

HERCULES OFFSHORE, INC.

Form S-4

April 24, 2007

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As filed with the Securities and Exchange Commission on April 24, 2007

Registration No. 333-

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-4**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

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**Hercules Offshore, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

1381  
(Primary Standard Industrial  
Classification Code Number)

56-2542838  
(I.R.S. Employer

Identification Number)

11 Greenway Plaza, Suite 2950

Houston, Texas 77046

(713) 979-9300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

James W. Noe

Hercules Offshore, Inc.

Senior Vice President, General Counsel, Chief Compliance Officer and Secretary

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11 Greenway Plaza, Suite 2950

Houston, Texas 77046

(713) 979-9300

Fax: (713) 979-9301

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

*Copies to:*

Melinda H. Brunger

Michael P. Donaldson

Nick D. Nicholas

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TODCO

Porter & Hedges, L.L.P.

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Houston, Texas 77042-3615

(713) 226-6000

Fax: (713) 238-7235

(713) 278-6000

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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**CALCULATION OF REGISTRATION FEE**

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Title of each class of

Amount

Proposed maximum  
offering price

Proposed maximum  
aggregate offering

Amount  
of

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securities to be registered(1)	to be registered(2)	per share	price(3)	registration fee
Common stock, par value \$0.01 per share, including the associated preferred stock purchase rights	58,779,285	N/A	\$ 1,497,240,057	\$ 45,966

- 
- (1) The registration statement also covers the associated preferred stock purchase rights (the Rights ) issued pursuant to the Rights Agreement dated effective as of October 31, 2005, between the registrant and American Stock Transfer & Trust Company, as rights agent. Until the occurrence of certain events, the Rights will not be exercisable for or evidenced separately from the shares of common stock of the registrant.
- (2) Represents the maximum number of shares of Hercules common stock issuable upon completion of the merger described herein, including shares of Hercules common stock issuable upon exercise of options and other stock-based awards with respect to TODCO common stock that will be converted into options and other stock-based awards of Hercules common stock in the merger.
- (3) Computed pursuant to Securities Act Rules 457(c) and 457(f), and estimated solely for purposes of calculating the registration fee, the proposed maximum aggregate offering price is \$1,497,240,057, which is the difference between (a) the product of (i) the average high and low prices of TODCO common stock of \$41.13, as reported on the New York Stock Exchange on April 18, 2007, and (ii) the maximum total number of shares of TODCO common stock to be cancelled in the merger, shares, less (b) the maximum amount of cash to be paid by Hercules in exchange for TODCO common stock, \$920,351,936.

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this joint proxy statement/prospectus is not complete and may be changed. Hercules Offshore, Inc. may not distribute or issue the shares of Hercules Offshore, Inc. common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission, of which this joint proxy statement/prospectus is a part, is effective. This joint proxy statement/prospectus is not an offer to distribute these securities and Hercules Offshore, Inc. is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.**

**SUBJECT TO COMPLETION, DATED APRIL 24, 2007**

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

To the Stockholders of Hercules Offshore, Inc. and TODCO:

The boards of directors of Hercules Offshore, Inc., which we sometimes refer to herein as Hercules, and TODCO have approved a merger agreement by which Hercules will acquire TODCO. As we describe in greater detail in this document, we believe the transaction will result in significant benefits to each company's stockholders.

The merger consideration is fixed at approximately \$924.4 million in cash and approximately 56.6 million shares of Hercules common stock, based on the amount of TODCO common stock and restricted stock outstanding on the effective date of the merger agreement. This is equivalent to 0.979 shares of Hercules common stock plus \$16.00 per share of TODCO common stock. TODCO stockholders may elect to receive cash or shares of Hercules common stock in the merger. Those desiring to receive a combination of cash and Hercules common stock may do so by making a cash election for a portion of their shares and a stock election for their remaining shares. **Regardless of the election made, the merger agreement contains provisions designed to cause the value of the per share consideration that TODCO stockholders receive to be substantially equivalent.**

**Your vote is very important.** We cannot complete the transaction unless, among other things, the holders of TODCO common stock vote to approve and adopt the merger agreement and the holders of Hercules common stock vote to approve the issuance of Hercules common stock in the merger. Each of Hercules and TODCO will hold a meeting of stockholders to vote on proposals related to the merger, and in the case of Hercules additional proposals unrelated to the merger, including election of directors and amendments to its long-term incentive plan. The meetings of stockholders will be held at the date, time and location set forth below. Whether or not you plan to attend your company's meeting, please take the time to submit your proxy by completing and mailing the enclosed proxy card or by using the telephone or Internet procedures provided to you. If your shares of Hercules common stock or TODCO common stock are held in street name, you must instruct your broker how to vote those shares.

**For Hercules stockholders:**

, 2007 at [Time] at [Location]

**The Hercules board of directors recommends that Hercules stockholders vote FOR the issuance of Hercules common stock in the merger, and FOR each other proposal, including for each of the director nominees.**

This document describes the stockholder meetings, the transactions contemplated by the merger agreement, documents related to the merger transaction and other related matters. **Please read this entire document carefully, including the section discussing risk factors beginning on page 28.** You can also obtain information about our companies from documents that we have each filed with the Securities and Exchange Commission.

**For TODCO stockholders:**

, 2007 at [Time] at [Location]

**The TODCO board of directors recommends that TODCO stockholders vote FOR the approval and adoption of the merger agreement.**

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Shares of Hercules common stock trade on the NASDAQ Global Select Market, which we refer to herein as NASDAQ, under the symbol HERO. Shares of TODCO common stock trade on the New York Stock Exchange, which we refer to herein as the NYSE, under the symbol THE.

Randall D. Stillely

Jan Rask

Chief Executive Officer and President

President and Chief Executive Officer

Hercules Offshore, Inc.

TODCO

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated \_\_\_\_\_, 2007, and is first being mailed to Hercules stockholders and TODCO stockholders on or about \_\_\_\_\_, 2007.

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**HERCULES OFFSHORE, INC.**

**11 Greenway Plaza, Suite 2950**

**Houston, Texas 77046**

**NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS**

**To be held on \_\_\_\_\_, 2007**

To the Stockholders

of Hercules Offshore, Inc.:

The Annual Meeting of stockholders of Hercules Offshore, Inc. (the Hercules Meeting ) will be held on \_\_\_\_\_, 2007, at \_\_\_\_\_ a.m., local time, at the St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas for the following purposes:

1. to approve the issuance of Hercules common stock to TODCO stockholders in connection with the merger as set forth in the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules,
2. to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Stockholders,
3. to approve an amendment to Hercules 2004 Long-Term Incentive Plan, sometimes referred to herein as the plan, increasing the number of shares of Hercules common stock available for issuance under the plan by 6,800,000 shares, or by 1,200,000 shares if the merger is not consummated,
4. to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies in favor of any of the foregoing proposals, and
5. to transact any other business as may properly come before the Hercules Meeting or any adjournments or postponements thereof. Attached to this notice is a joint proxy statement/prospectus setting forth information with respect to the above items and certain other information.

The Hercules board of directors has fixed the close of business on \_\_\_\_\_, 2007 as the record date for the determination of stockholders entitled to notice of and to vote at the Hercules Meeting or any adjournment thereof. Only holders of record of Hercules common stock at the close of business on the record date are entitled to notice of and to vote at the Hercules Meeting. For a period of ten days prior to the Hercules Meeting, a complete list of the holders of record of Hercules common stock entitled to vote at the meeting will be available at Hercules executive offices for inspection by stockholders during normal business hours for proper purposes.

**The Hercules Offshore, Inc. Board of Directors recommends that you vote FOR each of the proposals listed above.**

**Your vote is important.** All stockholders are cordially invited to attend the meeting. *We urge you, whether or not you plan to attend the Hercules Meeting, to submit your proxy by completing, signing, dating and mailing the enclosed proxy card in the postage-paid envelope provided or submit your proxy by telephone or the Internet, using the procedures in the voting instructions provided to you.* If a stockholder

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who has submitted a proxy attends the meeting in person, the stockholder may revoke the proxy and vote in person on all matters submitted at the meeting.

Houston, Texas

, 2007

By Order of the Board of Directors  
James W. Noe  
*Senior Vice President, General Counsel and Secretary*

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**TODCO**

**2000 W. Sam Houston Parkway S., Suite 800**

**Houston, Texas 77042-3615**

**(713) 278-6000**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On \_\_\_\_\_, 2007**

Notice is hereby given that a special meeting of stockholders of TODCO (the TODCO Meeting ) will be held at the Westchase Hilton Hotel, 9999 Westheimer, Houston, Texas, at \_\_\_\_\_ a.m., Houston time, on \_\_\_\_\_, 2007, for the following purposes:

1. to approve and adopt the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules Offshore, Inc., TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules Offshore, Inc.,
2. to approve the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal, and

3. to transact any other business as may properly come before the TODCO Meeting or any adjournments or postponements thereof. Stockholders of record at the close of business on \_\_\_\_\_, 2007, are entitled to notice of and to vote at the TODCO Meeting or any adjournment or postponement thereof. A list of all stockholders entitled to vote at the TODCO Meeting will be available at TODCO's office at 2000 W. Sam Houston Parkway S., Suite 800, Houston, Texas 77042-3615, for a period of at least ten days prior to the TODCO Meeting, and will also be available at the TODCO Meeting.

**The TODCO Board of Directors recommends that you vote FOR each of the proposals listed above.**

By Order of the Board of Directors

Michael P. Donaldson

*Vice President, General Counsel and Secretary*

Houston, Texas

\_\_\_\_\_, 2007

***Whether or not you plan to attend the TODCO Meeting, please sign, date and return the enclosed proxy card as promptly as possible in the envelope provided or submit your proxy by telephone or the Internet, using the procedures in the voting instructions provided to you.*** No postage is required if mailed in the United States. Should you receive more than one proxy card because your shares are registered in different names and addresses, each proxy card should be signed and returned to ensure that all your shares will be voted. Your proxy may be revoked at any time prior to the time it is voted at the TODCO Meeting.



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**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates by reference important business and financial information about Hercules and TODCO from documents that are not included or delivered with this joint proxy statement/prospectus. These documents are available to Hercules and TODCO stockholders without charge upon written or oral request, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this joint proxy statement/prospectus. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate company.

Hercules Offshore, Inc.	TODCO
11 Greenway Plaza, Suite 2950	2000 W. Sam Houston Parkway, Suite 800
Houston, Texas 77046	Houston, Texas 77042-3615
Attention: Investor Relations	Attention: Investor Relations
Telephone number: (713) 979-9300	Telephone number: (713) 278-6000
<a href="http://www.herculesoffshore.com">www.herculesoffshore.com</a>	<a href="http://www.theoffshoredrillingcompany.com">www.theoffshoredrillingcompany.com</a>

See **Where You Can Find More Information** beginning on page for a detailed description of the documents incorporated by reference into this joint proxy statement/prospectus.

**In order for you to receive timely delivery of the documents in advance of the meetings, Hercules or TODCO, as applicable, should receive your request by no later than \_\_\_\_\_, 2007.**

Information contained on the Hercules and TODCO websites is expressly not incorporated by reference into this joint proxy statement/prospectus.

**ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission, which is referred to herein as the SEC, by Hercules (File No. 333-\_\_\_\_\_), constitutes a prospectus of Hercules under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the shares of Hercules common stock to be issued to TODCO stockholders in the merger pursuant to the merger agreement.

This document also constitutes a notice of meeting and a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, with respect to the Hercules Meeting, at which Hercules stockholders will be asked to consider and vote upon certain proposals, including a proposal to approve the issuance of shares of Hercules common stock to TODCO stockholders in the merger pursuant to the merger agreement, and with respect to the TODCO Meeting, at which TODCO stockholders will be asked to consider and vote upon a proposal to approve and adopt the merger agreement.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

***Important Information and Risks:*** *The following are brief answers to some questions that Hercules stockholders and TODCO stockholders may have regarding the proposed merger and the proposals being considered at the Hercules Meeting and the TODCO Meeting. Hercules and TODCO urge you to read and consider carefully the remainder of this joint proxy statement/prospectus, including the Risk Factors beginning on page and the attached Annexes, because the information in this section does not provide all of the information that might be important to you. Additional important information and descriptions of risks are also contained in the documents incorporated by reference in this joint proxy statement/prospectus.*

**Your vote is very important. You are encouraged to submit a proxy as soon as possible.**

**Q: What is the proposed merger?**

A: Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, referred to as Merger Sub, have entered into a merger agreement, pursuant to which TODCO will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct, wholly-owned subsidiary of Hercules. Stockholders of both Hercules and TODCO must approve proposals enabling the merger to occur.

**Q: Why is Hercules proposing the merger?**

A: The Hercules board of directors believes that the combined company will be one of the leading oil and gas service providers in the world. The Hercules board of directors also believes that the combination of Hercules and TODCO offers the following advantages to the combined company:

provides the opportunity to diversify the combined company's asset base,

increases the combined company's operational flexibility,

expands the international footprint of the combined company, which provides diversity as well as a platform for future growth in existing and new locations,

expands the stockholder base and market capitalization of the combined company,

enables Hercules to combine the operational and safety best practices developed by both companies in order to deliver high quality drilling and marine services to the combined company's customers, and

generates additional career and developmental opportunities for the employees of Hercules and TODCO, which in turn will enhance the combined company's ability to recruit and retain a skilled workforce.

**Q: How much in total is Hercules paying the TODCO stockholders in the merger?**

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A: Based on the number of outstanding shares of TODCO common stock as of March 18, 2007, the effective date of the merger agreement.

Hercules will issue a total of approximately 56.6 million shares of Hercules common stock in the merger based on the number of shares outstanding as of March 18, 2007, representing approximately % of the shares of Hercules common stock outstanding on the same date. We refer to this as the total stock consideration.

Hercules will pay approximately \$924.4 million in cash to TODCO stockholders in the merger pursuant to the merger agreement based on the number of shares outstanding as of March 18, 2007. We refer to this as the total cash consideration.

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**Q: What will TODCO stockholders receive as a result of the merger?**

A: At the effective time of the merger, on a per-share basis, the outstanding shares of TODCO common stock will be converted into the right to receive merger consideration equal in value to \$16.00 per share plus the product of (1) 0.979 times (2) the average of the per share closing sales price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger, or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading day.

**Q: Will TODCO stockholders be able to choose whether to receive cash or Hercules common stock in the merger?**

A: Yes. TODCO stockholders will be able to elect to receive cash or Hercules common stock in the merger based on a formula contained in the merger agreement, subject to proration in the event the cash election or stock election is oversubscribed and cash payments in lieu of fractional shares. Those stockholders desiring to receive a combination of cash and Hercules common stock may do so by making a cash election with respect to a portion of their shares and a stock election with respect to their remaining shares.

The cash/stock election formula is designed to provide substantially equivalent value of the consideration to be received for each share of TODCO common stock at the time the calculation is made, regardless of whether a TODCO stockholder elects to receive cash or shares of Hercules common stock. This value equivalency will be based on the average of the per share closing sales price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger, or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading day. The cash/stock election formula and examples of its application are described in The Merger Agreement Merger Consideration, beginning on page of this joint proxy statement/prospectus.

**Q: If I am a TODCO stockholder, what is the deadline for me to elect the type of merger consideration that I prefer to receive?**

A: Holders of TODCO common stock who wish to elect to receive cash or Hercules common stock should follow the instructions in the election form which will be provided to TODCO stockholders in a separate mailing. Those stockholders desiring to receive a combination of Hercules common stock and cash may do so by making a cash election for a portion of their TODCO shares and a stock election for their remaining TODCO shares. If you do not submit a properly completed and signed election form to the exchange agent before the election deadline set forth below and in the election form, then you will not have a right to elect your preferred form of consideration and, consequently, under the proration provisions of the merger agreement, may receive only cash, only shares of Hercules common stock, or a combination of cash and shares of Hercules common stock following completion of the merger, depending on the type of merger consideration that other TODCO stockholders elect to receive.

*The exchange agent must receive your properly completed and signed election form, along with certificates evidencing your shares of TODCO common stock, before the election deadline, which is 5:00 p.m., New York City time, on , 2007 (subject to possible extension by Hercules and TODCO).*



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**Q: If I am a TODCO stockholder, when will I receive my form of election?**

A: The form of election will be sent separately. Submitting a form of election will not count as a vote in favor of the merger. Therefore, in order to vote your shares, you must complete and submit your proxy card in the envelope provided for the proxy card or submit your proxy by telephone or the Internet, using the procedures in the voting instruction provided to you.

**Q: When do Hercules and TODCO expect to complete the merger?**

A: Hercules and TODCO are working to complete the merger as quickly as possible. Hercules and TODCO currently expect to complete the merger in the summer of 2007. However, neither Hercules nor TODCO can predict the exact timing of the completion of the merger because it is subject to conditions both within and beyond their respective control, including regulatory approvals. See The Merger Agreement Conditions to the Completion of the Merger, beginning on page .

**Q: If I am not a U.S. citizen, will I receive the same shares of Hercules common stock as U.S. citizens?**

A: Not in all circumstances. To assist in compliance with regulations governing U.S. coastwise shipping that limit stock ownership by non-U.S. citizens to 25%, Hercules certificate of incorporation provides that any attempted transfer of any shares of Hercules common stock that would result in the ownership or control of in excess of 20% of Hercules common stock by non-U.S. citizens will be void as against Hercules. In addition, if at any time non-U.S. citizens own or possess voting power over any shares of Hercules common stock in excess of 20%, Hercules may withhold payment of dividends, suspend voting rights and redeem the applicable shares of Hercules common stock. The TODCO bylaws contain transfer restrictions for this purpose. Therefore, non-U.S. citizens may receive non-voting shares in the merger in the event 20% or more of Hercules common stock is or, following completion of the merger, would be held by non-U.S. citizens. See Comparison of Rights of Hercules and TODCO Stockholders Foreign Ownership of Common Stock Hercules, beginning on page . For U.S. federal income tax purposes, redemption of Hercules common stock under these provisions could result in taxable income to holders of the redeemed shares. See Material U.S. Federal Income Tax Consequences Non-U.S. Holders, beginning on page .

**Q: How will Hercules stockholders be affected by the merger and issuance of shares of Hercules common stock?**

A: After the merger, each Hercules stockholder will have the same number of shares of Hercules common stock that the stockholder held immediately prior to the merger. However, because Hercules will be issuing new shares of Hercules common stock to TODCO stockholders in the merger, each share of Hercules common stock outstanding immediately prior to the merger will represent a smaller percentage of the aggregate number of shares of Hercules common stock outstanding after the merger. As a result of the merger, each Hercules stockholder will own a smaller percentage of the shares of common stock of a larger company with more outstanding shares and more assets. It is anticipated that Hercules stockholders will own in the aggregate approximately 36% of the combined company, based upon the number of outstanding shares of Hercules and TODCO common stock on March 31, 2007.

**Q: What conditions are required to be fulfilled to complete the merger?**

A: Hercules and TODCO are not required to complete the merger unless certain specified conditions are satisfied or waived. These conditions include, but are not limited to:

approval by Hercules stockholders of the issuance of the additional shares of Hercules common stock to be issued to TODCO stockholders in the merger,

approval and adoption of the merger agreement by TODCO stockholders,

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expiration or termination of the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended,

approval of the shares of Hercules common stock to be issued in the merger for listing on NASDAQ,

no more than 5% of TODCO stockholders exercising statutory appraisal or dissenters' rights, and

the continued service of Mr. Stilley as the Chief Executive Officer and President and as a director of Hercules on a full-time basis and that he not be subject to any material and continuing disability in performing his duties and has not accepted or announced his intention to accept any position as an executive officer of another company.

Neither Hercules nor TODCO can assure you that these required conditions will be satisfied. For a more complete summary of the conditions that must be satisfied or waived prior to the effective time of the merger, see "The Merger Agreement - Conditions to the Completion of the Merger," beginning on page .

**Q: Is the merger subject to Hercules receiving financing?**

A: No. Hercules is expected to receive financing to fund the cash component of the merger as described below, but receipt of the financing is not a condition to completing the merger.

**Q: How will Hercules finance the cash component of the merger?**

A: In order to finance some or all of the cash portion of the merger consideration, Hercules expects to incur incremental indebtedness of up to \$1.1 billion. Hercules intends to enter into a new syndicated secured term loan facility of up to \$1.1 billion and a \$150.0 million revolving credit facility to be arranged by UBS Securities LLC. Under the Bank Facilities Commitment Letter between Hercules and UBS dated March 18, 2007 (as amended to include Amegy Bank National Association, Comerica Bank, Credit Suisse, Deutsche Bank AG, Jefferies Finance LLC and JPMorgan Chase Bank, N.A.) and subject to the conditions set forth therein, Hercules expects to enter into the facility upon the closing of the merger, so long as it occurs prior to October 31, 2007. Hercules expects to use the proceeds of the term loan facility to repay in full and terminate Hercules' existing syndicated secured term loan facility and refinance TODCO's revolving credit facility. If the merger is not consummated, Hercules will not enter into the facility and its existing facility will not be terminated. See "Financing of the Merger," beginning on page .

