units to the Company as set forth in Sections 4 and 5 of this Agreement.

(c) "______ ***Performance Period***" means the ______-year performance-vesting measurement period comprised of the ______consecutive fiscal-year periods ending December 31, 20__.

(d) "***Restricted Stock Unit***" means an Award representing an unfunded, unsecured right to receive one share of the Common Stock of the Company.

(e) "***Retirement***" means Employee's retirement from employment with the Company or any of its Subsidiaries, other than discharge for Cause, on or after the date on which Employee attains age sixty (60), provided Employee has at least ten (10) years of service with the Company or any of its Subsidiaries as of the date Employee retires from service, or on or after the date on which Employee attains age sixty-five (65).

[Insert definitions as necessary to describe the performance goal and specific performance measure that will be used as a basis for determining whether any Restricted Stock Units will vest.]

4. **VESTING**. If Employee provides continuous, eligible service to the Company and its Subsidiaries, as determined by the Committee or its designee, in the Committee's or its designee's sole and absolute discretion, as applicable, until the ______ anniversary of the Award Date (unless the Restricted Stock Units awarded under this Agreement are fully vested sooner), as applicable, Employee shall vest (and the Forfeiture Restrictions shall lapse) with respect to that percentage of the Restricted Stock Units awarded under this Agreement in accordance with this Section 4. Any Restricted Stock Units awarded under this Agreement that remain unvested at the ______ anniversary of the Award Date will be forfeited in their entirety. The Restricted Stock Units shall vest on the anniversary of the Award Date that immediately follows the applicable performance period if, during such performance period, the Company achieves the following performance criteria:

[Insert Performance Measures].

5. **RESTRICTIONS**. Employee hereby accepts the Award of the Restricted Stock Units and agrees with respect thereto as follows:

(a) ***Transferability***. The Restricted Stock Units may be transferred in a manner consistent with Section 15.13 of the Plan. Except as provided in Section 15.13 of the Plan and elsewhere in this Agreement and the Plan, the Restricted Stock Units shall not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred (including in connection with a margin transaction), except by will or the laws of descent and distribution. Any attempted assignment or pledge of a Restricted Stock Unit or the underlying shares of Common Stock in violation of this Agreement shall be null and void. The Company shall not be required to honor the transfer of any Restricted Stock Units that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan.

(b) ***Mandatory Mediation and Arbitration Procedure***. By execution of this Agreement and acceptance of this Award, which is a voluntary benefit provided to Employee by the Company, Employee waives Employee's right to a jury trial in state or federal court and agrees that (i) the Hornbeck Offshore Operators, LLC Dispute Resolution Agreement Mediation and Arbitration Procedure attached hereto as Exhibit A ("***Dispute Resolution Procedure***") and Section 15.17 of the Plan shall be the sole and exclusive means of resolving disputes of the parties (including any other persons claiming any rights or having any obligations through the Company or Employee) arising out of or relating to this Agreement, and (ii) the Dispute Resolution Procedure shall be the sole and exclusive means for resolving any other covered dispute between Employee and the Company or any of its Subsidiaries (including any other person(s) claiming any rights or having any obligations through the Company or Employee). By execution of this Agreement, however, Employee does not waive Employee's right to any normally available remedies Employee may have in connection with any claim Employee may bring against the Company or any of its Subsidiaries, as an arbitrator can award any normal remedies Employee could get in a court proceeding. By execution of this Agreement, Employee represents that to the extent Employee considered necessary, Employee has sought, at Employee's own expense, counsel regarding the terms of this Agreement and the waiver contemplated in this Section 5(b).

(c) ***Retirement, Death, Disability or Change in Control***. If Employee terminates service with the Company and its Subsidiaries before the end of a performance period as a result of Employee's Retirement, in the event of the Employee's death or Disability, or if a Change in Control occurs during such performance period, then, at the end of such performance period, if the Company has achieved the performance criteria listed in Section 4 of this Agreement and if not previously forfeited, the Forfeiture Restrictions shall lapse and a percentage of Restricted Stock Units shall vest on the anniversary of the Award Date that immediately follows such performance period based on the level of achievement of such performance criteria, as if the Employee had remained employed with the Company and its Subsidiaries until the applicable anniversary of the Award Date, as the case may be.