**Q: Are TODCO stockholders entitled to appraisal rights?**

A: If, under the terms of the merger agreement, including the election, equalization and proration provisions, any TODCO stockholders who elected stock are required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all TODCO stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no TODCO stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger. TODCO stockholders who wish to seek appraisal of their shares are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights.

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If appraisal rights are available, holders of shares of TODCO common stock who do not vote in favor of the merger will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal before the vote on the merger and comply with other Delaware law procedures and the requirements explained in this joint proxy statement/prospectus. See Appraisal Rights, beginning on page .

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**ADDITIONAL QUESTIONS AND ANSWERS ABOUT THE PROPOSALS TO BE CONSIDERED**

**AT THE HERCULES MEETING**

**OTHER THAN THE MERGER PROPOSAL**

**Q: In addition to the proposed merger, what other proposals are to be considered and voted upon at the Hercules Meeting?**

A: In addition to matters related to the proposed merger, the Hercules board of directors is soliciting proxies from Hercules stockholders to act on matters relating to the Hercules 2007 annual meeting of stockholders. Accordingly, Hercules stockholders are being asked to consider and vote on the following three proposals in addition to issuance of shares of Hercules common stock in connection with the proposed merger:

a proposal to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Hercules stockholders,

a proposal to approve an amendment to the Hercules 2004 Long-Term Incentive Plan, increasing the number of shares of Hercules common stock available for issuance under the plan by \_\_\_\_\_ shares, or by \_\_\_\_\_ shares if the merger is not consummated, and

a proposal to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposals.

The Hercules board of directors recommends that Hercules stockholders vote FOR each of the proposals listed above. These proposals are in the section Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting beginning on page \_\_\_\_\_.

**Q: What is the vote required to approve these other proposals?**

A: The affirmative vote of a plurality of the shares of Hercules common stock present in person or represented by proxy and entitled to vote at the Hercules Meeting is required to elect each director nominee, which means that the number of nominees recommended for election by the Hercules board of directors, currently three, receiving the greatest number of votes will be elected. The affirmative vote of a majority of the votes cast at the Hercules Meeting is required to approve the amendments to the Hercules 2004 Long-Term Incentive Plan and to approve the adjournment proposal.

If a Hercules stockholder attends but fails to vote on the proposals discussed above, or if a Hercules stockholder abstains, the presence of the Hercules stockholder will be counted for purposes of a quorum, but will not constitute a vote cast. Abstentions and broker non-votes will not be counted either in favor of or against approval of the proposals at the Hercules Meeting.

**Q: How will the vote on the proposed merger affect the other Hercules Meeting proposals?**

A:

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The completion of the merger is not conditioned upon the approval of the other Hercules Meeting proposals and vice versa. However, the proposal to amend the Hercules 2004 Long-Term Incentive Plan includes a provision to increase the number of shares of Hercules common stock issuable under the plan. If the merger is not consummated, the number of shares to be added to the plan will be reduced.

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**QUESTIONS AND ANSWERS ABOUT THE MEETINGS**

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: **Hercules:** Hercules stockholders are being asked at the Hercules Meeting to approve the issuance of additional shares of Hercules common stock, which will be issued to TODCO stockholders under the merger agreement. Hercules is also asking its stockholders to approve other matters in connection with the Hercules Meeting that are described in this joint proxy statement/prospectus but are not conditions to the merger.

**TODCO:** TODCO stockholders are being asked to approve and adopt the merger agreement at the TODCO Meeting.

**Q: When and where will the Hercules Meeting take place?**

A: The Hercules Meeting will be held on \_\_\_\_\_, 2007 at \_\_\_\_\_ a.m., Houston time at \_\_\_\_\_.

**Q: When and where will the TODCO Meeting take place?**

A: The TODCO Meeting will be held on \_\_\_\_\_, 2007 at \_\_\_\_\_ a.m., Houston time, at \_\_\_\_\_.

**Q: Who can attend and vote at the stockholders meetings?**

A: **Hercules:** All Hercules stockholders of record as of the close of business on \_\_\_\_\_, 2007, the record date for the Hercules Meeting, are entitled to receive notice of and to vote at the Hercules Meeting.

**TODCO:** All TODCO stockholders of record as of the close of business on \_\_\_\_\_, 2007, the record date for the TODCO Meeting, are entitled to receive notice of and to vote at the TODCO Meeting.

**Q: How does the Hercules board of directors recommend that Hercules stockholders vote?**

A: The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR the proposal to approve the issuance of shares of Hercules common stock to TODCO stockholders in the merger pursuant to the merger agreement. For a more complete description of the recommendation of the Hercules board of directors, see The Merger Recommendation of the Hercules Board of Directors and Its Reasons for the Merger, beginning on page \_\_\_\_\_.

The Hercules board of directors also recommends that Hercules stockholders vote FOR each of the director nominees, FOR the amendment of the Hercules 2004 Long-Term Incentive Plan and FOR approval to adjourn the Hercules Meeting, if necessary or appropriate, to solicit additional votes.

**Q: How does the TODCO board of directors recommend that TODCO stockholders vote?**

A: The TODCO board of directors unanimously recommends that TODCO stockholders vote FOR the proposal to approve and adopt the merger agreement. The TODCO board of directors also recommends that TODCO stockholders vote FOR approval to adjourn the TODCO Meeting, if necessary or appropriate, to solicit additional votes. For a more complete description of the recommendation of the TODCO board of directors, see The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger, beginning on page .

**Q: What is the vote required to approve the proposals related to the merger?**

A: **Hercules:** Under the rules of NASDAQ, which govern Hercules, approval of the issuance of shares of Hercules common stock to TODCO stockholders in the merger pursuant to the merger agreement requires



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the affirmative vote of the holders of a majority of the votes cast at a meeting at which a majority of the outstanding shares of Hercules common stock as of the record date are present in person or by proxy. If a Hercules stockholder attends but fails to vote on the issuance of shares of Hercules common stock to TODCO stockholders in the merger, or if a Hercules stockholder abstains, the presence of the Hercules stockholder will be counted for purposes of a quorum, but will not constitute a vote cast. Abstentions and broker non-votes will not be counted either in favor of or against approval of the proposals at the Hercules Meeting.

**TODCO:** Under the General Corporation Law of the State of Delaware, referred to as the DGCL, approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of TODCO common stock entitled to vote as of the record date. Accordingly, if a TODCO stockholder fails to vote at the TODCO Meeting, or if a TODCO stockholder abstains, that will have the same effect as a vote against approval and adoption of the merger agreement.

**Q: If my shares are held in street name by my broker or other nominee, will my broker or other nominee vote my shares for me in connection with the merger and the issuance of shares in the merger?**

A: No. Your broker or other nominee will NOT be able to vote your shares of Hercules or TODCO common stock held in street name on the proposal to approve the issuance of Hercules common stock in the merger or the proposal to approve and adopt the merger agreement, as applicable, unless you instruct your broker or other nominee how to vote. Please follow the voting instructions provided by your broker, or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Hercules or TODCO or by voting in person at your stockholders meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee.

If you are a Hercules stockholder and you do not instruct your broker or other nominee on how to vote your shares:

your broker or other nominee may not vote your shares on the proposal to approve the issuance of shares of Hercules common stock in the merger, and your vote will not be cast in favor of this proposal.

If you are a TODCO stockholder and you do not instruct your broker or other nominee on how to vote your shares:

your broker or other nominee may not vote your shares, which will have the same effect as a vote AGAINST the merger agreement.

You should therefore provide your broker or other nominee with instructions as to how to vote your shares of TODCO or Hercules common stock.

**Q: How do I vote my shares?**

A: After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope as soon as possible or submit your proxy by telephone or the Internet, using the procedures in the voting instructions provided to you.

Please refer to your proxy card or the information forwarded by your broker or other nominee to see which options are available to you. The Internet and telephone proxy submission procedures are designed to authenticate stockholders and to allow you to confirm that your instructions have been properly recorded.

The method you use to submit a proxy will not limit your right to vote in person at the Hercules Meeting or the TODCO Meeting if you later decide to attend one of the meetings. If your shares of Hercules common

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stock or TODCO common stock are held in the name of a broker or other nominee, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote in person at the applicable stockholders meeting.

**Q: How will my shares be voted?**

A: ***Hercules:*** All shares of Hercules common stock entitled to vote and represented by properly completed proxies received prior to the Hercules Meeting, and not revoked, will be voted at the Hercules Meeting as instructed on the proxies. **If you properly complete and sign your proxy card but do not indicate how your shares should be voted on a proposal, the shares of Hercules common stock represented by your proxy will be voted as the Hercules board of directors recommends and therefore will be voted FOR the issuance of additional shares of Hercules common stock in the merger, FOR the election of each of the director nominees, FOR the amendment of the Hercules 2004 Long-Term Incentive Plan and FOR the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies for the issuance of shares in the merger.**

***TODCO:*** All shares of TODCO common stock entitled to vote and represented by properly completed proxies received prior to the TODCO Meeting, and not revoked, will be voted at the TODCO Meeting as instructed on the proxies. **If you properly complete and sign your proxy card but do not indicate how your shares of TODCO common stock should be voted on a matter, the shares of TODCO common stock represented by your proxy will be voted as the TODCO board of directors recommends and therefore will be voted FOR the approval and adoption of the merger agreement and FOR the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies for approval and adoption of the merger agreement.**

**Q: If I am a TODCO stockholder, should I send in my stock certificates with my proxy card?**

A: **No.** Please **DO NOT** send your TODCO stock certificates with your proxy card. Rather, prior to the election deadline, which is 5:00 p.m., New York City time, on \_\_\_\_\_, 2007, send your TODCO common stock certificates to the exchange agent, together with your completed, signed election form. The election form for your TODCO shares and instructions will be delivered to you in a separate mailing. If your shares of TODCO common stock are held in \_\_\_\_\_ street name by your broker or other nominee, you should follow those instructions for making an election to receive cash or Hercules common stock.

**Q: Can I change my vote after I deliver my proxy?**

A: Yes. You may change your vote at any time before your proxy is voted at the Hercules Meeting or the TODCO Meeting, as applicable. You can do this in any of the three following ways:

by sending a written notice to the Secretary of Hercules or TODCO, as applicable, in time to be received before the Hercules Meeting or the TODCO Meeting, as applicable, stating that you would like to revoke your proxy,

by completing, signing and dating a later proxy card, or by submitting a later proxy by telephone or through the Internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked, or

if you are a holder of record, or if you hold a proxy in your favor executed by a holder of record, by attending the applicable stockholders meeting and voting in person. Simply attending the Hercules Meeting or the TODCO Meeting without voting will not revoke your proxy or change your vote.

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If your shares of Hercules common stock or TODCO common stock are held in an account at a broker or other nominee and you desire to change your vote, you should contact your broker or other nominee.

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**Q: What should I do if I receive more than one set of voting materials for the Hercules Meeting or the TODCO Meeting?**

A: You may receive more than one set of voting materials for the Hercules Meeting or the TODCO Meeting and the materials may include multiple proxy cards or voting instruction cards. For example, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record registered in more than one name, you will receive more than one proxy card. **Please complete, sign, date and return each proxy card and voting instruction card that you receive according to the instructions on it or submit a proxy by telephone or the Internet for each proxy card you receive.**

**Q: Can I submit my proxy by telephone or the Internet?**

A: **Hercules:** Yes. Holders of record may submit their proxies by telephone or by the Internet. See The Hercules Meeting Proxy Voting by Holders of Record, beginning on page .

**TODCO:** Yes. Holders of record may submit their proxies by telephone or by the Internet. See The TODCO Meeting Proxy Voting by Holders of Record, beginning on page .

**Q: Who can answer my questions?**

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this joint proxy statement/prospectus, the enclosed proxy card, voting instructions or the election form, you should contact the information agent:  
Georgeson, Inc.

17 State Street

New York, N.Y. 10004

Banks and Brokers call ( )

Hercules stockholders call toll-free 1 ( )

TODCO stockholders call toll-free 1 ( )

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### SUMMARY

**Important information and risks regarding the merger:** *This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To better understand the merger and the other proposals being considered at the Hercules Meeting and TODCO Meeting, you should read this entire joint proxy statement/prospectus carefully, including the Risk Factors beginning on page and the merger agreement, attached as Annex A. In addition, you are encouraged to read the information incorporated by reference into this joint proxy statement/prospectus, which includes important business and financial information and risks about Hercules and TODCO.*

#### The Companies

**Hercules Offshore, Inc.** Hercules Offshore, Inc. provides drilling and liftboat services to the oil and natural gas exploration and production industry in the U.S. Gulf of Mexico and internationally. Hercules currently operates a fleet of nine jackup rigs and a fleet of 64 liftboats. Hercules provides these services to major integrated energy companies and independent oil and natural gas operators. Currently, six of Hercules jackup rigs are located in the U.S. Gulf of Mexico and the remaining two rigs are located in Qatar and India, respectively. Hercules owns an additional jackup rig that is currently undergoing refurbishment and is being marketed for operations in international locations. Hercules owns 47 liftboats operating in the U.S. Gulf of Mexico and 12 liftboats operating in West Africa. In addition, Hercules operates five liftboats in West Africa which are owned by a third party.

Hercules common stock is traded on NASDAQ under the symbol HERO. Hercules' principal executive offices are located at 11 Greenway Plaza, Suite 2950, Houston, Texas 77046, and its telephone number is (713) 979-9300.

**TODCO.** TODCO is a leading provider of contract oil and gas drilling services, primarily in the U.S. Gulf of Mexico and inland marine region, an area that TODCO refers to as the U.S. Gulf Coast. TODCO's core business is to contract its drilling rigs, related equipment and work crews on a dayrate basis to customers who are drilling oil and gas wells. TODCO provides these services primarily to independent oil and gas companies, but also services major international and government-controlled oil and gas companies.

TODCO operates a fleet of 64 drilling rigs consisting of 27 inland barge rigs, 24 jackup rigs, three submersible rigs, one platform rig, and nine land rigs. Currently, 50 of these rigs are located in the United States with the remainder in Angola, Brazil, Mexico, Trinidad, Venezuela and other international locations. TODCO also operates through its wholly-owned subsidiary, Delta Towing LLC (Delta Towing), a fleet of U.S. marine support vessels consisting of 42 inland tugs, 19 offshore tugs, 36 crewboats and 55 barges along the U.S. Gulf Coast and in the U.S. Gulf of Mexico.

TODCO common stock is traded on the NYSE under the symbol THE. TODCO's principal executive offices are located at 2000 W. Sam Houston Parkway, Suite 800, Houston, Texas 77042-3615, and its telephone number is (713) 278-6000.

**Merger Sub.** Merger Sub is a direct, wholly-owned subsidiary of Hercules and is formed as a limited liability company under the laws of the State of Delaware. Merger Sub was formed on March 16, 2007 solely for the purpose of effecting the merger. Merger Sub has not conducted any business operations other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The principal executive offices of Merger Sub are located at 11 Greenway Plaza, Suite 2950, Houston, Texas 77046, and its telephone number is (713) 979-9300.

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### **The Merger** (see page )

The merger is subject to review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to as the HSR Act, by the Antitrust Division of the U.S. Department of Justice which is referred to as the Antitrust Division, and the Federal Trade Commission which is referred to as the FTC. Hercules and TODCO have agreed to combine their businesses pursuant to the merger agreement described in this joint proxy statement/prospectus, subject to stockholder approvals and other conditions. Under the terms of the merger agreement, TODCO will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct, wholly-owned subsidiary of Hercules. The merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference herein. Hercules and TODCO encourage you to read the merger agreement in its entirety because it is the legal document that governs the merger.

### **Risk Factors** (see page )

There are risks associated with the merger and the operations of Hercules after the merger. These risks are more fully described in Risk Factors beginning on page .

#### ***Risk Factors Relating to the Merger***

Some of the risk factors relating to the merger include the following:

because the merger consideration is fixed and the market price of shares of Hercules common stock will fluctuate, TODCO stockholders cannot be sure of the value of the merger consideration they will receive, and Hercules stockholders cannot be sure of the value of the shares of Hercules common stock that will be paid to the TODCO stockholders,

if the market price of a share of Hercules common stock goes down after TODCO stockholders vote in favor of the merger, TODCO stockholders may receive less value than they expect from the merger,

if the market price of Hercules common stock goes up after Hercules stockholders vote to approve the issuance of shares in the merger, Hercules stockholders may believe that Hercules paid too much for TODCO,

TODCO stockholders who elect to receive a specific type of consideration (*i.e.*, stock and/or cash) in the merger may receive a type of consideration different from the consideration they elect,

any delay in completing the merger may substantially reduce the benefits expected to be obtained from the merger,

failure to complete the merger could negatively impact the stock price and the future business and financial results of Hercules and TODCO,

the rights of TODCO stockholders who become stockholders of Hercules in the merger will be governed by Hercules' certificate of incorporation and bylaws, which are different in some respects from the TODCO certificate of incorporation and bylaws, including certain provisions designed to ensure that, for a period of three years after closing, seven of the Hercules directors will consist of former Hercules directors or their nominees,

due to provisions in the Hercules certificate of incorporation, non-U.S. owners of Hercules common stock may be subject to certain restrictions,

TODCO's tax sharing agreement with Transocean, Inc., its former parent, will require substantial payments by Hercules upon the effective time of the merger and may require substantial payments by Hercules after completion of the merger, and

directors and executive officers of TODCO have personal interests that may motivate them to support or approve the merger.



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### ***Risk Factors Relating to Hercules Following the Merger***

Hercules may experience difficulties in integrating TODCO's businesses, which could cause the combined company to fail to realize many of the anticipated potential benefits of the merger,

Hercules will incur significant debt to fund the merger,

the impact of purchase accounting could adversely affect Hercules' earnings, and

Hercules will be subject to additional international political, economic, and other uncertainties after the merger due to the fact the combined company will have more international operations.

### **Amount of Merger Consideration** (see page )

At the effective time of the merger, the outstanding shares of TODCO common stock, on a per-share basis, will be converted into the right to receive merger consideration equal in value to \$16.00 per share plus the product of (1) 0.979 times (2) the average closing price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger, or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading day.

### **Election For Type of Merger Consideration** (see page )

TODCO stockholders may elect to receive cash or shares of Hercules common stock as their merger consideration. TODCO stockholders desiring to receive a combination of cash and Hercules common stock may do so by making a cash election with respect to a portion of their shares and a stock election with respect to their remaining shares. The merger agreement contains provisions designed to provide substantially equivalent value for the consideration to be received for each share of TODCO common stock, at the time the calculation is made, regardless of whether a TODCO stockholder elects to receive cash, shares of Hercules common stock or a combination of cash and shares of Hercules common stock.

Because Hercules is delivering a fixed number of shares of Hercules common stock and paying a fixed amount of cash (subject to upward adjustment for any shares of TODCO common stock issued upon exercise of outstanding TODCO stock options or otherwise), TODCO stockholders cannot be certain of receiving the type of merger consideration that they elect. If the elections result in an oversubscription of the pool of cash or shares of Hercules common stock, certain proration procedures will be followed by the exchange agent to allocate cash and shares of Hercules common stock among TODCO stockholders. See The Merger Agreement Election Procedures, and Proration, beginning on page .

### **Completion and Delivery of the Election Form** (see page )

**Election form:** In a separate mailing, TODCO stockholders will receive an election form with instructions for making cash and Hercules common stock elections. TODCO stockholders should properly complete and deliver to the exchange agent their election form along with their stock certificates (or a properly completed notice of guaranteed delivery in lieu of the stock certificates or, in the case of shares of TODCO common stock held in book entry form, any additional documents specified in the election form). TODCO stockholders should not send their stock certificates or election form with their proxy card.

**Election deadline:** Election forms and stock certificates (or a properly completed notice of guaranteed delivery in lieu of the stock certificates or, in the case of shares of TODCO common stock held in book entry form, any additional documents specified in the election form) must be received by the exchange agent by the election deadline, which is 5:00 p.m., New York City time, on , 2007. Once TODCO stockholders tender their stock certificates to the exchange agent, they may not transfer their shares of TODCO common stock until the merger is completed, unless they revoke their election by written notice to the exchange agent that is received prior to the election deadline.



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***TODCO stockholders who do not make an election:*** If any TODCO stockholder fails to submit a properly completed election form, together with its stock certificates (or a properly completed notice of guaranteed delivery), prior to the election deadline, that stockholder will be deemed not to have made an election. TODCO stockholders making no election may be paid in all cash, all shares of Hercules common stock, or part cash and part shares of Hercules common stock, depending on whether the elections made by other TODCO stockholders result in an oversubscription of the fixed amount of cash or fixed number of shares of Hercules common stock.

***Election through broker or nominee:*** If TODCO stockholders own shares of TODCO common stock in street name through a broker or other nominee and wish to make an election, they should seek instructions from the broker or other nominee holding their shares of TODCO common stock concerning how to make their election.

If the merger agreement is not adopted by TODCO stockholders, or the issuance of additional shares of Hercules common stock is not approved by Hercules stockholders, stock certificates will be returned by the exchange agent by first class mail or through book-entry transfer (in the case of shares of TODCO common stock delivered in book-entry form to the exchange agent).

**Treatment of TODCO Stock Options and Other Equity Awards** (see page )

The treatment of stock options, restricted shares, deferred stock units and deferred performance awards outstanding under the TODCO stock plans are discussed under the heading **The Merger Agreement Treatment of TODCO Stock Options and Other Equity Awards**, beginning on page .

**Recommendation of the Hercules Board of Directors** (see page )

The Hercules board of directors has determined unanimously that the merger agreement is advisable and the transactions contemplated by the merger agreement, including the issuance of additional shares of Hercules common stock in the merger, are in the best interests of the Hercules stockholders, and has unanimously approved the merger agreement and the transactions contemplated by the merger agreement. **The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR the proposal to approve the issuance of additional shares of Hercules common stock in the merger.**

**The Hercules board of directors unanimously recommends that Hercules stockholders vote, FOR the election of the three Class II director nominees, FOR the approval of the amendment to the Hercules 2004 Long-Term Incentive Plan and FOR the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies.**

**Recommendation of the TODCO Board of Directors** (see page )

The TODCO board of directors has determined unanimously that the merger agreement is advisable and the transactions contemplated by the merger agreement are in the best interests of the TODCO stockholders, and has unanimously adopted and approved the merger agreement, the merger, and the transactions contemplated by the merger agreement. **The TODCO board of directors unanimously recommends that TODCO stockholders vote FOR the proposal to approve and adopt the merger agreement and FOR the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies.**

**Stockholders Entitled to Vote; Vote Required for Approval** (see pages and )

***Hercules***

***Record date:*** Hercules stockholders can vote at the Hercules Meeting if they owned shares of Hercules common stock at the close of business on , 2007, which is referred to as the Hercules record date. On the Hercules record date, there were shares of Hercules common stock outstanding and entitled to vote

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at the Hercules Meeting, held by approximately \_\_\_\_\_ stockholders of record. Hercules stockholders may cast one vote for each share of Hercules common stock that they owned on the Hercules record date.

***Vote required:*** The affirmative vote of the holders of a majority of the votes cast by Hercules stockholders entitled to vote at the Hercules Meeting, at which a quorum is present, is required to approve the issuance of additional shares of Hercules common stock pursuant to the merger agreement, to approve the amendment of the Hercules 2004 Long-Term Incentive Plan and to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies. For the election of Directors (Hercules Proposal No. 2), the three nominees receiving the most FOR votes from the shares having the voting power present in person or represented by proxy will be elected. Abstentions and broker non-votes will not be counted either in favor of or against approval of the proposals at the Hercules Meeting.

***Quorum required:*** For purposes of conducting the Hercules Meeting, the holders of at least a majority of the shares of Hercules common stock issued and outstanding and entitled to vote at the Hercules Meeting will constitute a quorum. Abstentions and broker non-votes will be counted in determining whether a quorum is present at the Hercules Meeting.

***Your vote is very important.*** You are encouraged to vote as soon as possible. If you do not indicate how your shares of Hercules common stock should be voted, the shares of Hercules common stock represented by your properly completed proxy will be voted as the Hercules board of directors recommends and therefore FOR the issuance of additional shares of Hercules common stock in the merger, FOR the approval of an amendment to the Hercules 2004 Long-Term Incentive Plan and FOR the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies.

## ***TODCO***

***Record date:*** TODCO stockholders can vote at the TODCO Meeting if they owned shares of TODCO common stock at the close of business on \_\_\_\_\_, 2007, which is referred to as the TODCO record date. On the TODCO record date, there were \_\_\_\_\_ shares of TODCO common stock outstanding and entitled to vote at the TODCO Meeting, held by approximately \_\_\_\_\_ stockholders of record. TODCO stockholders may cast one vote for each share of TODCO common stock that they owned on the TODCO record date.

***Vote required:*** A majority of the outstanding shares of TODCO common stock entitled to vote must be cast in favor of the approval and adoption of the merger agreement for it to be approved. Therefore, your failure to vote, your failure to instruct your broker to vote your shares, or your abstaining from voting will have the same effect as a vote against the merger. The adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies is determined by a majority of the votes cast, without regard to broker non-votes or abstentions.

***Quorum required:*** For purposes of conducting the TODCO Meeting, the holders of at least a majority of the shares of TODCO common stock issued and outstanding and entitled to vote at the TODCO Meeting will constitute a quorum. Abstentions and broker non-votes will be counted in determining whether a quorum is present at the TODCO Meeting.

***Your vote is very important.*** You are encouraged to vote as soon as possible. If you do not indicate how your shares of TODCO common stock should be voted, the shares of TODCO common stock represented by your properly completed proxy will be voted as the TODCO board of directors recommends and therefore FOR the adoption of the merger agreement and FOR the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies.

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**Opinions of Financial Advisers** (see pages      and      )

***Opinion of Hercules' Financial Adviser***

In connection with the merger, Hercules' financial adviser, Simmons & Company International, which is referred to as Simmons & Company, delivered a written opinion dated March 18, 2007 to the Hercules board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to the Hercules stockholders of the consideration to be paid by Hercules in the merger.

The full text of Simmons & Company's written opinion, dated March 18, 2007 is attached to this joint proxy statement/prospectus as Annex B. Holders of Hercules common stock are encouraged to read the opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the scope of the review undertaken. **Simmons & Company's opinion was provided to the Hercules board of directors in connection with its evaluation of the consideration to be paid by Hercules in the merger, does not address any other aspect of the proposed merger and does not constitute a recommendation to any holder of shares of Hercules common stock as to how the stockholder should vote or act on any matter relating to the merger.**

***Opinion of TODCO's Financial Adviser***

TODCO engaged Citigroup Global Markets Inc., which is referred to as Citi, to act as TODCO's financial adviser in connection with the proposed merger. On March 18, 2007, Citi rendered its opinion as to the fairness, from a financial point of view, as of that date and based upon and subject to certain matters stated in the opinion letter, of the consideration to be offered in the merger to TODCO stockholders.

The full text of the written opinion of Citi, dated March 18, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex C, and you are encouraged to read the opinion in its entirety. **Citi's opinion was provided for the information and assistance of the TODCO board of directors in connection with its consideration of the merger, and the opinion does not constitute a recommendation as to how any holder of shares of TODCO common stock should vote or make any election with respect to the merger.**

**Directors and Executive Officers of Hercules After the Merger**

The following individuals are expected to be the members of the Hercules board of directors following the merger:

***Class II Directors with term expiring in 2010***

Thomas R. Bates, Jr. (current Hercules director), nominee for director at the Hercules Meeting

Thomas J. Madonna (current Hercules director), nominee for director at the Hercules Meeting

Thierry Pilenko (current Hercules director), nominee for director at the Hercules Meeting

Suzanne V. Baer (current TODCO director)

Thomas M Hamilton (current TODCO director)

***Class I Directors with term expiring in 2009***

Randall D. Stillely (current Hercules director)

Steven A. Webster (current Hercules director)

Thomas N. Amonett (current TODCO director)

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***Class III Directors with term expiring in 2008***

F. Gardner Parker (current Hercules director)

John T. Reynolds (current Hercules director)

For more information on these individuals see Directors and Executive officers of Hercules After the Merger, beginning on page and Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting Hercules Proposal No. 2: Election of Directors Board of Directors, beginning on page .

The following individuals are expected to be the executive officers of Hercules following the merger:

Randall D. Stilley, Chief Executive Officer and President

John T. Rynd, Executive Vice President and Chief Operating Officer

Lisa W. Rodriguez, Senior Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

David J. Crowley, Senior Vice President, Marketing and Technical Services

Steven A. Manz, Senior Vice President, Planning and Corporate Development

James W. Noe, Senior Vice President, General Counsel, Chief Compliance Officer and Secretary

Stephen M. Butz, Vice President and Treasurer

All of the executive officers listed above are currently executive officers of Hercules, except for Mr. Crowley who is an executive officer of TODCO. Additionally, certain other executive officers of TODCO may become non-executive officers of Hercules following the merger.

**Ownership of Hercules After the Merger**

Based on the number of shares of TODCO common stock outstanding on , 2007, Hercules would issue approximately million shares of Hercules common stock in the merger, representing approximately % of the outstanding shares of Hercules common stock on a diluted basis. Those amounts will be adjusted upwards depending on the actual number of shares of TODCO common stock outstanding at the effective time of the merger, which will increase if TODCO issues any shares in accordance with the terms of the merger agreement, such as the exercise of options to purchase TODCO common stock. Assuming exercise of all outstanding options to purchase shares of TODCO common stock and the anticipated issuance of shares of TODCO common stock under certain performance-based awards, Hercules would issue approximately million shares of Hercules common stock in the merger, representing approximately % of the outstanding shares of Hercules common stock on a diluted basis. Consequently, Hercules stockholders, as a general matter, will have less influence over the management and policies of Hercules than they currently exercise over the management and policies of Hercules.

**Share Ownership of Directors and Officers of Hercules**

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As of the record date, the directors and officers of Hercules and their affiliates beneficially owned and were entitled to vote approximately shares of Hercules common stock, collectively representing approximately % of the shares of Hercules common stock outstanding and entitled to vote on that date.

### **Share Ownership of Directors and Officers of TODCO**

As of the record date, the directors and officers of TODCO and their affiliates beneficially owned and were entitled to vote approximately shares of TODCO common stock, collectively representing approximately % of the shares of TODCO common stock outstanding and entitled to vote on that date.



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**Interests of Executive Officers of Hercules in the Merger** (see page )

The Hercules board of directors has authorized salary increases for three of its executive officers contingent upon completion of the merger.

**Interests of Directors and Executive Officers of TODCO in the Merger** (see page )

In considering the recommendation of the TODCO board of directors with respect to the merger agreement, TODCO stockholders should be aware that certain members of the TODCO board of directors and certain of TODCO's executive officers have interests in the transactions contemplated by the merger agreement that may be different from, or in addition to, the interests of TODCO stockholders generally. These interests may include, among other things, the following:

severance payments for certain executive officers whose employment is terminated under certain circumstances after the effective time of the merger,

the accelerated vesting of, and payment in the merger with respect to, certain stock options, deferred stock units and deferred performance units and lapse of restrictions on shares of restricted stock for certain directors and executive officers,

change of control payments,

termination of non-competition obligations contained in the current TODCO employment agreements of non-continuing TODCO executive officers,

continuation of comparable disability and life insurance and a lump sum cash payment in lieu of continued post-termination health benefits for TODCO's non-continuing executive officers, and

arrangements that all current and certain former directors and officers will be indemnified by Hercules with respect to acts or omissions by them in their capacities as directors and officers of TODCO prior to the effective time of the merger.

The TODCO board of directors was aware of these interests and considered them, among other matters, in making its recommendation. See *The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger*, beginning on page .

**Voting Agreements and Lock-up Agreements** (see pages and )

**TODCO:** Prior to the mailing of this joint proxy statement/prospectus, TODCO will use its best efforts to cause each executive officer of TODCO to deliver to Hercules an agreement that each executive officer will vote any and all shares of TODCO owned by him in favor of the merger. In addition, TODCO will use its best efforts to cause each executive officer of TODCO who will be employed by Hercules after the merger to execute and deliver to Hercules prior to the mailing of this joint proxy statement/prospectus a lock-up agreement under which the executive officer agrees not to sell shares of Hercules common stock for 90 days from and including the date the merger becomes effective.

**Hercules:** Prior to the mailing of this joint proxy statement/prospectus, Hercules will use its best efforts to cause LR Hercules Holdings, LP and each executive officer of Hercules to deliver to TODCO an agreement that LR Hercules Holdings, LP and each executive officer will vote any and all shares of Hercules common stock owned by him, her or it to approve the transactions contemplated by the merger. Hercules will also use its best efforts to cause LR Hercules Holdings, LP and the Chief Executive Officer and President of Hercules to deliver to TODCO prior to the mailing of this joint proxy statement/prospectus a lock-up agreement under which the executive officer agrees not to sell shares of Hercules common stock for 90 days from and including the date the merger becomes effective.



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**Listing of Shares of Hercules Common Stock; Delisting and Deregistration of Shares of TODCO Common Stock** (see page )

Hercules will use its reasonable best efforts to cause the shares of Hercules common stock to be issued in the merger pursuant to the merger agreement to be approved for listing on NASDAQ, subject to official notice of issuance, at the effective time of the merger. Approval of the listing on NASDAQ of the shares of Hercules common stock to be issued in the merger pursuant to the merger agreement is a condition to each party's obligation to complete the merger. If the merger is completed, shares of TODCO common stock will be delisted from the NYSE and deregistered under the Exchange Act.

**Appraisal Rights in the Merger** (see page )

Under the terms of the merger agreement, including the equalization and proration provisions, if any TODCO stockholders who elect to receive stock are required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all TODCO stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no TODCO stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares. TODCO stockholders who wish to seek appraisal of their shares are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights.

If appraisal rights are available, the shares of TODCO common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of the adoption of the merger agreement and who has delivered a written demand for appraisal of his or her shares in accordance with Section 262 of the DGCL, will not be converted into the right to receive the merger consideration, but the holder will be entitled to seek an appraisal of his or her shares under the DGCL unless and until the dissenting holder fails to perfect or withdraws or otherwise loses his or her right to appraisal and payment under the DGCL. If, after the effective time of the merger, a dissenting stockholder fails to perfect or withdraws or loses his or her right to appraisal, his or her shares of TODCO common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration into which no election shares have been converted, subject to the right of Hercules to treat the shares as cash election shares and to pay only cash for the shares, without interest or dividends thereon. The full text of Section 262 of the DGCL is attached to this joint proxy statement/prospectus as Annex D.

**Conditions to the Completion of the Merger** (see page )

A number of conditions must be satisfied or waived, where legally permissible, before the proposed merger can be consummated. These include, among others:

approval by Hercules stockholders of the issuance of the additional shares of Hercules common stock to be issued in the merger,

approval and adoption of the merger agreement by TODCO stockholders,

expiration or termination of the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended,

approval of the shares of Hercules common stock to be issued in the merger for listing on NASDAQ,

no more than 5% of TODCO stockholders exercising statutory appraisal or dissenters' rights, and

the continued service of Mr. Stilley as the Chief Executive Officer and President and as a director of Hercules on a full-time basis and that he not be subject to any material and continuing disability in performing his duties and has not accepted or announced his intention to accept any position as an executive officer of another company.



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Neither Hercules nor TODCO can assure you when or if all or any of the conditions to the merger will be either satisfied or waived or whether the merger will occur as intended.

### **Regulatory Approvals Required for the Merger** (see page )

The merger is subject to review under the Hart-Scott-Rodino Act by the Antitrust Division of the U.S. Department of Justice, which is referred to as the Antitrust Division, and the Federal Trade Commission, which is referred to as the FTC. Hercules and TODCO expect to file on or before April , 2007 the requisite Pre-Merger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC.

### **No Solicitation** (see page )

Under the merger agreement, neither Hercules nor TODCO is permitted to solicit, initiate, encourage or facilitate the making of any inquiries regarding any other acquisition proposal.

However, before receipt of the requisite approval by their respective stockholders, Hercules or TODCO may engage in negotiations with a third party making an unsolicited, written acquisition proposal, provided that:

the board of directors of the party receiving the acquisition proposal has determined that the acquisition proposal constitutes, or is reasonably likely to result in, a superior proposal and that the third party making the acquisition proposal has the financial and legal capacity to consummate the proposal, and

the party receiving the acquisition proposal has complied with the terms of the merger agreement relating to superior proposals. In addition, before receipt of the requisite approval by its stockholders, respectively, the board of directors of either Hercules or TODCO may withdraw its recommendation or declaration of advisability of the merger agreement if the board of directors determines in good faith that a failure to change its recommendation would reasonably be expected to be inconsistent with its fiduciary duties to Hercules stockholders or TODCO stockholders, respectively, subject to payment of the termination fees set forth in the merger agreement.

### **Termination of the Merger Agreement** (see page )

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger by mutual written consent of Hercules and TODCO. Either party (except as otherwise indicated) will also have the right to terminate the merger agreement upon the occurrence of any of the following:

the failure to consummate the merger by December 31, 2007, provided that a party may not terminate upon occurrence of this event if that party's failure to fulfill its obligations has caused or resulted in the merger not occurring before December 31, 2007,

the failure to obtain the necessary TODCO or Hercules stockholder approvals,

the existence of a law or regulation prohibiting the merger, or the entry of a final and nonappealable government order which permanently restrains, enjoins or prohibits consummation of the merger,

a material breach of the other party's representations, warranties or covenants that gives rise to a failure of certain conditions to closing or would otherwise materially impair or delay or otherwise have a material adverse effect on the non-breaching party's ability to consummate the transactions contemplated by the merger agreement (subject to a 30-day cure period, if the breach is capable of being cured),

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a material breach or failure to perform by the other party of any of its covenants or agreements contained in the merger agreement as described under The Merger Agreement Covenants No Solicitation of Alternative Transactions, or a change in a board of directors recommendation has

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occurred with respect to the other party or the other party's board of directors or any committee thereof has resolved to make an adverse recommendation change,

by TODCO, if TODCO receives an acquisition proposal that the TODCO board of directors determines in good faith is a superior proposal, provided that, prior to termination, TODCO provides Hercules with written notice of its intention to accept the superior proposal and a three business day period for Hercules to make a counterproposal and TODCO pays a \$70 million termination fee, or

by Hercules, if Hercules receives an acquisition proposal that the Hercules board of directors determines in good faith is a superior proposal, provided that, prior to termination, Hercules provides TODCO with written notice of its intention to accept the superior proposal and a three business day period for TODCO to make a counterproposal and Hercules pays a \$30 million termination fee.

See The Merger Agreement Termination of the Merger Agreement and Termination Fees, beginning on page .

### **Termination Fees** (see page )

Under the merger agreement, Hercules may be required to pay to TODCO a termination fee of \$30 million if the merger agreement is terminated under specified circumstances, and TODCO may be required to pay Hercules a termination fee of \$70 million if the merger agreement is terminated under specified circumstances. In addition, Hercules or TODCO may be required to pay the other party an expense reimbursement fee of \$5 million if the merger agreement is terminated under specified circumstances. See The Merger Agreement Termination of the Merger Agreement and Termination Fees Termination Fees and Expenses, beginning on page .

### **Material U.S. Federal Income Tax Consequences of the Merger** (see page )

The merger is intended to qualify as a reorganization under Section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes. The U.S. federal income tax consequences of a reorganization to an exchanging TODCO stockholder will depend on whether the TODCO stockholder receives only shares of Hercules common stock, only cash, or a combination of shares of Hercules common stock and cash in exchange for its shares of TODCO common stock.

Please refer to Material U.S. Federal Income Tax Consequences, beginning on page of this joint proxy statement/prospectus for a description of the material U.S. federal income tax consequences of the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation. You are urged to consult your tax adviser for a full understanding of the tax consequences of the merger to you.

### **Tax Sharing Agreement** (see page )

Following the merger, Hercules will be bound by the amended and restated tax sharing agreement between TODCO and Transocean, TODCO's former parent prior to its initial public offering, that is described in TODCO's Form 10-K, as amended, for the year ended December 31, 2006, which is incorporated herein by reference. Under the tax sharing agreement, Hercules will be required to make significant payments to Transocean upon completion of the merger and may be required to make significant payments following the merger.

### **Accounting Treatment** (see page )

Hercules prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which is referred to as GAAP. The merger will be accounted for using the purchase

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method of accounting. As discussed under The Merger Accounting Treatment, on page , based upon the terms of the exchange and other factors, such as the composition of the combined company's board of directors and senior management, Hercules is considered to be the acquirer of TODCO for accounting purposes. Therefore, Hercules will allocate the purchase price to the fair value of TODCO's assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment at least annually.