(d) ***Forfeiture of Restricted Stock Units***. If Employee terminates service with the Company and its Subsidiaries prior to the ______ anniversary of the Award Date for any reason other than the Employee's death, Disability or Retirement, as herein defined, or if Employee (or Employee's estate) shall initiate a legal proceeding against the Company or a Subsidiary other than pursuant to the terms of the Dispute Resolution Procedure, then Employee (or Employee's estate, as applicable) shall, for no consideration, forfeit all unvested Restricted Stock Units.

Further, if prior to the ______ anniversary of the Award Date, based upon reasonable investigation and belief, the Committee or its designee, as applicable, determines that Employee should be subject to disciplinary action other than termination of Employee's service with the Company or any of its Subsidiaries, such disciplinary action can include Employee's forfeiture of all or any portion of Employee's unvested Restricted Stock Units awarded under this Agreement, such determination to be made by the Committee or its designee, in the Committee's or the designee's sole and absolute discretion, as applicable. For purposes of this paragraph, such action can be taken by the Committee or its designee, as applicable, because of (i) any act or omission of Employee that (A) results in the assessment of a criminal penalty against the Company or a Subsidiary, (B) is otherwise in violation of any federal, state, local or foreign law or regulation (other than traffic violations and other similar misdemeanors), (C) adversely affects or could reasonably be expected to adversely affect the business reputation of the Company or a Subsidiary, or (D) otherwise constitutes willful misconduct, gross negligence, or any act of dishonesty or disloyalty, (ii) the violation by Employee of policies established by the Company or a Subsidiary, or (iii) the Company's or Subsidiary's determination that Employee's performance or conduct was unacceptable.

(e) ***Rights***. Restricted Stock Units represent an unfunded, unsecured promise of the Company to issue shares of Common Stock of the Company as otherwise provided in this Agreement. Other than the rights provided in this Agreement, Employee shall have no rights of a stockholder of the Company until such Restricted Stock Units have vested and the related shares of Common Stock have been issued pursuant to the terms of this Agreement.

(f) ***Issuance of Common Stock***. The Company will issue to Employee the shares of Common Stock underlying the vested Restricted Stock Units on the date elected by the Employee on the Deferred Compensation Agreement, if any, attached hereto as Exhibit B. If no such Deferred Compensation Agreement is attached hereto, the Company will issue to Employee the shares of Common Stock underlying the vested Restricted Stock Units as soon as administratively practicable following the lapse of the Forfeiture Restrictions, but in no event later than 2 $^{1}/_{2}$ months after the end of the calendar year in which the Forfeiture Restrictions lapse pursuant to Sections 4 or 5(c) above; provided, however, that if it is administratively impracticable to issue the shares of Common Stock at such time and such impracticability was not foreseeable on the Award Date, the Company may delay the issuance of the shares of Common Stock until the first date thereafter on which it is administratively practicable to do so. Evidence of the issuance of the shares of Common Stock pursuant to this Agreement may be accomplished in such manner as the Company or its authorized representatives shall deem appropriate including, without limitation, electronic registration, book-entry registration or issuance of a certificate or certificates in the name of Employee or in the name of such other party or parties as the Company and its authorized representatives shall deem appropriate.

In the event the shares of Common Stock issued pursuant to this Agreement remain subject to any additional restrictions, the Company shall have the authority to prevent Employee from entering into any transaction that would violate any such restrictions, until such restrictions lapse.

(g) ***Associated Preferred Stock Purchase Rights***. The issuance of any shares of Common Stock as the result of Employee's vesting in Restricted Stock Units pursuant to this Agreement will include any associated preferred stock purchase rights.