**Payment of Dividends** (see page )

**Hercules:** Hercules has not paid any cash dividends on its common stock since becoming a publicly held corporation in October 2005, and does not intend to declare or pay regular dividends on its common stock in the foreseeable future. Instead, Hercules generally intends to invest any future earnings in Hercules' business. Subject to Delaware law, the Hercules board of directors will determine the payment of future dividends on Hercules common stock, if any, and the amount of any dividends in light of any applicable contractual restrictions limiting Hercules' ability to pay dividends, Hercules' earnings and cash flows, Hercules' capital requirements, Hercules' financial condition, and other factors the Hercules board of directors deems relevant. Hercules' senior secured credit agreement restricts, and the new facility expected to be entered into in connection with the merger will also restrict, Hercules' ability to pay dividends or other distributions on its equity securities.

**TODCO:** Other than the special cash dividend of \$1.00 per share of TODCO common stock paid in August 2005, no other cash dividends have been paid on shares of TODCO common stock. The merger agreement generally provides that TODCO may not declare, set aside or pay any dividend prior to the effective time of the merger or the termination of the merger agreement.

**Financing of the Merger** (see page )

In order to finance some or all of the cash portion of the merger consideration, Hercules expects to incur incremental indebtedness of up to \$1.1 billion. In order to fund such amount, Hercules intends to enter into a new syndicated secured term loan facility of up to \$1.1 billion and a \$150 million revolving credit facility to be arranged by UBS Securities LLC. Under the Bank Facilities Commitment Letter between Hercules and UBS dated March 18, 2007 (as amended to include Amegy Bank National Association, Comerica Bank, Credit Suisse, Deutsche Bank AG, Jefferies Finance LLC and JP Morgan Chase Bank, N.A.) and subject to the conditions set forth therein, Hercules, UBS and the other lenders expect to enter into the facility upon the closing of the merger transaction, so long as it occurs prior to October 31, 2007. Hercules expects to use the proceeds of the facility to also repay in full and terminate Hercules' existing senior secured term loan facility and refinance TODCO's revolving credit facility. If the merger is not consummated, Hercules will not enter into the facility and its existing facility will not be terminated. Hercules' obligation to complete the merger is not conditioned upon Hercules obtaining financing.

**Comparison of Rights of Hercules and TODCO Stockholders** (see page )

Both Hercules and TODCO are incorporated under the laws of the State of Delaware and, accordingly, the rights of the stockholders of each are currently, and will continue to be, governed by the DGCL. If the merger is completed, TODCO stockholders will become stockholders of Hercules, and their rights will be governed by the DGCL, the certificate of incorporation of Hercules and the bylaws of Hercules. The rights of Hercules stockholders contained in the certificate of incorporation and bylaws of Hercules differ from the rights of TODCO stockholders under the certificate of incorporation and bylaws of TODCO, as more fully described under the section entitled Comparison of Rights of Hercules and TODCO Stockholders, beginning on page of this joint proxy statement/prospectus.



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**Other Matters to be Considered at the Hercules Meeting**

Hercules stockholders are being asked to consider and vote on the following three proposals in addition to the proposed merger:

a proposal to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Hercules stockholders,

a proposal to approve an amendment to the Hercules 2004 Long-Term Incentive Plan, increasing the number of shares of Hercules common stock available for issuance under the plan by \_\_\_\_\_ shares, or \_\_\_\_\_ shares if the merger is not approved, and

a proposal to approve the adjournment of the Hercules meeting, if necessary or appropriate, to solicit additional proxies.  
See Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting, beginning on page \_\_\_\_\_.

**Table of Contents****SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF HERCULES**

The following table shows selected summary historical consolidated financial data for Hercules as of December 31, 2006, 2005 and 2004, for the years ended December 31, 2006 and 2005 and for the period from July 27, 2004 (inception) to December 31, 2004. The selected summary historical consolidated financial data for each of the periods presented is derived from Hercules' audited financial statements that are not included herein. You should read the following data in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements set forth in Hercules' Annual Report on Form 10-K, as amended, for the year ended December 31, 2006, where there is additional disclosure regarding the information in the following table. See also the pro forma information set forth elsewhere in this prospectus regarding the proposed merger with TODCO. Hercules' historical results are not necessarily indicative of results to be expected in future periods.

	Year Ended December 31, 2006(1)	Year Ended December 31, 2005(2)	Period from Inception to December 31, 2004(3)
(in millions, except per share data)			
<b>Statement of Operations Data:</b>			
Revenues	\$ 344.3	\$ 161.3	\$ 31.7
Operating income	158.1	55.9	9.9
Net income(4)	119.0	27.5	8.1
Earnings per share:			
Basic(4)	\$ 3.80	\$ 1.10	\$ 0.55
Diluted(4)	3.70	1.08	0.55
<b>Balance Sheet Data (as of end of period):</b>			
Cash and cash equivalents	\$ 72.8	\$ 47.6	\$ 14.5
Total assets	605.7	354.8	132.2
Long-term debt, net of current portion	91.9	93.3	53.0
Total stockholders' equity	394.9	215.9	71.1
Cash dividends per share			
<b>Other Financial Data:</b>			
Net cash provided by (used in):			
Operating activities	\$ 124.2	\$ 52.8	\$ (6.5)
Investing activities	(150.0)	(173.0)	(96.3)
Financing activities	50.9	153.3	117.2

- (1) In November 2006, Hercules acquired eight liftboats and was assigned contractual rights to operate five liftboats. Consideration for the acquisition was \$51.6 million, plus up to \$10.0 million payable under a three-year earnout agreement. In June 2006, Hercules acquired five liftboats for \$49.3 million and assumed the construction of an additional liftboat. In February 2006, Hercules acquired Rig 26 for \$20.1 million.
- (2) In November 2005, Hercules acquired seven liftboats for \$44.0 million and, in September 2005, acquired Rig 31 for \$12.6 million. In August 2005, Hercules acquired a liftboat for \$12.5 million and, in June 2005, purchased 17 liftboats for \$19.7 million and Rig 16 for \$20 million. In January 2005, Hercules acquired Rig 25 and Rig 30 for \$21.5 million and \$20.0 million, respectively.
- (3) In August 2004, Hercules acquired five jackup rigs and four platform rigs for \$39.3 million. The platform rigs were not core to its business and were subsequently sold. In October 2004, Hercules acquired 22 liftboats for \$53.5 million.
- (4) Included in 2006 is a gain of \$18.6 million, net of tax or \$0.59 per basic share and \$0.58 per diluted share related to an insurance settlement on Rig 25.

**Table of Contents****SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF TODCO**

The following table shows TODCO's summary historical consolidated financial data as of and for each of the five years ended December 31, 2006. The summary historical consolidated financial data for each of the five years ended December 31, 2006 are derived from TODCO's audited financial statements that are not included herein. You should read the following data in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements set forth in TODCO's Annual Report on Form 10-K, as amended, for the year ended December 31, 2006, where there is additional disclosure regarding the information in the following table. See also the pro forma information set forth elsewhere in this prospectus regarding the proposed merger with Hercules. TODCO's historical results are not necessarily indicative of results to be expected in future periods.

	Years Ended December 31,				
	2006(1)	2005(1)	2004(1)	2003	2002
(in millions, except per share data)					
<b>Statement of Operations Data:</b>					
Operating revenues	\$ 912.1	\$ 534.2	\$ 351.4	\$ 227.7	\$ 187.8
Operating and maintenance expense	510.2	323.2	259.7	227.4	185.7
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle	183.5(2)	59.4	(28.8)(3)	(222.0)(4)	(529.1)(5)
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle					
Basic	\$ 3.06	\$ 0.98	\$ (0.52)	\$ (18.28)	\$ (43.57)
Diluted	\$ 3.04	\$ 0.97	\$ (0.52)	\$ (18.28)	\$ (43.57)
Weighted average common shares outstanding:					
Basic	60.1	60.7	55.6	12.1	12.1
Diluted	60.5	61.4	55.6	12.1	12.1
Cash dividends paid:					
Total	\$	\$ 61.2	\$	\$	\$
Per common share	\$	\$ 1.00	\$	\$	\$

	As of December 31,				
	2006	2005	2004	2003	2002
(in millions)					
<b>Balance Sheet Data:</b>					
Total assets	\$ 889.2	\$ 825.0	\$ 761.4	\$ 778.2	\$ 2,227.2
Long-term debt and redeemable preferred shares(6)	16.4	17.0	25.4	26.8	40.7
Long-term debt-related party(6)		2.9	3.0	525.0	1,080.1
Total stockholders' equity	563.9	495.5	480.6	137.7	561.9

- (1) TODCO's consolidated results of operations for the years ended December 31, 2005 and December 31, 2004 reflect the consolidation of TODCO's ownership interest in Delta Towing effective December 31, 2003 in accordance with Financial Accounting Standards Board Interpretation No. 46, *Consolidation of variable Interest Entities, and Interpretation of Accounting Research bulletin No. 51* (FIN 46). Accordingly, TODCO's results for 2004 and 2005 include revenues and expenses for Delta Towing. Prior to the adoption of FIN 46, TODCO recorded its 25% interest in the results of Delta Towing as equity in income (loss) of joint venture. In January 2006, TODCO purchased the remaining 75% interest in Delta Towing. TODCO's 2006 results reflect the consolidation of Delta Towing as a wholly-owned subsidiary.
- (2) Included in 2006 is a \$0.4 million impairment loss on long-lived assets.
- (3) Included in 2004 are a \$2.8 million impairment loss on long-lived assets and a \$1.9 million loss on retirement of debt.
- (4) Included in 2003 are an \$11.3 million impairment loss on long-lived assets, a \$21.3 million impairment loss on a note receivable from an unconsolidated joint venture and a \$79.5 million loss on retirement of debt.
- (5) Included in 2002 are a \$17.5 million impairment loss on long-lived assets, a \$381.9 million goodwill impairment and a \$18.8 million loss on retirement of debt.
- (6) Includes current portion.



**Table of Contents****SUMMARY UNAUDITED PRO FORMA****CONDENSED COMBINED FINANCIAL STATEMENTS**

The merger will be accounted for under the purchase method of accounting, which means the assets and liabilities of TODCO will be recorded, as of completion of the merger, at their respective fair values and added to those of Hercules. For a more detailed description of purchase accounting see *The Merger Accounting Treatment* beginning on page .

The summary unaudited pro forma condensed combined financial information presented below reflects the purchase method of accounting and is for illustrative purposes only. The summary unaudited pro forma condensed combined information may have been different had the companies actually combined. The summary unaudited pro forma condensed combined financial information does not reflect the effect of asset dispositions, if any, or revenue, cost or other operating synergies that may result from the merger, nor does it reflect the effects of any financing, liquidity or other balance sheet repositioning that may be undertaken (except for the financing directly related to the merger) in connection with or subsequent to the merger. You should not rely on the summary unaudited pro forma condensed combined financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the merger. The following summary pro forma unaudited condensed combined financial information has been derived from, and should be read in conjunction with the *Unaudited Pro Forma Condensed Combined Financial Statements*, and related notes beginning on page F-1.

	<b>Year Ended</b>
	<b>December 31, 2006</b> <b>(in millions, except</b> <b>per share amounts)</b>
<b>Statement of Operations Data:</b>	
Revenues	\$ 1,256.4
Operating income	391.2
Net income	225.9
Earnings per share:	
Basic	2.57
Diluted	2.53
	<b>December 31, 2006</b> <b>(in millions)</b>
<b>Balance Sheet Data (at end of period):</b>	
Total current assets	\$ 439.9
Total assets	3,945.5
Long-term debt, net of current portion	1,076.5
Total stockholders' equity	1,871.1

**Table of Contents****UNAUDITED COMPARATIVE PER SHARE DATA**

We present below per common share data regarding the income and book value of Hercules and TODCO on both historical and unaudited pro forma condensed bases and on a per share equivalent unaudited pro forma condensed combined basis for TODCO. We have derived the unaudited pro forma condensed combined per share information from the unaudited pro forma condensed combined financial statements presented elsewhere in this document. You should read the information below in conjunction with the financial statements and accompanying notes of Hercules and TODCO that are incorporated by reference into this document and with the unaudited pro forma condensed combined information included under the section entitled Unaudited Pro Forma Condensed Combined Financial Statements, beginning on page .

<b>For the Year Ended December 31, 2006 (per share):</b>	<b>Hercules</b>	<b>TODCO</b>
Basic earnings per common share		
Historical	\$ 3.80	\$ 3.06
Pro forma (1)(2)	2.57	2.52
Diluted earnings per common share		
Historical	\$ 3.70	\$ 3.04
Pro forma (1)(2)	2.53	2.48
Dividends declared on common stock		
Historical		
Pro forma		
Book value per common share (3)		
Historical	\$ 12.34	\$ 9.77
Pro forma (4)	21.09	20.65

- (1) Hercules pro forma combined earnings per share is calculated by dividing the pro forma net income by the pro forma weighted average number of shares outstanding during the period.
- (2) TODCO equivalent pro forma combined per share amounts are calculated by multiplying the pro forma combined per share amounts by an assumed exchange ratio of 0.979 shares of Hercules common stock that would be exchanged for each share of TODCO common stock.
- (3) Book value per share is computed by dividing stockholders' equity by the number of shares of common stock at the end of the period.
- (4) TODCO pro forma book value per share is calculated by multiplying the pro forma combined book value per common share by an assumed exchange ratio of 0.979 shares of Hercules common stock that would be exchanged for each share of TODCO common stock.

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**COMPARATIVE HERCULES AND TODCO**

**MARKET PRICE DATA AND DIVIDEND INFORMATION**

Hercules common stock is listed on NASDAQ under the symbol HERO. TODCO common stock is listed on the NYSE under the symbol THE. The following table presents closing prices for shares of Hercules common stock and TODCO common stock on March 16, 2007, the last trading day before the public announcement of the execution of the merger agreement by Hercules and TODCO, and , 2007, the latest practicable trading day before the date of this joint proxy statement/prospectus.

The following table also shows the merger consideration equivalent proposed for each share of TODCO common stock, on a fully-diluted basis. These illustrative values are calculated by first multiplying the closing price of Hercules common stock on those dates by 0.979, which is the total Hercules common stock consideration in the merger per share of TODCO common stock. To this, we added \$16.00 per share, which is the total cash consideration in the merger per share of TODCO common stock.

Because the total stock consideration in the merger is fixed at 0.979 per share of TODCO common stock, the value of the total merger consideration to be received by TODCO stockholders will fluctuate based on the market price of Hercules common stock. We urge you to obtain the market prices for Hercules common stock and TODCO common stock before you vote. TODCO stockholders may elect to receive cash, Hercules common stock or a combination of both in the merger, however, the merger agreement contains provisions designed to cause value per share received by TODCO stockholders to be substantially equivalent. See The Merger Agreement Merger Consideration, beginning on page .

	<b>Hercules Common Stock</b>	<b>TODCO Common Stock</b>	<b>Merger Consideration Equivalent Per Share of TODCO Common Stock</b>
March 16, 2007	\$ 26.57	\$ 32.78	\$ 42.01
, 2007			

See Comparative Market Prices and Dividends, beginning on page for additional market price information.

**Table of Contents****RISK FACTORS**

*In addition to the matters addressed under **Cautionary Statement Concerning Forward-Looking Statements**, you should carefully consider the following risks before deciding how to vote. In addition, you should read and consider the discussion of other risks in the Annual Reports on Form 10-K, as amended, of Hercules and TODCO for the year ended December 31, 2006, all of which are incorporated by reference into this joint proxy statement/prospectus. You should also consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See **Where You Can Find More Information**, beginning on page .*

**Risk Factors Relating to the Merger**

***Because the merger consideration is fixed and the market price of shares of Hercules common stock will fluctuate, TODCO stockholders cannot be certain of the value of the merger consideration they will receive.***

The total number of shares of Hercules common stock issuable in the merger will not change as a result of any change in the market price of shares of Hercules common stock before the date a TODCO stockholder actually receives Hercules common stock following the merger. The market price of shares of Hercules common stock will likely be different on the date TODCO stockholders receive shares of Hercules common stock in the merger than the market price of shares of Hercules common stock as of the date the merger agreement was signed, the date of this joint proxy statement/prospectus, the date of the stockholder meetings, or at times following the merger. If the market price of Hercules common stock declines after TODCO stockholders vote, TODCO stockholders may receive less value than they expected when they voted. Conversely, if the market price of Hercules common stock is higher on the date of the effective time of the merger than it was on the date of the Hercules Meeting, then the value paid by Hercules for the TODCO common stock in the merger, as measured by the market price of the Hercules common stock, may be higher than was expected by Hercules stockholders at the time of the Hercules Meeting.

During the 12-month period ending on , the date of this joint proxy statement/prospectus, Hercules common stock traded in a range from a low of \$ to a high of \$ and ended that period at \$ . See **Comparative Market Prices and Dividends**, beginning on page for more detailed share price information. Differences in Hercules stock price may be the result of changes in the business, operations or prospects of Hercules, market reactions to the proposed merger, commodity prices, general market and economic conditions or other factors. Neither Hercules nor TODCO is permitted to terminate the merger agreement or resolicit the vote of their respective stockholders solely because of changes in the market prices of their respective common stock.

***The price of Hercules common stock after the merger may be affected by factors different from the factors that currently affect the price of Hercules and TODCO common stock.***

Holders of TODCO common stock may receive Hercules common stock in the merger. Hercules results of operations, as well as the price of Hercules common stock following the merger, may be affected by factors different from those currently affecting Hercules or TODCO's results of operations and the price of Hercules and TODCO common stock. For a discussion of Hercules business and TODCO's business and certain factors to consider in connection with their businesses, including risk factors associated with their businesses, see Hercules Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2006 and TODCO's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2006, which are incorporated by reference into this joint proxy statement/prospectus. See also the other documents incorporated by reference into this joint proxy statement/prospectus under the caption **Where You Can Find More Information**, beginning on page .



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***TODCO stockholders may receive consideration different from the consideration they elect.***

Although each TODCO stockholder may, with respect to some or all of the stockholder's shares of TODCO common stock, elect to receive all cash, or all shares of Hercules common stock under the merger agreement, the total amount of cash and the aggregate number of shares of Hercules common stock available for all TODCO stockholders as a whole will be fixed. Accordingly, depending on the elections made by other TODCO stockholders and the average of the per share closing sales price of shares of Hercules common stock on NASDAQ during the 10-trading-day valuation period ending on the fifth calendar day prior to the date on which the merger becomes effective (or if the fifth day is not a trading day, then the preceding trading day), TODCO stockholders may receive a proportion of cash and shares of Hercules common stock that is different from what they elected to receive.

*If a TODCO stockholder does not submit a properly completed and signed election form to the exchange agent by the election deadline of 5:00 p.m., New York City time, on \_\_\_\_\_, 2007, then that TODCO stockholder will have no control over the type of merger consideration he or she may receive.*

***TODCO stockholders who elect a specific form of merger consideration will not be able to sell their shares of TODCO common stock unless they revoke their election prior to the election deadline.***

If TODCO stockholders want to make an election with respect to the type of merger consideration they want to receive, they must deliver their stock certificates (or follow the procedures for guaranteed delivery) and a properly completed and signed election form to the exchange agent no later than the election deadline of 5:00 p.m., New York City time, on \_\_\_\_\_, 2007. TODCO stockholders will not be able to sell any shares of TODCO common stock that they have delivered unless they revoke their election before the election deadline by providing written notice to the exchange agent. After the election deadline, TODCO stockholders who have made a valid election will be unable to sell their shares of TODCO common stock. Hercules and TODCO may agree to extend the election deadline but are not obligated to do so. If a new election deadline is set, TODCO and Hercules will publicly announce the new election deadline.

***Any delay in completing the merger and integrating the businesses may substantially reduce the benefits expected to be obtained from the merger.***

In addition to obtaining the required regulatory clearances and approvals, the merger is subject to a number of other conditions beyond the control of TODCO and Hercules that may prevent, delay or otherwise materially adversely affect its completion. See The Merger Agreement Conditions to the Completion of the Merger, beginning on page \_\_\_\_\_. Hercules and TODCO cannot predict whether or when the conditions to closing will be satisfied. Any delay in completing the merger and integrating the businesses may diminish the benefits that Hercules and TODCO expect to achieve in the merger.

***Failure to complete the merger could negatively impact the stock price and the future business and financial results of Hercules and TODCO.***

Neither Hercules nor TODCO can assure you that the merger agreement will be approved by TODCO stockholders, the issuance of the shares of Hercules common stock will be approved by Hercules stockholders or that the other conditions to the completion of the merger will be satisfied. In addition, both Hercules and TODCO have the right to terminate the merger agreement and pursue alternative transactions under certain conditions. If the merger is not completed, neither Hercules nor TODCO will receive any expected benefits of the merger and will be subject to risks and/or liabilities, including the following:

failure to complete the merger might be followed by a decline in the market price of TODCO common stock and/or Hercules common stock,

TODCO may be required to pay Hercules a termination fee of \$70 million if the merger agreement is terminated under specified circumstances,

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Hercules may be required to pay TODCO a termination fee of \$30 million if the merger agreement is terminated under specified circumstances,

some costs relating to the merger (such as legal accounting and financial advisory fees) are payable by Hercules and by TODCO whether or not the merger is completed, and

the proposed merger may disrupt the business of Hercules and TODCO and distract their management and employees from day-to-day operations, because work related to the merger (including integration planning) requires substantial time and resources, which could otherwise have been devoted to other business opportunities for the benefit of Hercules and TODCO.