6. **COMMUNITY INTEREST OF SPOUSE**. The community interest, if any, of any spouse of Employee in any of the Restricted Stock Units shall be subject to all of the terms, conditions and restrictions of this Agreement and the Plan, and shall be forfeited and surrendered to the Company upon the occurrence of any event requiring Employee's interest in such Restricted Stock Units to be so forfeited and surrendered pursuant to this Agreement.

7. **BINDING EFFECT**. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

8. **TAX MATTERS**.

(a) The issuance of shares of Common Stock pursuant to paragraph (f) of Section 5 of this Agreement shall be subject to Employee's satisfaction of all applicable federal, state and local income and employment tax withholding requirements (the "***Required Withholding***"). By execution of this Agreement, Employee shall be deemed to have authorized the Company to withhold from the shares of Common Stock to be issued following the lapse of the Forfeiture Restrictions the number of shares of Common Stock necessary to satisfy Employee's Required Withholding, if any. The number of shares of Common Stock required to satisfy Employee's Required Withholding, if any, as well as the amount reflected on tax reports filed by the Company, shall be based on the closing price of the Common Stock on the Tax Date, as such term is defined in the Plan. Notwithstanding the foregoing, the Company may require that Employee satisfy Employee's Required Withholding by any other means the Company, in its sole discretion, considers reasonable. The obligations of the Company under this Agreement shall be conditioned on such satisfaction of the Required Withholding.

(b) Employee acknowledges that the tax consequences associated with the Award are complex and that the Company has urged Employee to review with Employee's own tax advisors the federal, state, and local tax consequences of this Award. Employee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Employee understands that Employee (and not the Company) shall be responsible for Employee's own tax liability that may arise as a result of this Agreement.

9. **EMPLOYMENT AGREEMENT CONTROLS**. Notwithstanding any language in this Agreement to the contrary, to the extent of any conflict between this Agreement and any written employment agreement with Employee, including a change in control agreement, the terms of such agreement shall control.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an authorized officer and Employee has executed this Agreement, all effective as of the date first above written.

HORNBECK OFFSHORE SERVICES, INC.

By: ______________________________

Title: ______________________________

EMPLOYEE ACKNOWLEDGES AND AGREES THAT THE RESTRICTED STOCK UNITS SUBJECT TO THIS AGREEMENT SHALL REMAIN SUBJECT TO THE FORFEITURE RESTRICTIONS PROVIDED HEREIN AND THE FORFEITURE RESTRICTIONS SHALL LAPSE, IF AT ALL, ONLY DURING THE PERIOD OF EMPLOYEE'S EMPLOYMENT OR AS OTHERWISE PROVIDED IN THIS AGREEMENT (NOT THROUGH THE ACT OF BEING GRANTED THE RESTRICTED STOCK UNITS). EMPLOYEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT OR THE PLAN SHALL CONFER UPON EMPLOYEE ANY RIGHT WITH RESPECT TO FUTURE AWARDS OR CONTINUATION OF EMPLOYEE'S EMPLOYMENT. Employee acknowledges receipt of a copy of the Plan, represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award of the Restricted Stock Units subject to all of the terms and provisions of this Agreement and the Plan, including the mandatory Dispute Resolution Procedure and the restrictions on transfer, assignment, pledge, and margin transactions. Employee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of this Agreement and the Plan.

DATED: ______________________________

SIGNED: ______________________________
Employee

____
Print Employee Name

EXCLUSIVE DISPUTE RESOLUTION
MEDIATION AND ARBITRATION PROCEDURE

While Hornbeck Offshore Operators, LLC (“The Company”) hopes that employment disputes with its Employees will not occur, the Company believes that where such disputes do arise, it is in the mutual interest of all concerned to handle them promptly and with minimum disturbance to the operations of the Company’s business and the lives of its Employees.