If the merger is not completed, these risks and liabilities may materially adversely affect TODCO's and Hercules' business, financial results, financial condition and stock price.

In addition, there can be no assurance that Hercules will be successful in obtaining expected financing. Although financing is not a condition to closing of the merger, if Hercules were not able to obtain the expected financing, or not able to obtain the financing on commercially reasonable terms, it might not be able to complete the merger and might be subject to other adverse consequences.

***The rights of TODCO stockholders who become Hercules stockholders in the merger will be governed by Hercules' certificate of incorporation and bylaws.***

TODCO stockholders who receive shares of Hercules common stock in the merger will become Hercules stockholders, and their rights as stockholders will be governed by Hercules' certificate of incorporation and bylaws. As a result, there will be material differences between the current rights of TODCO stockholders, which are governed by TODCO's certificate of incorporation and bylaws, as compared to the rights they will have as Hercules stockholders. For more information, see Comparison of Rights of Hercules and TODCO Stockholders, beginning on page .

***Restrictions on the percentage ownership of Hercules' outstanding common stock by non-U.S. citizens may subject the shares of Hercules common stock held by non-U.S. citizens to restrictions, limitations and redemption.***

Hercules' certificate of incorporation provides that any transfer, or attempted or purported transfer, of any shares of its common stock that would result in the ownership or control of in excess of 20% of Hercules' outstanding common stock by one or more persons who are not U.S. citizens for purposes of U.S. coastwise shipping will be void and ineffective as against Hercules. The TODCO bylaws also contain transfer restrictions for this purpose. In addition, if at any time persons other than U.S. citizens own shares of Hercules' common stock or possess voting power over any shares of Hercules common stock in excess of 20%, Hercules may withhold payment of dividends, suspend the voting rights attributable to the shares and redeem the shares. The limitations on foreign ownership contained in Hercules' certificate of incorporation may have an adverse impact on the liquidity of Hercules common stock following the effective time of the merger because holders may be unable to transfer Hercules common stock to non-U.S. citizens. This limitation on liquidity could adversely impact the market price of the Hercules common stock.

***TODCO's tax sharing agreement with Transocean will require substantial payments by Hercules upon the completion of the merger and may require substantial payments after completion of the merger.***

TODCO and Transocean are parties to a tax sharing agreement that was originally entered into in connection with TODCO's initial public offering in 2004. The tax sharing agreement was amended and restated in November 2006 in a negotiated settlement of disputes between Transocean and TODCO over the terms of the original tax sharing agreement. The tax sharing agreement will require Hercules to make an acceleration payment to Transocean upon completion of the merger as a result of the deemed utilization of TODCO's pre-IPO tax

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benefits. The amount of the payment owing to Transocean based on the acceleration is calculated by multiplying 80% by the then remaining pre-IPO tax benefits at the effective time of the merger. If the effective time of the merger had occurred on March 31, 2007, the acceleration payment owing to Transocean would be \$144 million, or approximately 80% of the pre-IPO tax benefits.

Additionally, the tax sharing agreement will continue to require after the merger that additional payments to be made to Transocean be based on a portion of the expected tax benefit from the exercise of certain compensatory stock options to acquire Transocean common stock attributable to current and former TODCO employees and board members. The estimated amount of payments to Transocean related to compensatory options that remain outstanding at March 31, 2007, assuming a Transocean stock price of \$81.70 per share at the time of exercise of the compensatory options (the actual price of Transocean's common stock at March 31, 2007), is approximately \$17.6 million.

There is no certainty that Hercules will realize future economic benefits from TODCO's tax benefits equal to the amount of the payments required under the tax sharing agreement. The payments owing to Transocean adversely affect the economic benefits of the merger that would otherwise accrue to Hercules stockholders and TODCO stockholders.

*Some of the directors and executive officers of Hercules and TODCO may have personal interests that differ from yours and may motivate them to support or approve the merger.*

Some of the directors of TODCO who recommend the merger to TODCO stockholders, and the executive officers of TODCO who provided information to the TODCO board of directors relating to the merger, have employment, indemnification and severance benefit arrangements, rights to acceleration of the vesting of stock options and other equity awards, continuation of post-termination insurance and health benefits and/or lump sum payments in lieu thereof, and rights to ongoing indemnification and insurance that provide them with interests in the merger that may differ from yours. In addition, three of TODCO's current directors are expected to become directors of Hercules upon completion of the merger and at least one executive officer of TODCO is expected to become an officer of Hercules. The Hercules board of directors has authorized promotions and salary increases for certain executive officers of Hercules contingent upon completion of the merger. The benefits that would result from the merger may have influenced these directors in approving the merger and these officers in supporting the merger.

You should consider these interests when you consider the recommendations of the Hercules and TODCO boards of directors that you vote for the issuance of shares of Hercules common stock in the merger and for the approval and adoption of the merger agreement, respectively. As a result of these interests, these directors and executive officers may be more likely to support the merger agreement than if they did not have these interests. For a discussion of the interests of directors and executive officers in the merger, see "The Merger - Interests of Executive Officers of Hercules in the Merger" and "The Merger - Interests of Directors and Executive Officers of TODCO in the Merger," beginning on page .

*The merger agreement limits Hercules' and TODCO's ability to pursue an alternative to the merger.*

The merger agreement prohibits Hercules and TODCO from soliciting alternative transactions. See "The Merger Agreement - Conditions to the Completion of the Merger" on page . Additionally, under the merger agreement, before the board of directors of either company changes its recommendation of the merger as a result of its receipt of an unsolicited acquisition proposal, that company must allow the other company a three business day period to make a revised proposal. These provisions limit Hercules' and TODCO's ability to pursue offers from third parties that could result in greater value to their respective stockholders.

The obligation to pay the termination fee may also discourage a third party from pursuing an alternative transaction proposal. Under the merger agreement, TODCO may be required to pay to Hercules a termination fee

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of \$70 million if the merger agreement is terminated under specified circumstances and Hercules may be required to pay to TODCO a termination fee of \$30 million if the merger agreement is terminated under specified circumstances. If a termination fee is payable, the payment of this fee could have material and adverse consequences on the financial condition and operations of the company making the payment.

### **Risk Factors Relating to Hercules Following the Merger**

#### ***Hercules may experience difficulties in integrating TODCO's business and could fail to realize potential benefits of the merger.***

Achieving the anticipated benefits of the merger will depend in part upon whether Hercules is able to integrate TODCO's business in an efficient and effective manner. Hercules may not be able to accomplish this integration process smoothly or successfully. The difficulties of combining the two companies' businesses potentially will include, among other things:

geographically separated organizations and possible differences in corporate cultures and management philosophies,

significant demands on management resources, which may distract management's attention from day-to-day business,

differences in the disclosure systems, accounting systems, and accounting controls and procedures of the two companies, which may interfere with the ability of Hercules to make timely and accurate public disclosure, and

the demands of managing new lines of business acquired from TODCO in the merger.

Any inability to realize the potential benefits of the merger, as well as any delays in integration, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may affect the value of Hercules common stock after the closing of the merger.

#### ***Hercules will have substantial debt after the merger, which could have a material adverse effect on its financial health and limit its future operations.***

Hercules will have a significant amount of secured debt immediately after the merger. As of December 31, 2006, on a pro forma basis to reflect the merger and Hercules' borrowing to finance the cash component of the merger consideration, Hercules' total outstanding long-term debt would have been \$1,087.2 million. In order to finance some or all of the cash component of the merger consideration and to refinance debt of TODCO, Hercules will enter into a new syndicated secured term loan facility of up to \$1.1 billion and a \$150 million revolving credit facility. Under the facility, Hercules will be required to prepay the term loan with 50% of any excess cash flow until the outstanding principal balance of the term loan is less than \$550.0 million.

Hercules' substantial debt could have important consequences. In particular, it could:

increase Hercules' vulnerability to general adverse economic and industry conditions, and require it to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, acquisitions, other debt service requirements and other general corporate purposes,

increase Hercules' exposure to risks inherent in interest rate fluctuations and changes in credit ratings or statements from rating agencies because its borrowings generally are at variable rates of interest, which would result in higher interest expense to the extent Hercules has not hedged these risks against increases in interest rates,

place Hercules at a competitive disadvantage compared to its competitors that have less debt, and

limit Hercules' ability to borrow additional funds.

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***Hercules debt agreements contain restrictive covenants that may limit the ability of Hercules to respond to changes in market conditions or pursue business opportunities.***

The credit agreements and other instruments governing Hercules credit facilities will contain restrictive covenants that will limit Hercules ability and the ability of certain of its subsidiaries after the merger to, among other things:

incur or guarantee additional indebtedness,

make investments and other restricted payments, including dividends,

purchase equity interests or redeem subordinated indebtedness early,

create or incur certain liens,

enter into transactions with affiliates,

sell assets, and

merge or consolidate with another company.

In addition, Hercules will have to meet certain quarterly financial ratios and tests, notably with respect to a fixed charge coverage ratio and a maximum leverage ratio. Hercules need to comply with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund needed capital expenditures, finance its acquisitions, equipment purchases and development expenditures, or withstand a future downturn in its business.

***If Hercules is unable to comply with the restrictions and covenants in the agreements governing Hercules indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that Hercules has borrowed.***

If Hercules is unable to comply with the restrictions and covenants in the agreements governing Hercules indebtedness or in current or future debt financing agreements, there could be a default under the terms of these agreements. Hercules ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond its control. As a result, Hercules cannot assure Hercules and TODCO stockholders that Hercules will be able to comply with these restrictions and covenants or meet these tests. If a default occurs under these agreements, lenders could terminate their commitments to lend or accelerate the outstanding loans and declare all amounts borrowed due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, the assets of Hercules might not be sufficient to repay in full all of its outstanding indebtedness and Hercules may be unable to find alternative financing. Even if Hercules could obtain alternative financing, it might not be on terms that are favorable or acceptable. If Hercules were unable to repay amounts borrowed, the holders of the debt could initiate a bankruptcy proceeding or liquidation proceeding against any collateral.

***The impact of purchase accounting could adversely affect Hercules earnings.***

Purchase accounting will require the combined company to allocate the price being paid in the merger to TODCO s assets on the basis of their fair values at the time of the closing of the merger. Those adjustments are expected to result in significant increases in the carrying values of property, plant and equipment costs, as reflected in the unaudited pro forma condensed combined balance sheet contained elsewhere in this document. The increased value of property, plant and equipment will increase the combined company s depreciation expense, which will reduce reported earnings but have no effect on cash flows.

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In addition, the preliminary estimate of goodwill as of December 31, 2006 associated with the merger is approximately \$790 million, as reflected in the unaudited pro forma condensed combined balance sheet

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contained elsewhere in this joint proxy statement/prospectus. Hercules will annually assess this amount for impairment under generally accepted accounting principles as applied by Hercules. If Hercules concludes that the goodwill associated with the merger is impaired or, additionally, that the carrying value of assets acquired in the merger are impaired, the amount of the impairment would reduce the amount of earnings Hercules would otherwise report but would have no effect on its cash flows.

The business of Hercules following the merger is expected to continue to be cyclical. The goodwill associated with the merger and the increased carrying values of TODCO's assets on the balance sheet of Hercules could, therefore, increase the potential for impairment, possibly causing a write-down or write-off of the goodwill and the carrying values of Hercules' assets acquired in the merger.

### ***Hercules will be subject to additional international political, economic, and other uncertainties after the merger.***

Hercules currently owns or operates 17 liftboats operating offshore West Africa, including Nigeria, one drilling rig operating offshore Qatar and another operating offshore India, and Hercules is marketing Rig 26 to work in international markets following completion of the refurbishment and upgrade project on that rig. Because TODCO also has non-U.S. operations, including Angola, Brazil, Mexico, Trinidad and Venezuela, Hercules' non-U.S. operations will expand following the merger and so will its exposure to the risks inherent in foreign operations.

As a result of Hercules' international expansion following the merger, its condition and results of operations could be susceptible to adverse events beyond Hercules' control that may occur in the particular country or region in which Hercules is active. Hercules may also experience currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies or where Hercules does not hedge an exposure to a foreign currency. Hercules may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

### ***Hercules will have Venezuela operations following the merger which are subject to adverse political and economic conditions.***

A portion of Hercules' operations following the merger will be conducted in the Republic of Venezuela, which has been experiencing political and economic turmoil, including labor strikes and demonstrations. This instability could have an adverse effect on Hercules' business. Depending on future developments, Hercules could decide to cease operations in Venezuela. Venezuela also imposes foreign exchange controls that will limit Hercules' ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. Any changes in existing regulation or enforcement could further restrict Hercules' ability to receive U.S. dollar payments.

### ***Failure to retain key employees could adversely affect Hercules following the merger.***

Hercules' performance following the merger could be adversely affected if it is unable to retain certain key employees of Hercules and TODCO. The loss of the services of one or more of these key employees including Hercules' Chief Executive Officer and President, Mr. Stilley, could adversely affect Hercules' future operating results because of their experience and knowledge of the respective businesses of Hercules and TODCO.

### ***Hercules and TODCO will incur substantial costs in connection with the merger.***

Hercules and TODCO expect to incur a number of non-recurring transaction fees and other costs associated with completing the merger and combining the operations of the two companies, including legal fees and potential expenses related to shareholder litigation. These fees and costs will be substantial and many of them will be incurred whether or not the merger is consummated. Additional unanticipated costs may also be incurred in the integration of the businesses of Hercules and TODCO. If the total costs incurred in completing the merger exceed estimates, the financial results of the combined company may be adversely affected.



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*The issuance of shares of Hercules common stock to TODCO stockholders in the merger will dilute the ownership interests of Hercules stockholders.*

After the merger, Hercules stockholders will own a significantly smaller percentage of the combined company than they currently own of Hercules due to the issuance of shares of Hercules common stock to TODCO stockholders. As a result, the relative percentage interest of current Hercules stockholders with respect to earnings, voting, liquidation value, book value and market value will be reduced to approximately % of the combined company . If the merger fails to produce the results Hercules and TODCO anticipate, Hercules stockholders may not receive benefits sufficient to offset the dilution of their ownership interest.

*Following the merger, the TODCO directors will represent a minority on the combined company s board of directors.*

The merger agreement includes provisions that require the combined company s board of directors to maintain a ratio of seven Hercules-nominated directors to three TODCO-nominated directors for three years following the effective time of the merger. As a result, the TODCO-nominated directors will not have sufficient voting power to control decisions of the combined company s board of directors although TODCO stockholders will own approximately 64% of the combined company s shares immediately after the effective time. The combined company s board of directors may make different decisions than would either TODCO s current board of directors or a new board of directors composed entirely of TODCO-nominated directors.

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**RECENT DEVELOPMENTS**

On March 19 and 20, 2007, two TODCO stockholder lawsuits were filed in the District Court of Harris County, Texas, both alleging that the TODCO board of directors breached their fiduciary duties in approving the proposed merger among TODCO, Hercules and Merger Sub. The first suit, pending in the 333rd Judicial District Court of Harris County, Texas, Cause No. 2007-16397, is a purported stockholder class action suit against the TODCO directors, and contains claims for breach of fiduciary duty. The second suit, pending in the 269th Judicial District Court of Harris County, Texas, Cause No. 2007-16357, is a stockholder derivative action purportedly filed on behalf of TODCO against the TODCO directors and Hercules, and contains claims for breach of fiduciary duties of loyalty, due care, candor, good faith and/or fair dealing; corporate waste; unlawful self dealing; and claims that the defendants conspired, aided and abetted and/or assisted one another in a common plan to breach these fiduciary duties. Both complaints allege, among other things, that the TODCO directors engaged in self-dealing in approving the proposed merger with Hercules by advancing their own personal interests or those of TODCO's senior management at the expense of the TODCO stockholders, utilized a defective sales process not designed to maximize TODCO stockholder value, and failed to consider any value maximizing alternatives, thus causing TODCO stockholders to receive an unfair price for their shares of TODCO common stock. The second suit also alleges that Hercules conspired, aided and abetted or assisted in these violations.

Both complaints seek, among other things, an injunction preventing the completion of the merger, rescission if the merger is consummated, imposition of a constructive trust in favor of plaintiffs upon any benefits improperly received by the defendants, attorneys' fees and expenses associated with the lawsuit and any other equitable relief the court deems just and proper. Each of TODCO, the TODCO directors and Hercules believe the asserted claims are without merit, and each intends to defend them vigorously.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including information included or incorporated by reference into this joint proxy statement/prospectus, contains certain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words expects, anticipates, targets, goals, projects, intends, plans, believes, seeks, estimates, variations of these words and expressions identify forward-looking statements, and any statements regarding the benefits of the merger, or Hercules or TODCO's future financial condition, results of operations and business, are also forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These statements are based upon current expectations and estimates of the management of Hercules and TODCO and are subject to risks and uncertainties that may cause actual results to differ materially, including:

the various risks and other factors considered by the respective boards of Hercules and TODCO as described under The Merger Recommendation of the Hercules Board of Directors and Its Reasons for the Merger, beginning on page and under The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger, beginning on page ,

the amount and timing of any synergies expected to result from the merger,

the ability of Hercules and TODCO to enter into new contracts for rigs and liftboats and future dayrates and utilization rates for the units,

the correlation between demand for the rigs and liftboats of Hercules and TODCO and their earnings and customers' expectations of energy prices,

future capital expenditures and refurbishment, repair and upgrade costs,

expected completion times for refurbishment and upgrade projects,

amounts expected to be paid by insurance proceeds for the salvage and repair of the Tigershark,

sufficiency of funds for required capital expenditures, working capital and debt service,

plans regarding increased international operations,

expected useful lives of rigs and liftboats,

liabilities under laws and regulations protecting the environment,

the impact of purchase accounting,

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expected outcomes of litigation, claims and disputes and their expected effects on Hercules and TODCO's financial condition and results of operations, and

expectations regarding improvements in offshore drilling activity and dayrates, continuation of current market conditions, demand for Hercules and TODCO's rigs and liftboats, operating revenues, operating and maintenance expense, insurance expense and deductibles, interest expense, debt levels and other matters with regard to outlook.

Hercules and TODCO have based these statements on their assumptions and analyses in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in these statements. Although it is not possible to identify all factors, Hercules and TODCO continue to face many risks and uncertainties. Among the factors that could cause actual future results to differ

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materially are the risks and uncertainties described under Risk Factors, beginning on page and in the documents incorporated into this joint proxy statement/prospectus and the following:

the ability to consummate the merger,

difficulties and delays in obtaining regulatory approvals for the merger,

difficulties and delays in achieving synergies and cost savings,

potential difficulties in meeting conditions set forth in the merger agreement,

oil and natural gas prices and industry expectations about future prices,

demand for offshore jackup rigs and liftboats,

the ability of Hercules and TODCO to enter into and the terms of future contracts,

the worldwide military and political environment, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East and other oil and natural gas producing regions or further acts of terrorism in the United States, or elsewhere,

the impact of governmental laws and regulations,

the adequacy of sources of liquidity,

uncertainties relating to the level of activity in offshore oil and natural gas exploration, development and production,

competition and market conditions in the contract drilling and liftboat industries,

the availability of skilled personnel,

labor relations and work stoppages, particularly in the Nigerian labor environment,

operating hazards such as severe weather and seas, fires, cratering, blowouts, war, terrorism and cancellation or unavailability of insurance coverage,

the effect of litigation and contingencies, and

inability to carry out plans and strategies as expected.

Should one or more of the risks or uncertainties described above or elsewhere in Hercules' Annual Report or TODCO's Annual Report on Form 10-K, as amended, for the year ended December 31, 2006 occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Hercules, TODCO or persons acting on their behalf may issue.

Except as otherwise required by applicable law, Hercules and TODCO disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section. See also "Where You Can Find More Information," beginning on page .

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**THE HERCULES MEETING**

This section contains information from Hercules for Hercules stockholders about the Hercules Meeting to approve the issuance of Hercules common stock in the merger and transact other business described below. Together with this document, Hercules is also sending a notice of the Hercules Meeting and a form of proxy that is being solicited by the Hercules board of directors for use at the Hercules Meeting. The information and instructions contained in this section are addressed to Hercules stockholders only, and all references to "you" in this section should be understood to be addressed to Hercules stockholders.

**Date, Time, Place and Purposes of the Hercules Meeting**

The Annual Meeting of stockholders of Hercules Offshore, Inc. will be held on \_\_\_\_\_, 2007, at \_\_\_\_\_ a.m., Houston time, at the St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas for the following purposes:

1. to approve the issuance of Hercules common stock to TODCO stockholders in connection with the merger as set forth in the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules,
2. to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Stockholders,
3. to approve an amendment to Hercules' 2004 Long-Term Incentive Plan, increasing the number of shares of Hercules common stock available for issuance under the plan by 6,800,000 shares, or by 1,200,000 shares if the merger is not consummated,
4. to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposals, and
5. to transact any other business as may properly come before the Hercules Meeting or any adjournments or postponements thereof.

**The approval of Proposal No. 1 is a condition to the completion of the merger. Accordingly, if Hercules stockholders wish to support the merger, they must approve Proposal No. 1.**

**The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR each of the proposals and FOR each of the director nominees.**

**Who Can Vote at the Hercules Meeting**

Only holders of record of Hercules common stock at the close of business on \_\_\_\_\_, 2007, the record date for the Hercules Meeting, are entitled to notice of and to vote at the Hercules Meeting. On the record date for the Hercules Meeting, there were \_\_\_\_\_ shares of Hercules common stock outstanding and entitled to be voted at the Hercules Meeting. A majority of these shares, present in person or represented by proxy, is necessary to constitute a quorum. Each share of Hercules common stock is entitled to one vote at the Hercules Meeting.

**Vote Required for Approval; Quorum**

The affirmative vote of the holders of a majority of the votes cast by Hercules stockholders entitled to vote at the Hercules Meeting, at which a quorum is present, is required to approve the issuance of additional shares of Hercules common stock pursuant to the merger agreement to approve the amendment of the Hercules 2004 Long-Term Incentive Plan and to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies. For the election of directors (Hercules Proposal No. 2), the three nominees receiving





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the most FOR votes from the shares having the voting power present in person or represented by proxy will be elected by a plurality vote. Abstentions and broker non-votes will not be counted either in favor of or against the proposals at the Hercules Meeting.

A quorum is present at the Hercules Meeting if a majority of all the shares of Hercules common stock issued and outstanding on the Hercules record date and entitled to vote at the Hercules Meeting are represented at the Hercules Meeting in person or by proxy. Abstentions and broker non-votes will be treated as present at the Hercules Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

## **Adjournments**

If a quorum of Hercules stockholders is not present in person or by proxy at the Hercules Meeting, the Hercules Meeting may be adjourned by Hercules stockholders holding a majority of Hercules common stock present at the meeting until a quorum is present or represented. In addition, if the adjournment proposal is approved, adjournments of the Hercules Meeting may be made for the purpose of soliciting additional proxies in favor of the proposal.

## **Manner of Voting**

We refer to a stockholder who holds Hercules common stock in their own name (as opposed to being held in the name of their broker, bank or other nominee) as a holder of record. Holders of record may vote in person at the Hercules Meeting or by proxy. Hercules recommends that holders of record vote by proxy even if they plan to attend the Hercules Meeting. Holders of record can always revoke their proxy and change their votes at the Hercules Meeting.

## **Proxy Voting by Holders of Record**

Voting instructions are attached to your proxy card. If you properly submit your proxy to Hercules in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against any or all of the proposals submitted at the Hercules Meeting or abstain from voting.

If you are a holder of record, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your submission of proxy by telephone or Internet authorizes Randall D. Stilley, Lisa W. Rodriguez and James W. Noe, and each of them, as proxies, each with the power to appoint his or her substitute, to represent and vote your shares in the same manner as if you marked, signed and returned your proxy form by mail.

Submit your proxy by Telephone Toll-Free 1-800- -

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

Submit your proxy by Internet <http://www. .com>

Use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

Submit your proxy by Mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided, or

Return it to Hercules Offshore, Inc. c/o Secretary, 11 Greenway Plaza, Suite 2950, Houston, Texas 77046.

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Only the latest dated proxy received from you, whether by mail, telephone or internet, will be voted at the Hercules Meeting. If you submit your proxy by telephone or Internet, please do not mail your proxy form.

### **Voting of Shares Held in Street Name**

If your shares of Hercules common stock are not held in your own name but rather by your broker or another nominee, we refer to your shares as being held in street name by your nominee. If your shares are held in street name you must instruct your nominee how to vote your shares.

Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions well in advance of the Hercules Meeting, we recommend that you directly contact your nominee to determine how to cause your shares to be voted as you wish. Your nominee may permit you to instruct the voting of your shares electronically using the telephone or Internet.

Unless you give voting instructions, your nominee **will not vote your shares** on the proposal to issue Hercules common stock in the merger. Your shares held in street name will, however, be counted for purposes of determining whether a quorum is present at the Hercules Meeting if your shares are represented at the Hercules Meeting by your nominee concerning other proposals at the Hercules Meeting.

If you wish to attend the Hercules Meeting and personally vote your shares held in street name, you must obtain a legally sufficient proxy from your nominee authorizing you to vote your shares held in street name.

### **How Proxies Will Be Voted**

If Hercules stockholders do not indicate how their shares of Hercules common stock should be voted on a matter, the shares of Hercules common stock represented by their properly completed proxy will be voted (unless properly withdrawn) as the Hercules board of directors recommends and therefore will be voted:

**FOR** the proposal to issue additional shares of Hercules common stock in the merger,

**FOR** the director nominees,

**FOR** the proposal to approve the amendment of the Hercules 2004 Long-Term Incentive Plan, and

**FOR** the proposal to adjourn the Hercules Meeting, if necessary or appropriate, to allow for the solicitation of additional proxies. No proxy that is voted against a proposal described in this joint proxy statement/prospectus will be voted in favor of adjournment of the Hercules Meeting for the purpose of soliciting additional proxies.

### **Revoking a Proxy**

You may revoke your proxy at any time prior to its exercise by:

giving written notice of the revocation to Hercules corporate secretary,

appearing and voting in person at the Hercules Meeting, or

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delivering a later-dated proxy card to Hercules' corporate secretary.

Your attendance at the Hercules Meeting in person without voting will not automatically revoke your proxy. If you revoke your proxy during the meeting, this will not affect any vote previously taken. If you hold shares through someone else, such as a bank, broker or other nominee, and you desire to revoke your proxy, you should follow the instructions provided by your nominee.

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**Tabulation of the Votes**

Hercules has appointed \_\_\_\_\_ to serve as the Inspector of Election for the Hercules Meeting. \_\_\_\_\_ will independently tabulate affirmative and negative votes and abstentions.

**Solicitation of Proxies and Expenses**

Hercules will pay its own expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. Hercules has retained Georgeson Inc. for a fee of \$ \_\_\_\_\_, plus certain expenses, to assist in the solicitation of proxies and otherwise in connection with the Hercules Meeting. Hercules and Georgeson will also request brokers and other nominees holding shares of Hercules common stock beneficially owned by others to send this joint proxy statement/prospectus to, and obtain proxies from, the beneficial owners and will reimburse holders for their reasonable expenses in so doing.

Hercules' stock transfer registrar and agent, American Stock Transfer & Trust Company, will also solicit proxies from holders of record of Hercules common stock for a fee not in excess of its usual fee for serving as Hercules' stock registrar and transfer agent. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitations by the directors, officers and employees of Hercules. No additional compensation will be paid to Hercules' directors, officers or employees for their solicitation efforts.

**Questions About Voting or the Hercules Meeting**

If you have any questions or need further assistance in voting your shares, please call Georgeson Inc. toll-free at the following numbers:

brokers and other nominees call 800- \_\_\_\_\_, and

holders of record of Hercules common stock call 800- \_\_\_\_\_.

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**THE TODCO MEETING**

This section contains information from TODCO for TODCO stockholders about the special meeting of stockholders it has called to approve and adopt the merger agreement. Together with this document, TODCO is also sending you a notice of the TODCO Meeting and a form of proxy that is being solicited by the TODCO board of directors for use at the TODCO Meeting. The information and instructions contained in this section are addressed to TODCO stockholders only, and all references to you in this section should be understood to be addressed to TODCO stockholders.

**Date, Time, Place and Purposes of the TODCO Meeting**

The TODCO Meeting will be held on \_\_\_\_\_, 2007, at \_\_\_\_\_ a.m., Houston time, at the Westchase Hilton Hotel, 9999 Westheimer, Houston, Texas. The purpose of the TODCO Meeting is:

1. to approve and adopt the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules,
2. to approve the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal, and
3. to transact any other business as may properly come before the TODCO Meeting or any adjournment or postponement of the TODCO Meeting.

**The TODCO board of directors unanimously recommends that TODCO stockholders vote:**

**FOR** the proposal to approve and adopt the merger agreement, and

**FOR** the proposal to approve the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies in favor of approving and adopting the merger agreement.

For the reasons for these recommendations, see The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger, beginning on page \_\_\_\_\_.

**Who Can Vote at the TODCO Meeting**

Only holders of record of TODCO common stock at the close of business on \_\_\_\_\_, 2007, the TODCO record date, are entitled to notice of, and to vote at, the TODCO Meeting. As of that date, there were \_\_\_\_\_ shares of TODCO common stock outstanding and entitled to vote at the TODCO Meeting, held by approximately \_\_\_\_\_ stockholders of record. Each share of TODCO common stock is entitled to one vote at the TODCO Meeting.

**Vote Required for Approval; Quorum**

A majority of the outstanding shares of TODCO common stock entitled to vote must be cast in favor of approval and adoption of the merger agreement for it to be approved. Abstentions and broker non-votes will have the same effect as a vote **against** the proposal to approve and adopt the merger agreement.

The affirmative vote of a majority of votes cast is required to approve the proposal to adjourn the TODCO Meeting to solicit additional proxies in favor of approving and adopting the merger agreement. Abstentions and broker non-votes will not be counted either in favor of or against this proposal.

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For purposes of conducting the TODCO Meeting, the holders of at least a majority of the stock issued and outstanding and entitled to vote at the TODCO Meeting will constitute a quorum. Abstentions and broker non-votes will count for purposes of determining whether a quorum is present.

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**Adjournments**

If a quorum is not present or represented at the TODCO Meeting, the Chairman of the TODCO board of directors or TODCO stockholders holding a majority of the TODCO common stock present at the TODCO Meeting have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting. In addition, adjournments of the TODCO Meeting may be made for the purpose of soliciting additional proxies by a majority of the votes cast, without regard to broker non-votes or abstentions. However, no proxy that is voted against a proposal described in this joint proxy statement/prospectus will be voted in favor of adjournment of the TODCO Meeting for the purpose of soliciting additional proxies.

**Manner of Voting**

We refer to stockholders who hold their TODCO common stock in their own name (as opposed to being held in the name of their broker, bank or other nominee) as holders of record. Holders of record may vote in person at the TODCO Meeting or by proxy. TODCO recommends that holders of record vote by proxy even if they plan to attend the TODCO Meeting. Holders of record can always revoke their proxy and change their votes at the TODCO Meeting.

**Proxy Voting by Holders of Record**

Voting instructions are attached to your proxy card. If you properly submit your proxy to TODCO in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against any or all of the proposals submitted at the TODCO Meeting or abstain from voting.

If you are a holder of record, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your submission of proxy by telephone or Internet authorizes Jan Rask, T. Scott O Keefe and Michael P. Donaldson, and each of them, as proxies, each with the power to appoint his substitute, to represent and vote your shares in the same manner as if you marked, signed and returned your proxy form by mail.

Submit your proxy by Telephone Toll-Free 1-800- -

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

Submit your proxy by Internet <http://www. .com>

Use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

Submit your proxy by mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided, or



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Return it to TODCO, c/o Corporate Secretary, 2000 West Sam Houston Parkway, Suite 800, Houston, Texas 77042-3615. Only the latest dated proxy received from you, whether by mail, telephone or internet, will be voted at the TODCO Meeting. If you submit your proxy by telephone or Internet, please do not mail your proxy form.

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### **Voting of Shares Held in Street Name**

If your shares of TODCO common stock are not held in your own name but rather by your broker or another nominee, we refer to your shares as being held in street name by your nominee. If your shares are held in street name you must instruct your nominee how to vote your shares.

Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions well in advance of the TODCO Meeting, we recommend that you directly contact your nominee to determine how to cause your shares to be voted as you wish. Your nominee may permit you to instruct the voting of your shares electronically using the telephone or Internet.

Unless you give voting instructions, your nominee **will not vote your shares** on the proposal to approve and adopt the merger agreement. Shares held in street name but not voted will have the same effect as a vote **against** approval and adoption of the merger agreement. We therefore urge you to provide voting instructions to your nominee. Your shares held in street name will, however, be counted for purposes of determining whether a quorum is present at the TODCO Meeting, if your shares are represented at the TODCO Meeting by your nominee.

### **How Proxies Will Be Voted**

All shares of TODCO common stock entitled to vote and represented by properly completed proxies received prior to the TODCO Meeting (unless properly revoked) will be voted at the TODCO Meeting as instructed on the proxies. If TODCO stockholders do not indicate how their shares of TODCO common stock should be voted on a matter, the shares of TODCO common stock represented by their properly completed and not properly withdrawn proxy will be voted as the TODCO board of directors recommends and therefore will be voted **FOR** the approval and adoption of the merger agreement. Any proxy that is voted against approval and adoption of the merger agreement will also be voted against any adjournment of the TODCO Meeting for the purpose of soliciting additional proxies.

### **Revoking a Proxy**

You may revoke your proxy before it is voted by:

submitting a new proxy card bearing a later date, or submitting a new proxy by telephone or through the Internet,

providing a written notice revoking your proxy to the Secretary of TODCO before the TODCO Meeting, or

Attending the TODCO Meeting and voting in person.

If you have instructed your nominee to vote your shares for you, you must follow directions you receive from your nominee in order to change or revoke your vote.

### **Tabulation of the Votes**

TODCO has appointed The Bank of New York to serve as the Inspector of Election for the TODCO Meeting. The Bank of New York will independently tabulate affirmative and negative votes and abstentions.

### **Solicitation of Proxies and Expenses**

TODCO will pay its own expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. TODCO has retained Georgeson Inc. for a fee of \$ , plus certain expenses, to assist in the solicitation of proxies and otherwise in connection with the TODCO Meeting. TODCO and Georgeson will also request brokers and other nominees holding shares of TODCO common stock beneficially owned by others to send this joint proxy statement/prospectus to, and obtain proxies from, the beneficial owners and will reimburse holders for their reasonable expenses in so doing.



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TODCO's stock transfer registrar and agent, The Bank of New York, will also solicit proxies from holders of record of TODCO common stock for a fee not in excess of its usual fee for serving as TODCO's stock registrar and transfer agent. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitations by the directors, officers and employees of TODCO. No additional compensation will be paid to TODCO directors, officers or employees for their solicitation efforts.

**Questions About Voting or the TODCO Meeting**

If you have any questions or need further assistance in voting your shares, please call Georgeson Inc. toll-free at the following numbers:

brokers, banks and other nominees call 800- -

holders of record of TODCO common stock call 800- -

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### **THE MERGER**

*The following is a description of the material aspects of the merger. Although Hercules and TODCO believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. Hercules and TODCO encourage Hercules stockholders and TODCO stockholders to carefully read this entire joint proxy statement/prospectus, including the merger agreement attached to this joint proxy statement/prospectus as Annex A and incorporated by reference herein, for a more complete understanding of the merger.*

#### **General**

The boards of directors of Hercules and TODCO have unanimously approved the merger agreement providing for the merger of TODCO into Merger Sub. Merger Sub, which is a wholly-owned subsidiary of Hercules, will be the surviving entity in the merger, and upon completion of the merger, the separate corporate existence of TODCO will terminate. TODCO stockholders will receive the merger consideration described below under "The Merger Agreement - Merger Consideration," beginning on page .

#### **Background of the Merger**

Each of Hercules and TODCO's board of directors has from time to time engaged with its senior management in strategic reviews, and considered alternatives to enhance stockholder value of their respective companies. Hercules has completed a number of strategic asset acquisitions since its initial public offering in October 2005.

Hercules and TODCO have considered engaging in strategic business transactions with each other at various times since early 2006. However, it was not until early 2007 that the parties began discussions that resulted in the execution of the merger agreement. A summary of the discussions between the parties is set forth below.

On March 8, 2006, the Hercules board of directors held a meeting to explore the possibility of acquiring TODCO. After an initial discussion, the Hercules board of directors requested that Hercules management prepare financial analyses regarding a possible acquisition of TODCO.

On April 19, 2006, on behalf of Hercules, a representative of UBS informed Mr. Jan Rask, TODCO's President and Chief Executive Officer, that Hercules was interested in exploring a possible transaction with TODCO.

On April 26, 2006, the Hercules board of directors authorized management to enter into a confidentiality agreement with TODCO and to engage in discussions with TODCO. The Hercules board authorized the engagement of UBS and Simmons & Company as financial advisers for a possible acquisition of TODCO.

Hercules and TODCO entered into a confidentiality and standstill agreement dated April 27, 2006, and exchanged initial due diligence information shortly thereafter.

On April 30, 2006, TODCO entered into a confidentiality agreement with another drilling company with respect to a possible acquisition of drilling assets by TODCO. As discussed below, discussions between TODCO and this company did not result in a definitive purchase agreement, and were eventually terminated.

On May 1, 2006, the Hercules board of directors held a meeting to discuss the possible acquisition of TODCO. The board discussed the strategic rationale and form of consideration that might be used for an acquisition of TODCO.

At a meeting of the TODCO board held on May 2, 2006, Mr. Rask reported to the TODCO board his recent discussions concerning a possible business combination with Hercules.

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On May 2, 2006, Mr. Rask and T. Scott O'Keefe, TODCO's Executive Vice President Finance and Administration, met with Mr. Randall D. Stilley, Hercules' Chief Executive Officer and President, and Steven A. Manz, Hercules' Senior Vice President and Chief Financial Officer, and agreed to explore a possible transaction. Hercules, TODCO and their respective outside legal counsel and advisers continued to conduct due diligence during the remainder of May 2006.

In May 2006, TODCO engaged Citi as TODCO's financial advisor in connection with a possible transaction with Hercules.

On May 9, 2006, the TODCO board of directors held a meeting in conjunction with its 2006 annual stockholders meeting. Mr. Rask and a representative from Citigroup Global Markets Inc., referred to as Citi, updated the TODCO board on the status of discussions with Hercules, as well as an initial meeting with representatives of the other drilling company mentioned above regarding the possible acquisition of drilling assets by TODCO. In addition, Mr. Rask reported on other strategic alternatives for possible future consideration by TODCO, including (1) construction of new jackup rigs by TODCO, (2) acquiring other companies that were building new jackup rigs on speculation, (3) acquiring other drilling contractors, (4) paying dividends, and (5) repurchasing common stock.

On May 12, 2006, senior management of both Hercules and TODCO gave presentations to each other regarding their respective businesses and continued discussions of the terms and timing of a potential merger. Representatives of UBS and Citi also attended these presentations.

On May 17, 2006, the Hercules board of directors held a meeting at which they discussed the status of discussions with TODCO. Mr. James W. Noe, Hercules' Senior Vice President, General Counsel, Chief Compliance Officer and Secretary, also made a presentation regarding legal matters.

On May 22, 2006, Mr. Stilley and Mr. Rask discussed the form of consideration proposed to be received by TODCO stockholders in the potential merger.

On May 24, 2006, the Hercules board of directors held a meeting with Hercules management to discuss the potential acquisition of TODCO. UBS and Simmons & Company made financial presentations at the meeting, and Mr. Noe made a presentation regarding legal matters.

On May 30, 2006, the Hercules board of directors met with Hercules management to discuss a potential acquisition of TODCO. The board discussed the strategic and financial rationale and the structure of the proposed merger, including the percentage of cash and stock to be used as consideration and the premium to be offered to TODCO stockholders. Following questions and discussions, the board authorized Hercules management to make a non-binding offer to TODCO.

After the May 30, 2006 meeting, Hercules delivered to Mr. Rask a confidential non-binding proposal to acquire all of TODCO's outstanding common stock by merger, subject to due diligence and negotiation of a definitive agreement. The proposal was structured to provide TODCO stockholders a fixed ratio of 1.36 shares of Hercules common stock for each share of TODCO common stock and the right to elect to receive \$48.76 in cash per share, in lieu of the 1.36 shares of Hercules common stock, with respect to up to 25% of the shares of TODCO common stock. This transaction would have resulted in TODCO stockholders owning approximately 64% of the combined company, and the proposed exchange ratio represented a premium of approximately 18% to the closing price of TODCO's common stock on May 26, 2006.

On June 1, 2006, the TODCO board of directors held a meeting to discuss Hercules' May 30 merger proposal. Also in attendance were representatives of Citi and Porter & Hedges L.L.P., TODCO's outside legal counsel. The TODCO board received a presentation from representatives of Citi regarding Hercules' proposal. A representative

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of Porter & Hedges also made a presentation regarding legal matters. After discussion of the terms of the Hercules offer, including the premium and proportion of cash consideration, the TODCO board determined Hercules' proposal to be inadequate and unanimously voted to reject the Hercules proposal.