Accordingly, to provide for more expeditious resolution of employment-related disputes that may arise between the Company and its Employees (including, without limitation, disputes arising under the Plan or the Restricted Stock Unit Agreement), the Company has instituted a mandatory Mediation and Arbitration Procedure (the “Procedure”) for all its Employees. Under the Procedure, disputes that may arise from your employment with the Company or the termination of your employment (including, without limitation, disputes arising under the Plan or the Restricted Stock Unit Agreement) must (after appropriate attempts to resolve your dispute internally through the Company management channels) be submitted for resolution by non-binding mediation and, if needed, mandatory arbitration.

In agreeing to submit such disputes for resolution by private mediation and (if necessary) arbitration, you acknowledge that such agreement is given in exchange for rights to which you are not otherwise entitled – namely, your eligibility for certain benefits, and the more expeditious resolution of such disputes. In exchange for your agreement to submit such disputes to mediation and (if necessary) binding arbitration, the Company likewise agrees to the use of mediation and arbitration as the exclusive forum for resolving disputes arising out of or relating to the Plan.

Hence, the parties shall be precluded from bringing or raising in court or other such forum any dispute that was or could have been brought or raised pursuant to this Procedure.

Scope of the Mediation and Arbitration Procedure

As a condition of your employment at the Company, or, where applicable, your right to receive certain voluntarily awarded compensation, such as restricted stock units, awards and/or stock options, you agree that any challenge to or controversy or claim arising out of or relating to your employment relationship with the Company or the termination thereof (including, without limitation, those arising under the Plan or the Restricted Stock Unit Agreement), must be submitted for non-binding mediation before a neutral third party, and (if necessary) for final and binding resolution by a private and impartial arbitrator, to be jointly selected by you and the Company.

All possible claims or disputes are covered by this Exhibit A unless specifically excluded herein, including claims that are before an administrative agency, or claims as to which the Employee has an alleged cause of action, including without limitation claims for breach of any contract or covenant (express or implied), tort claims, claims for discrimination (including but not limited to discrimination based on sex, pregnancy, race, national or ethnic origin, age, religion, creed, marital status, sexual orientation, mental or physical disability or medical condition, specifically including claims under The Americans With Disabilities Act, or any other applicable law, veteran status, or other characteristics protected by statute), claims for wrongful discharge, and/or claims for violation of any federal, state or other governmental law, statute, regulation or ordinance, and whether based on statute or common law.

Disputes covered by this Agreement include all such claims whether made against the Company, any of its subsidiaries or affiliated entities, or its individual officers or directors thereof (in an official or personal capacity).

Claims not Covered

Claims covered under this Procedure do not include: (i) a claim for workers’ compensation benefits under state workers’ compensation laws; (ii) a claim for unemployment compensation benefits;

(iii) a claim by the Company for injunctive and/or other equitable relief, including but not limited to such claims for unfair competition and/or the use of unauthorized disclosure of trade secrets or confidential information, as to which the Company may seek and obtain relief from a court of competent jurisdiction; and (iv) a claim based upon the Company's current (successor or future) employee benefits and/or welfare plans that expressly contain an appeal procedure or other procedure for the resolution of disputes under the plan.

Non-binding Mediation

If efforts at informal resolution fail, disputes subject to this Procedure must first be submitted for non-binding mediation before a neutral third party. The complainant may within six (6) months of the act or omission complained of (or a greater period of time, if allowed by the applicable statute of limitations), whichever is later, request that the matter be submitted to mediation and/or arbitration, as described below. Mediation is an informal process where the parties to a dispute meet in an attempt to reach a voluntary resolution, using the third party as a facilitator. Mediation shall be conducted and administered by the American Arbitration Association ("AAA") under its Employment Mediation Rules, which are incorporated herein by reference, or as otherwise agreed to between the parties.

Binding Arbitration

If a covered dispute remains unresolved at the conclusion of the mediation process, either party may submit the dispute for resolution by final binding arbitration under the Procedure. The arbitration will be conducted under the employment Dispute Resolution Rules of the AAA, as amended and effective on June 1, 1997, and as amended from time to time thereafter. These Rules, incorporated by reference herein, include (but are not limited to) the procedures for the joint selection of an impartial arbitrator and for the hearing of evidence before the arbitrator. The arbitrator shall have the authority to allow for appropriate discovery and exchange of information prior to a hearing, including (but not limited to) production of documents, information requests, depositions, and subpoenas. A copy of the complete AAA Employment Dispute Resolution Rules may be obtained from the Vice President of Human Resources or the Company's designee.