Following the TODCO board meeting, Mr. Rask contacted Mr. Stilley to inform him of the decision of the TODCO board of directors not to accept the terms of the Hercules proposal, and TODCO then terminated discussions with Hercules.

On July 6, 2006, following consultation with the TODCO board of directors and Citi, Mr. Rask delivered to the other drilling company referred to above a non-binding preliminary proposal to acquire specified drilling assets. The other company did not respond, and accordingly, on September 11, 2006, Mr. O'Keefe wrote a letter to the chief financial officer of the other company terminating discussions.

At a meeting held on October 3, 2006 attended by Mr. Stilley, Mr. Rask, Mr. O'Keefe, representatives of UBS and representatives of Citi, Hercules expressed a general interest in a possible merger transaction with TODCO but no terms or conditions of a possible transaction were discussed. However, Hercules concluded not to reopen discussions involving a possible merger in view of financial and economic conditions and commodity prices at that time. There were no further discussions between Hercules and TODCO until early 2007.

Later in 2006, Hercules entered into a confidentiality agreement with the same drilling company referred to above for Hercules to possibly acquire specified drilling assets. Discussions between Hercules and this company did not proceed beyond preliminary contacts. However, Hercules completed an acquisition of additional liftboats in west Africa in late 2006.

On December 14, 2006, the TODCO board of directors held a board meeting that included a strategic planning session with senior management. TODCO's management discussed four major strategic alternatives for possible future consideration by TODCO, including (1) continue on the present course and using expected excess cash balances to pay dividends, repurchase its common stock or save cash for future acquisitions, (2) aggressively pursue acquisitions of Gulf of Mexico drilling assets and companies, including additional overtures to the drilling company referred to above to acquire specified drilling assets, (3) opportunistically pursue other growth opportunities such as deepwater drilling or purchase of newly built jackup rigs, and (4) reopen discussions with Hercules and consider the feasibility of also pursuing a concurrent acquisition of drilling assets from the other drilling company referred to above. Following discussion, the TODCO board of directors reached a consensus that the fourth strategic alternative was preferable.

On January 15, 2007, consistent with the discussions of the TODCO board of directors on December 14, 2006, Mr. Rask and Mr. Stilley met to discuss a potential merger between Hercules and TODCO, following an earlier call by Mr. Rask to UBS to ask whether Hercules would consider reopening discussions regarding a potential merger. Mr. Rask and Mr. Stilley discussed the benefits of a potential merger and also discussed the benefits and difficulties, including potential delays, of acquiring the third-party drilling assets referred to above concurrently with the merger.

Hercules and TODCO entered into a second confidentiality and standstill agreement dated January 24, 2007 related to a possible transaction between Hercules and TODCO and possibly also involving third-party drilling assets of the other company referred to above. The parties commenced updated due diligence after signing the new confidentiality agreement.

On January 29, 2007, Mr. Rask, Mr. Stilley and a representative of UBS participated in a conference call regarding a potential merger between Hercules and TODCO.

On January 31, 2007, the Hercules board of directors met and discussed the potential transaction with TODCO. After discussion, the Hercules board authorized management to pursue negotiations with TODCO, with a cash component of between 35% and 50% of total consideration.

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In early February 2007, following review and consideration by the respective management and boards of directors of Hercules and TODCO and their respective advisers, the parties ceased to pursue the acquisition of the third-party drilling assets referred to above and directed their attention toward a merger between Hercules and TODCO.

On February 8, 2007, Messrs. Stilley, Rask and O'Keefe met to discuss the potential transaction. Mr. Rask conveyed TODCO's position that the merger premium offered by Hercules should be significantly higher than Hercules' proposal made in 2006.

On February 16, 2007, the Hercules board of directors held a meeting to discuss the potential merger. During the meeting, the management of Hercules made a presentation to the board of directors, including the strategic and financial rationale for the merger, and Mr. Noe made a presentation regarding legal matters. Representatives of UBS and Simmons & Company also attended the meeting and discussed their analyses of the potential business combination at the meeting. The Hercules board of directors approved non-binding indicative terms of up to 40% cash and up to a 20% premium based on the trading prices of TODCO and Hercules at that time.

Mr. Stilley and Mr. Rask met on February 19, 2007 to discuss the potential merger between Hercules and TODCO, including the non-binding indicative terms reviewed by the Hercules board of directors.

Later on February 19, 2007, the Hercules board of directors held a meeting to discuss the proposed merger. Representatives from Simmons & Company and UBS participated in the meeting. After discussing the terms discussed by Mr. Stilley and Mr. Rask, the Hercules board authorized Hercules management to make a non-binding proposal to Mr. Rask.

On February 20, 2007, Hercules delivered to Mr. Rask a confidential non-binding proposal to enter into a business combination, subject to due diligence and negotiation of a definitive agreement. The proposal contemplated that Hercules would provide TODCO stockholders stock and cash consideration for the outstanding shares of TODCO common stock, consisting of a fixed ratio of 0.9278 shares of Hercules common stock and \$15.93 in cash for each share of TODCO common stock. The proposed transaction would have resulted in TODCO shareholders owning approximately 62% of the combined company. The total consideration per share represented a premium of approximately 21% to the closing price of TODCO common stock on February 16, 2007, and a premium of approximately 23% to the 30-day average ratio of TODCO's common stock price to Hercules' common stock price.

On February 22, 2007, the TODCO board of directors held a meeting attended by senior management and TODCO's financial and legal advisers, Citi and Porter & Hedges, respectively, to discuss the proposal received from Hercules on February 20. A representative of Porter & Hedges briefed the board of directors regarding legal matters. Representatives of Citi presented their preliminary financial analysis of the Hercules proposal.

On February 27, 2007, the TODCO board of directors met with representatives of Citi, a representative of Porter & Hedges and senior management of TODCO. Citi presented a detailed preliminary analysis of Hercules and the merger proposal. The TODCO board of directors instructed senior management to prepare a counterproposal to Hercules for consideration at a meeting of the board on March 2, 2007, subject to the board's further discussion and consideration of a presentation to be made by Mr. Stilley on March 2 regarding Hercules and its business and strategy.

The Hercules board of directors held a meeting on February 28, 2007 to discuss business and strategic plans and alternatives, including the proposed merger with TODCO. During the meeting, Mr. Noe briefed the Hercules board regarding legal matters.

On March 2, 2007, the TODCO board of directors met with senior management, representatives of Citi and representatives of Porter & Hedges. Mr. Stilley's scheduled presentation having been postponed due to weather, the TODCO board continued its deliberations concerning the merger and refined the counterproposal to Hercules, subject to the board's satisfaction with Mr. Stilley's presentation.



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Mr. Stilley met with one of the TODCO directors at the home of Mr. Rask on Sunday, March 4, 2007, to discuss Hercules and the merger because of the director's scheduling conflict with Mr. Stilley's presentation that had been rescheduled for the next day.

On March 5, 2007, Mr. Stilley made his presentation to the TODCO board, which was attended by TODCO's senior management, representatives of Citi and Porter & Hedges. Mr. Stilley was accompanied by John T. Rynd, Senior Vice President of Hercules. Mr. Stilley discussed Hercules' growth, its business and assets, its management, its strategy and objectives, and Hercules' strategic and financial rationale for the proposed merger, the timing of the potential transaction and the steps to complete the transaction. After the presentation, Mr. Stilley responded to questions from the TODCO directors and their representatives regarding Hercules and the proposed merger. Following Mr. Stilley's departure and further discussion of the presentation and proposed terms, the TODCO board then approved the TODCO counterproposal and authorized Mr. Rask to communicate its terms to Hercules.

On March 5, 2007, Mr. Rask delivered to Mr. Stilley a counterproposal providing that each holder of TODCO common stock would receive \$16.00 in cash and 1.00 share of Hercules common stock for each share of TODCO common stock, with TODCO stockholders having the option to elect to receive cash or stock for each share of TODCO common stock, subject to proration. The TODCO proposal also contemplated a premium of at least 23% based on a one-day price and 30-day average price of TODCO common stock and a 30-day average ratio of TODCO's common stock price to Hercules' common stock price.

On March 7, 2007, the Hercules board of directors held a meeting. Representatives from Simmons & Company and Andrews Kurth LLP, outside legal counsel for Hercules, also participated in the meeting. At the meeting, the board considered a response to TODCO. Simmons & Company and UBS provided the board with their further financial analysis. After discussion, the board of directors directed management and the financial advisers to prepare additional analysis for their consideration.

The Hercules board of directors held another meeting on the afternoon of March 8, 2007, to consider TODCO's counterproposal received on March 5. Also present at the meeting were senior management of Hercules, representatives of Simmons & Company, as financial advisers, and Andrews Kurth LLP. Simmons & Company presented further financial analysis, and Andrews Kurth advised the Hercules board regarding legal matters. After review and discussion, the board authorized Hercules management to offer total merger consideration equal to 0.979 shares of Hercules common stock and \$16.00 for each share of TODCO common stock, with TODCO stockholders having the right to elect to receive stock or cash, subject to proration in the event either the stock or cash election is oversubscribed. The revised proposal would have resulted in TODCO shareholders owning approximately 64% of the combined company, and the total consideration per share represented a premium of approximately 23% both to the closing price of TODCO common stock on March 8, 2007 and to the 30-day average ratio of TODCO's common stock price to Hercules' common stock price. The counterproposal was delivered to TODCO the following day.

On March 11, 2007, the TODCO board of directors held a meeting in order to consider the revised non-binding proposal received from Hercules on March 8, 2007. Mr. Rask presented Hercules' counterproposal to the TODCO board. At the meeting, representatives of Citi presented further financial analysis of the proposed merger. The TODCO board of directors then approved the terms proposed by Hercules and instructed TODCO management to finalize due diligence and negotiate and finalize a definitive merger agreement.

Following the TODCO board meeting, Mr. Rask called Mr. Stilley to inform him that the TODCO board of directors had accepted Hercules' revised non-binding proposal, subject to due diligence and negotiation of a definitive agreement.

Between March 11 and March 18, 2007, representatives and management of Hercules and TODCO and their respective financial advisers and outside legal counsel engaged in negotiations with respect to a definitive merger.

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agreement. Concurrently with the negotiation of the merger agreement, Hercules and TODCO and their respective representatives and outside legal counsel conducted financial, legal and other due diligence.

On March 18, 2007, the Hercules board of directors held a meeting to consider the proposed merger and the terms and conditions of the merger agreement that had been negotiated by the management teams of Hercules and TODCO. All of the Hercules directors attended the meeting. In addition, representatives from Simmons & Company and Andrews Kurth attended the meeting. Representatives of Andrews Kurth discussed with the Hercules board of directors the legal terms of the merger agreement and made a presentation regarding legal matters. Mr. Stillely made a presentation to the board regarding the proposed merger. Representatives from Simmons & Company presented a financial analysis of the merger consideration and delivered their oral opinion (which was subsequently confirmed in writing) that, as of the date of the opinion and based on and subject to matters described in the opinion, the merger consideration provided for in the merger agreement was fair, from a financial point of view, to Hercules stockholders. The Hercules board of directors then discussed the reasons for the merger, including the financial analysis and the benefits and risks associated with the merger. After deliberation, the Hercules board unanimously determined that the merger to be advisable and in the best interests of Hercules and its stockholders, approved the financing commitment with UBS, approved the merger agreement, and recommended that Hercules stockholders vote in favor of the issuance of shares of Hercules common stock in the merger.

Hercules entered into financing commitment letters with UBS for \$1.25 billion of senior secured credit facilities to support the cash component of the merger consideration and to provide a revolver for general corporate purposes.

The TODCO board of directors held a meeting on the evening of March 18, 2007 to review the proposed merger. All of the TODCO directors attended the meeting. Representatives from Citi and Porter & Hedges also attended the meeting. At the meeting, the TODCO board of directors discussed various aspects of the proposed merger, including the consideration and the terms of the merger agreement. Under the terms of the merger agreement, the total consideration per share represented a premium of approximately 28% to the closing price of TODCO's common stock on March 16, 2007 and 24% to the 30-day average ratio of TODCO's common stock price to Hercules' common stock price. Porter & Hedges then presented a summary of the legal terms of the merger agreement and discussed legal matters with TODCO's directors. The TODCO board of directors then discussed the reasons for the merger and the related benefits and risks associated with the merger. Citi reviewed its financial analysis of the merger consideration and then delivered to the TODCO board of directors its oral and written opinion that, as of the date of the opinion and based on and subject to matters described in the opinion, the merger consideration to be received in the merger by the holders of TODCO common stock was fair, from a financial point of view, to the TODCO stockholders. After further deliberation, the TODCO board of directors unanimously determined that the merger and other transactions contemplated by the merger were fair, advisable and in the best interest of TODCO and its stockholders and approved the merger, the merger agreement and the transactions contemplated by the merger agreement, and recommended approval and adoption of the merger agreement to the stockholders of TODCO.

Late in the evening on March 18, 2007, following approval of the merger agreement by the boards of directors of both companies, the two chief executive officers signed the merger agreement. Early in the morning of March 19, 2007, the parties publicly announced the execution of the merger agreement. Following review and approval by the Hercules and the TODCO board of directors, the merger agreement was amended and restated on March 22, 2007 effective March 18, 2007 to reflect terms previously agreed by the parties and consistent with presentations to their respective boards of directors.

**Recommendation of the Hercules Board of Directors and Its Reasons for the Merger**

The Hercules board of directors, at a special meeting held on March 18, 2007, determined that the merger agreement and the transactions contemplated by the merger agreement were advisable and in the best interests of Hercules and its stockholders and approved and adopted the merger agreement and the transactions contemplated thereby. The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR the issuance of the shares of Hercules common stock pursuant to the merger agreement.

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### ***Terms of the Merger Agreement and Merger Consideration***

In reaching its decision to approve the merger agreement and recommend the issuance of shares of Hercules common stock in the merger, the Hercules board of directors considered the following factors relating to the terms of the merger agreement:

the form of the merger consideration, which consists of a fixed number of shares of Hercules common stock and a fixed amount of cash, and therefore permits Hercules to project its capital structure and indebtedness immediately following the merger,

the financial review and presentation of Simmons & Company and its opinion that, as of the date of such opinion and based upon and subject to the assumptions, qualifications and limitation set forth in the opinion, the merger consideration to be paid to TODCO stockholders in the merger is fair, from a financial point of view, to the Hercules stockholders,

the structure of the merger transaction, which generally is not taxable to Hercules or its stockholders,

the terms of the merger agreement, which permit Hercules to respond to a third party in connection with an unsolicited proposal for an alternative business combination and permit the board of directors to withdraw its recommendation in favor of the issuance of shares in the merger and terminate the agreement if Hercules receives a superior offer, in each case subject to certain specific conditions, including in certain cases payment to TODCO of a \$30 million termination fee,

the potential to reduce the company's weighted average cost of capital as a larger entity with the increased use of leverage, and the availability of a commitment letter with UBS Securities LLC that, subject to the satisfaction of specified conditions, would provide Hercules with the ability to borrow the funds necessary to pay the cash component of the merger consideration, to fund other amounts due in connection with the merger, and to borrow under a revolving facility for general corporate purposes,

the governance arrangements of the combined company post-merger, intended to remain in place for three years, which are designed to provide for significant continuity of Hercules management, including the continued leadership of Mr. Stilley, Hercules' Chief Executive Officer and President, and to provide for a ten-member board of directors with a majority of directors who are currently serving as directors of Hercules, and

the board's belief that, aside from stockholder approval, filings with the Securities and Exchange Commission and compliance with the HSR Act, there are no conditions to closing in the merger agreement that are expected to result in a significant delay in completing the merger.

### ***Strategic and Other Considerations***

In addition to the factors listed above, the Hercules board of directors considered the following strategic and other factors:

the board's belief that acquiring the assets of TODCO in the merger offers an opportunity for Hercules to grow strategically in a single transaction, and its belief in the advantages of a larger transaction rather than incremental growth through construction and smaller acquisitions,

the estimated value of the assets to be acquired in the merger when calculated on a per-rig basis, and the relatively low ratio of the purchase price to expected earnings compared to other purchases and construction of new drilling rigs in comparable transactions,

the level of earnings and cash flow accretion expected as a result of the merger based on management's forecast that is described in the summary of the Simmons & Company fairness opinion,

the fact that Hercules would be the acquiror of TODCO for generally accepted accounting purposes, and that Hercules' accounting policies would remain the same for the combined company,

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the opportunity to diversify Hercules' asset base and mitigate some of the risks of its operations and revenue sources, and the opportunity to expand its presence in existing and new locations, including Latin America and Southeast Asia,

the belief that the combined company would benefit from its larger and more diverse asset classes, enhanced ability to deploy assets, more diversified customer relationships, and operational flexibility to seek out work opportunities in more locations in the Gulf of Mexico and internationally,

the advantages of using cash from operations for purposes of strategic growth, rather than for alternative purposes such as stock repurchases or dividends,

the complementary nature of the business of TODCO, including its assets, domestic and international geographic coverage and customer base, and the potential to integrate the TODCO business efficiently with the Hercules business,

the Hercules board's belief that the merger would yield efficiencies from greater economies of scale, savings on the procurement of materials, fleet insurance and employee benefits, and the elimination of redundant public company expenses,

the board's belief that the combined company would have enhanced future earnings and growth prospects when compared to Hercules prospects as a smaller company on a stand-alone basis,

the advantages of expanding the stockholder base and market capitalization of the combined company, as well as the float of the Hercules common stock,

the board's belief that Hercules' customers and potential customers prefer larger service providers in the Gulf of Mexico and international locations who have broader service offering capabilities, have significant capital resources and have a favorable safety reputation and track record, and that the combined company would be better positioned to satisfy these customer preferences,

the opportunity in a tight labor market to retain substantially all of TODCO's non-executive management employees, many of whom have skills and experience needed by Hercules and are expected to continue employment with the combined company,

the board's belief that, for purposes of integrating the two businesses after the merger, Hercules could apply its experience with successfully integrating the operations, assets and employees from its past smaller acquisitions,

the board's belief that the merger would allow Hercules to reduce the cost, in management time and resources, that would otherwise be required to identify and pursue multiple smaller acquisitions as an alternative growth strategy to the merger, that the availability of rigs and fleets for purchase is limited, and that there are execution risks of completing other potential acquisitions, and

the board's belief that Hercules could build effectively on TODCO's established infrastructure, including shore bases and administrative, operating and technology systems.

***Risks of the Merger***

The Hercules board of directors also considered the following potential risks related to the merger with TODCO, but concluded that the anticipated benefits from the merger with TODCO were likely to outweigh these risks:

the lack of a collar or floating exchange rate to cap the value of the Hercules common stock to be issued to the TODCO stockholders, so that the value of the common stock issued to TODCO stockholders in the merger will also increase if the market price of Hercules common stock increases prior to the effective time of the merger,

possible difficulties in integrating the operations of the two businesses, including possible loss of key employees, disruption in ongoing operations, and loss or reduction in business from customers,

the significant level of indebtedness of the combined company immediately following the merger, which could subject the combined company to additional risk in the event of a downturn in its business, limit its flexibility or otherwise limit future growth and expansion opportunities,

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the limitations imposed on the ability of Hercules to solicit alternative business transactions prior to closing or termination of the merger agreement, including the requirement to pay a \$30 million termination fee if Hercules accepts a superior proposal,

the risk of diverting management focus and resources from operational matters while working to implement the merger and the integration of the combined company post-merger,

the substantial transaction costs associated with the merger, including change of control payments and other transaction costs,

payments due upon change of control and over time under the tax sharing agreement between TODCO and its former parent, and the uncertainty over whether the associated tax attributes will be utilized fully or at all,

additional exposure to declines in volatile U.S. natural gas prices,

additional exposure resulting from new or expanded operations in international locations that are subject to political disruption and other risks, and

other matters described under Risk Factors, beginning on page and risks incorporated by reference herein.

The preceding list of factors considered is not intended to be exhaustive. After due consideration of the potential benefits and risks and other information, the Hercules board of directors determined, in its judgment, that the merger is in the best interests of Hercules and its stockholders. The Hercules board of directors did not quantify or assign relative weight to the factors considered in reaching its conclusion but approved the merger based on the totality of the information it reviewed and considered. Individual directors may have given different weight to different factors.

This description of the factors considered by the Hercules board of directors and all other information presented in this section is forward-looking in nature, and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Concerning Forward-Looking Statements, beginning on page .