Any conflict between the rules and procedures set forth in the AAA rules and those set forth in this Procedure shall be resolved in favor of those in this Procedure. The burden of proof at an arbitration shall at all times be upon the party seeking relief. In reaching his/her decision, the arbitrator shall apply the governing substantive law applicable to the claim(s), cause of action(s) and defense(s) asserted by the parties as applicable in the state where the claims arise or the applicable statute at issue. The arbitrator shall have the power to award all remedies that could be awarded by a court or administrative agency in accordance with the governing and applicable substantive law.

Time Limits and Procedures

The aggrieved party must give written notice of any claim to the other party within six (6) months of the date the aggrieved first knew or should have known of the facts giving rise to the claim (or a greater period of time, if allowed by an applicable statute of limitations), otherwise, the claim shall be deemed waived. The written notice shall describe the nature of all claims asserted and the facts upon which such claims are based and shall be mailed to the other party by certified or registered mail, return receipt requested. Any such notice mailed to the Company shall be addressed to:

Samuel A. Giberga
Senior Vice President & General Counsel
Hornbeck Offshore Operators, LLC
103 Northpark Blvd., Suite 300
Covington, LA 70433

Any mediation or arbitration conducted pursuant to this Procedure shall take place in Covington, Louisiana or the location of the office to which the employee was assigned, unless the employee's most recent work location with the Company is outside Louisiana, in which case the mediation and arbitration will take place in such other location. The arbitrator shall render a decision and award within 30 days after the close of the arbitration hearing or at any later time on which the parties may agree. The award shall be in writing and signed and dated by the arbitrator and shall contain express findings of fact and the basis for the award.

The parties will pay AAA's administrative fee pursuant to AAA guidelines for employer promulgated plans. The Company shall bear the arbitrator's fees and expenses. All other costs and expenses associated with the arbitration, including without limitation, the parties' respective attorneys' fees, shall be borne by the party incurring the expense. However, if the parties arbitrate a statutory claim that allows for an award of costs and attorneys' fees, the arbitrator may award such costs and fees consistent with the term of the statute and pertinent case law.

Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The award may be vacated or modified only on the grounds specified in the Federal Arbitration Act or other applicable law.

Conformity With Law

If any one or more of the provisions of this Procedure shall for any reason be held invalid or unenforceable, it is the specific intent of the parties hereto that such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

No Retaliation/Employment At-Will

Under no circumstances will a Company employee be retaliated against in any way for invoking the Procedure in good faith to seek the resolution of a dispute. Company managers who engage in such retaliation will be subject to discipline under the appropriate Company disciplinary procedures.

The Company Arbitration and Mediation Policy does not in any way alter the at-will employment status of Company Employees. The Company and its Employees are always free to terminate the employment relationship at any time for any lawful reason, and employment is not for any specific or definite duration.

This Procedure sets forth the complete agreement of the parties on the subject of mediation and arbitration of the covered claims defined above, and supersedes any prior or contemporaneous oral or written understanding on these subjects. No party is relying on any representations, oral or written, on the subject, enforceability or meaning of this Procedure, except as specifically set forth herein.

EXHIBIT 31.1

CERTIFICATION

I, Todd M. Hornbeck, certify that:

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

Date: May 10, 2010

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

EXHIBIT 31.2

CERTIFICATION

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

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

Date: May 10, 2010

/s/ James O. Harp, Jr.

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

EXHIBIT 32.1

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

In connection with the Quarterly Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the “Company”), on Form 10-Q for the quarter ending March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Todd M. Hornbeck, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 10, 2010

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ending March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James O. Harp, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 10, 2010

/s/ James O. Harp, Jr.
James O. Harp, Jr.
Executive Vice President and Chief Financial Officer