### **Recommendation of the TODCO Board of Directors and Its Reasons for the Merger**

The TODCO board of directors, at a special meeting held on March 18, 2007, determined that the merger agreement and the transactions contemplated by the merger agreement were advisable, fair to and in the best interests of TODCO and its stockholders and approved and adopted the merger agreement and the transactions contemplated thereby. **The TODCO board of directors unanimously recommends that TODCO stockholders vote FOR approval and adoption of the merger agreement.**

### ***Terms of the Merger Agreement and Merger Consideration***

In reaching its decision to approve and recommend the merger agreement for approval and adoption by the TODCO stockholders, the TODCO board of directors considered the following factors relating to the terms of the merger agreement and merger consideration:

the merger consideration per share represented a significant premium per share to the closing sales price of shares of TODCO common stock as of the last trading day prior to the execution of the merger agreement as well as the 30-day average prior to the execution of the merger agreement,

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the form of the aggregate merger consideration in a combination of cash and Hercules common stock provides the TODCO stockholders with the ability to participate in the future value and growth of the combined company while at the same time providing immediate value through the cash component of the merger consideration,



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the financial analyses and presentation of Citi, and its opinion that, as of the date of its opinion and based upon and subject to the assumptions, qualifications and limitation set forth in the opinion, the merger consideration is fair, from a financial point of view, to TODCO stockholders,

the ability of TODCO stockholders to elect to receive cash or stock consideration, subject to proration, thus providing each stockholder the opportunity to specify their preference level as to liquidity or continued investment in the combined company,

the structure of the merger which generally enables TODCO stockholders to receive Hercules common stock on the merger on a tax free basis for federal income tax purposes,

the terms of the merger agreement that permit TODCO to furnish information to and conduct negotiations with a third party in connection with an unsolicited proposal for an alternative business combination, and that permit the TODCO board of directors to withdraw its recommendation of the merger agreement to TODCO stockholders and terminate the merger agreement if TODCO receives a superior offer, in each case subject to certain specific conditions set forth in the merger agreement, including in certain cases payment of a \$70 million termination fee,

the merger agreement has no financing condition and the belief that Hercules has the ability to fund the merger and on-going operations, based in large part on the commitment letter from UBS Securities LLC to provide Hercules with funds necessary to fund the merger, among other things,

the governance arrangements of the combined company post-merger, including the executive management team to consist predominantly of former Hercules executive officers, with Mr. Stilley to serve as the Chief Executive Officer and President and as a member of the Hercules board of directors, and the ten member board of directors to consist of seven Hercules directors and three TODCO directors,

TODCO's conditions to closing that the Hercules executive officers waive the change of control provisions in their respective employment agreements and equity grants under the Hercules 2004 Long-Term Incentive Plan as they relate to the consummation of the merger, and

other terms and conditions of the merger agreement, including the likelihood that the merger would be completed in a timely manner, taking into account any regulatory and other approvals required in connection the merger (including under the HSR Act).

***Strategic and Other Considerations***

In addition to the factors listed above, the TODCO board of directors considered the following strategic and other factors:

the belief that the combined company would have enhanced future earnings and growth prospects when compared to TODCO's prospects on a stand-alone basis based on the complementary nature of the two companies' asset bases as well as the critical mass that would be gained in the merger in terms of assets, geographic coverage and customer base,

for many of the same reasons, the belief that the combined company would benefit from the larger and more diverse asset class and the ability to deploy assets internationally due to the increased and broader geographic presence that would be gained as a result of the merger,

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the belief that customers in the industry prefer larger service providers in the Gulf of Mexico with broader service offering capabilities and who are financially stable and have a favorable safety reputation and track record, and that the combined company would be better positioned to satisfy these customer preferences,

substantially all of TODCO's non-executive management employees are expected to continue employment with the combined company,

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Hercules' history of successfully integrating the operations, assets and employees from its past acquisitions, although on a much smaller scale than the merger,

the belief that Hercules would be considered the acquiror of TODCO for generally accepted accounting purposes and the possible effects of Hercules' accounting policies on the financial reporting of the combined company,

the financial condition, results of operations, business and prospects of each of Hercules and TODCO, after taking into account, in the case of Hercules, its general familiarity with their business and the results of TODCO's due diligence review, and

the belief that many of TODCO's established operating and technology systems offer a strong, scalable platform for the combined company's operations.

***Risks and Challenges of the Merger***

The TODCO board of directors also considered the following potential risks and challenges related to the merger, but concluded that the anticipated benefits from the merger with Hercules were likely to outweigh these risks and challenges:

the lack of a collar or floating exchange rate in an effort to fix the value of the merger consideration, and thus, if the market price of the Hercules common stock declines prior to the effective time of the merger, the value of the merger consideration to be received by the TODCO stockholders will decline,

the possibility that the combined company could encounter difficulties in integrating the operations of the two businesses that could result in, among other things, loss of key employees, disruption in the combined company's ongoing business and loss or reduced business from customers,

the significant level of indebtedness that the combined company will have after the merger, which could limit its flexibility or otherwise impede its growth and expansion opportunities,

the board composition procedures designed to preserve seven of the ten board seats of the combined company for former members of the Hercules board of directors for a period of three years after the merger despite the fact that the former TODCO stockholders will own approximately 64% of the outstanding voting common stock of the combined company immediately after the merger closes,

the ability and speed at which Hercules management team can integrate the cultures of the two organizations, particularly in light of the tight labor market in which the companies operate,

the limitations imposed on TODCO's ability to solicit alternative business transactions prior to closing or termination of the merger agreement, including the requirement to pay a \$70 million termination fee in the event TODCO accepts a superior proposal,

succession issues related to executive management of the combined company should Mr. Stillely not remain with the combined company for the long term,

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the risk of diverting management focus and resources from operational matters while working to implement the merger or the combined company's integration efforts post-merger,

the substantial transaction costs associated with the merger,

the directors and certain executive officers of TODCO will receive certain benefits that are different from, and in addition to, those of other TODCO stockholders, as more particularly described in "The Merger - Interests of Directors and Executive Officers of TODCO in the Merger," beginning on page 100, and

certain of the other matters described under "Risk Factors," beginning on page 100. Although the preceding list of factors considered is not intended to be exhaustive, in the judgment of the TODCO board of directors, the potential benefits of the merger outweigh the risks and the potential disadvantages. In

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view of the variety of factors considered in connection with its evaluation of the proposed merger and the terms of the merger agreement, the TODCO board of directors did not quantify or assign relative weight to the factors considered in reaching its conclusion. Rather, the TODCO board of directors views its recommendation as being based on the totality of the information presented to and considered by it. In addition, individual TODCO directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of the TODCO board of directors and all other information presented in this section is forward-looking in nature, and, therefore, should be read in light of the factors discussed under the heading **Cautionary Statement Concerning Forward-Looking Statements**, beginning on page .

**Opinion of Hercules Financial Adviser**

Hercules retained Simmons & Company to act as its financial adviser and to provide a financial fairness opinion to the Hercules board of directors in connection with the merger. The Hercules board of directors selected Simmons & Company to act as its financial adviser based upon Simmons & Company's qualifications, reputation and experience in connection with mergers and acquisitions. The Hercules board of directors instructed Simmons & Company, in its role as financial adviser, to evaluate the fairness, from a financial point of view, of the merger consideration to be paid by Hercules pursuant to the merger agreement.

On March 18, 2007, Simmons & Company delivered its oral opinion to the board of directors of Hercules to the effect that, as of that date and based upon and subject to factors and assumptions set forth in its opinion, which were discussed with the Hercules board of directors, the merger consideration to be paid by Hercules pursuant to the transaction in accordance with the merger agreement was fair to the Hercules stockholders from a financial point of view. Simmons & Company subsequently confirmed its opinion in writing by a letter dated March 18, 2007. The opinion speaks only as of the date it was delivered and not as of the time the merger will be completed. The opinion does not reflect changes that may occur or may have occurred after March 18, 2007, which could significantly alter the value of Hercules or TODCO or the respective trading prices of shares of their common stock, which are factors on which Simmons & Company's opinion was based.

**The full text of the Simmons & Company fairness opinion, dated March 18, 2007, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken, is attached as Annex B to this joint proxy statement/prospectus and is incorporated into this document by reference. The summary of the Simmons & Company fairness opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the Simmons & Company fairness opinion. Hercules stockholders should read the Simmons & Company fairness opinion carefully and in its entirety. In arriving at its opinion, Simmons & Company did not ascribe a specific value to TODCO, but rather made its determination as to the fairness, from a financial point of view, of the merger consideration to be paid by Hercules in the transaction on the basis of the financial and comparative analyses described below. Simmons & Company's opinion is for the use and benefit of the Hercules board of directors and was rendered to the board of directors in connection with its consideration of the merger. The opinion does not address the merits of the underlying decision of Hercules to engage in the transaction contemplated by the merger agreement. Moreover, it does not constitute a recommendation by Simmons & Company to any Hercules stockholder as to whether the stockholders should vote to approve the issuance of Hercules common stock to TODCO stockholders as contemplated in the merger agreement.**

In connection with rendering its opinion described above, Simmons & Company reviewed, among other things:

the merger agreement dated as of March 18, 2007,

certain publicly available financial statements and other information concerning Hercules, including Hercules' Annual Reports on Form 10-K for the years ended December 31, 2005 and December 31, 2006, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and

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September 30, 2006, the Current Reports on Form 8-K filed on October 17, 2006, November 2, 2006, November 3, 2006, November 6, 2006, November 13, 2006, November 14, 2006, November 16, 2006, November 21, 2006, December 4, 2006, December 14, 2006, December 15, 2006, January 3, 2007, January 4, 2007, January 5, 2007, January 17, 2007, January 19, 2007, February 5, 2007 February 20, 2007 and March 14, 2007, the registration statement on form S-3ASR filed on November 7, 2006, and the Rule 424(b)(1) prospectus filed on November 14, 2006,

certain other internal information, primarily financial in nature, concerning the business and operations of Hercules furnished to Simmons & Company by Hercules, including financial forecasts,

certain publicly available information concerning the trading of, and the trading market for, Hercules common stock,

certain publicly available financial statements and other information concerning TODCO, including TODCO's Annual Reports on Form 10-K for the years ended December 31, 2004, December 31, 2005 and December 31, 2006, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, the Current Reports on Form 8-K filed on October 31, 2006, November 2, 2006, November 30, 2006, December 29, 2006, January 31, 2007, March 1, 2007, March 2, 2007, and the Proxy Statement on Schedule 14A filed on March 22, 2006,

certain other internal information, primarily financial in nature, concerning the business and operations of TODCO furnished to Simmons & Company by TODCO, including financial forecasts,

certain publicly available information concerning the trading of, and the trading market for, TODCO common stock,

certain publicly available information with respect to certain other companies that Simmons & Company believes to be comparable to Hercules or TODCO and the trading markets for certain of such other companies' securities,

certain publicly available information concerning the estimates of the future operating and financial performance of Hercules, TODCO and the comparable companies prepared by industry experts unaffiliated with either Hercules or TODCO, and

certain publicly available information concerning the nature and terms of certain other transactions considered relevant to the inquiry.

In addition, Simmons & Company made such other analyses and examinations as Simmons & Company deemed appropriate or necessary and had discussions with certain officers and employees of Hercules and TODCO regarding the foregoing, as well as other matters believed to be relevant to the inquiry.

Simmons & Company did not independently verify any of the foregoing information and has relied on it being complete and accurate in all material respects. With respect to the financial forecasts, Simmons & Company has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of Hercules' and TODCO's management as to the future financial performance of Hercules and TODCO, respectively. In addition, Simmons & Company did not make an independent evaluation or appraisal of the assets of Hercules or TODCO. Pursuant to the Agreement and Plan of Merger dated as of March 18, 2007, Simmons & Company has also assumed that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Simmons & Company did not perform any tax analysis nor was Simmons & Company ever furnished with any tax analysis. Accordingly, Simmons & Company did not evaluate (and Simmons & Company's opinion does not include) any potential tax consequences related to the merger including, without limitation, any potential tax consequences to the stockholders of Hercules.

In preparing its fairness opinion for the board of directors, Simmons & Company performed a variety of financial and comparative analyses, including those described below. The summary of the analyses performed by



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Simmons & Company, as set forth below, does not purport to be a complete description of the analyses underlying the opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, fairness opinions are not readily susceptible to partial or summary description. No company or transaction used in such analyses as a comparison is identical to Hercules, TODCO, or the transaction contemplated by the merger agreement, nor is an evaluation of the results of such analyses entirely mathematical; rather, it involves complex considerations and judgments concerning financial and operational characteristics and other factors that could affect the public trading or other values of the companies or transactions being analyzed. The estimates contained in such analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of the business or securities do not purport to be appraisals or to reflect the prices at which businesses, companies or securities actually may be sold. Accordingly, such analyses and estimates are subject inherently to substantial uncertainty.

In arriving at the fairness opinion, Simmons & Company made qualitative judgments as to the significance and relevance of each analysis and factor considered by it. Accordingly, Simmons & Company believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create an incomplete view of the processes underlying such analyses and the fairness opinion. In its analyses, Simmons & Company made numerous assumptions with respect to general business, economic, market and financial conditions, as well as other matters, many of which are beyond the control of Hercules and TODCO and involve the application of complex methodologies and experienced and educated judgment.

The analyses were prepared solely as part of Simmons & Company's analysis of the fairness, from a financial point of view, to Hercules stockholders of the merger consideration to be paid in the proposed merger.

Simmons & Company's opinion and financial analyses were only one of the many factors considered by Hercules and the Hercules board of directors in their evaluation of the merger and should not be viewed as determinative of the views of Hercules' management or the Hercules board of directors with respect to the merger and the merger consideration.

The data and analysis summarized herein is from Simmons & Company's presentation to the Hercules board of directors on March 18, 2007, which primarily utilized data from market closing prices as of March 16, 2007. For purposes of its analysis, Simmons & Company defined EBITDA as net income plus income taxes, interest expense (less interest income), depreciation and amortization. TTM stands for the trailing twelve month period.

### ***Historical Trading Analysis***

Simmons & Company examined the historical ratio of TODCO's closing share price to Hercules' closing share price since October 2005 (when Hercules completed the initial public offering of its common stock) and calculated the average share price ratio over various periods of time. Simmons & Company noted that the ratio has generally trended downward over time since October 2005, but has trended up since October 2006. Simmons & Company also noted that the average closing share price ratio for the 30 trading days ending March 16, 2007 was slightly higher than the average ratio since Hercules' initial public offering. Simmons & Company compared the historical share price ratios to the implied share price ratios calculated using historical share prices and the transaction terms of 0.979 shares of Hercules and cash of \$16.00 for each share of TODCO.

Simmons & Company also examined the historical TODCO share price since October 2005 and calculated the average TODCO share price over various periods of time. Simmons & Company compared the historical TODCO share price to the implied TODCO share price calculated using historical Hercules share price and the transaction terms of 0.979 shares of Hercules and cash of \$16.00 for each share of TODCO.



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Simmons & Company noted that the implied merger exchange ratio of 1.581x as of March 16, 2007 represented premiums of 28% and 24% to the share price ratio of 1.234x on March 16, 2007 and the 30-day average share price ratio of 1.278x, respectively. Simmons & Company also noted that the implied TODCO share prices calculated using the 10-day, 20-day and 30-day average closing share prices of Hercules, as of March 16, 2007, represented premiums of 26%, 25% and 24% to the 10-day, 20-day and 30-day average closing share prices of TODCO, as of March 16, 2007, respectively.

### ***Pro Forma Case Assumptions***

As part its analysis, Simmons & Company used several different scenarios, or case assumptions, for the projected financial results of Hercules and TODCO. In addition to projections which reflected the mean of estimates of securities research analysts, Simmons & Company used five different cases based on assumptions developed by Hercules management. Case 1 reflected:

Hercules management's assumptions for dayrates and, utilization for Hercules rigs and liftboats and TODCO's rigs, barges and marine vessels, which were based on the published fleet status reports and contracted backlog of Hercules and TODCO (as of February 2007) and the internal budgets and forecasts of both companies,

Hercules management's assumptions for daily operating costs for Hercules rigs and liftboats and TODCO's rigs, barges and marine vessels, which were based on the internal budgets and forecasts of both companies, and

the financial impact of the reactivations of two rigs, THE 208 and THE 153 currently planned by TODCO and the repair and return to service of a third rig, THE 205.

Case 2 reflected the same assumptions as Case 1, but assumed the reactivation of five additional TODCO rigs and three TODCO barges. Cases 3, 4 and 5 utilized the same assumptions as Case 1, but were adjusted to reflect degrees of downside scenarios with a range of reduced dayrates and utilizations rates occurring at different times, and in Cases 4 and 5, a concurrent 5% reduction in operating costs. The downside cases were also used to conduct a sensitivity analysis on Hercules' ability to service the debt that would be incurred or assumed by Hercules in consummating the acquisition of TODCO.

### ***Comparable Company Analysis***

Simmons & Company performed a comparable company analysis, which attempted to provide an implied value for TODCO by comparing it to similar companies. During its analysis, Simmons & Company reviewed publicly available information with respect to certain offshore drilling companies. Although none of the selected companies is directly comparable to TODCO, Simmons & Company selected a group of companies from the universe of possible companies based on its views as to the comparability of the financial and operating characteristics of offshore drilling companies to TODCO operations. With respect to each such analysis, Simmons & Company made such comparisons with the following companies:

EnSCO International Incorporated

Rowan Companies, Inc.

Pride International, Inc.

Public valuation multiples of Hercules were also considered.

With respect to each company's public valuation multiples, Simmons & Company examined the share price, enterprise value, equity value, ratio of enterprise value to actual 2006 and projected 2007 and 2008 EBITDA and ratio of equity value to actual 2006 and projected 2007 and 2008 net income and cash flow. 2007 and 2008 projections for each company were based on the mean of estimates of securities research analysts.

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multiples of Hercules based on Case 1 management estimates were also calculated. Enterprise value was calculated by adding the market value of common equity, the estimated market value of debt and minority interests and then subtracting investments in unconsolidated affiliates and cash.

Simmons & Company compared the valuation multiples for TODCO implied by the merger's transaction value to the valuation multiples of the comparable companies using both consensus estimates and various case assumptions for TODCO. The table below provides comparable company multiples compared to those of TODCO at market (based on consensus research analyst estimates) and TODCO at the implied transaction values (based on the mean of estimates of securities research analysts and the various case assumptions, discussed above):

	Range (1)		Average (2)	TODCO	
				At Market	Range of TODCO Multiples Implied By Transaction
2006 EBITDA	4.7x	7.5x	6.9x	4.9x	6.4x
2007 EBITDA	3.4x	5.0x	4.7x	3.4x	4.5x 4.8x
2008 EBITDA	3.0x	4.2x	3.8x	2.7x	2.8x 3.5x
2006 Net Income	8.7x	18.0x	13.1x	10.8x	13.8x
2007 Net Income	6.2x	10.0x	8.0x	7.1x	9.0x 9.9x
2008 Net Income	5.3x	7.0x	6.2x	5.4x	5.3x 6.9x
2006 Cash Flow	6.6x	10.0x	9.0x	7.3x	9.3x
2007 Cash Flow	4.6x	6.6x	6.2x	5.3x	6.8x 7.2x
2008 Cash Flow	4.1x	5.1x	5.0x	4.3x	4.3x 5.5x

(1) Range excludes TODCO.

(2) Average excludes Hercules and TODCO.

Simmons & Company then applied the range of comparable multiples to both TODCO consensus estimates and Case 1 assumptions to generate implied exchange ratios. After assuming \$16.00 cash consideration per TODCO share, the range of implied exchange ratios generally included the 0.979x shares of Hercules common stock per share of TODCO common stock contemplated in the merger.

**Comparable Transactions Analysis**

Simmons & Company analyzed certain information relating to selected transactions in the drilling industry since June 1994. Specifically, Simmons & Company calculated, when available, the TTM EBITDA and projected year EBITDA multiples implied by the transaction value of the selected transactions as well as the TTM net income and projected year net income multiples implied by the equity value of the selected transactions. Simmons & Company determined the selected transactions' median ratios of transaction value to each of (i) TTM EBITDA, (ii) projected year EBITDA, (iii) TTM net income and (iv) projected year net income were 17.3x, 9.6x, 27.6x and 16.9x, respectively. Simmons & Company calculated the ratio of the merger's transaction value to each of TODCO's (i) TTM EBITDA, (ii) projected year EBITDA, (iii) TTM net income and (iv) projected year net income and suggested that these multiples were low compared to most comparable transactions.

**Discounted Cash Flow Analysis**

Simmons & Company performed a discounted cash flow analysis of the projected cash flows of Hercules and TODCO for the six months ended December 2007 and the calendar years 2008 through 2010. A discounted cash flow analysis is used to derive a valuation of an asset by calculating the present value of projected cash flows of the asset. Present value refers to the current value of projected cash flows or amounts and is obtained by discounting those projected cash flows or amounts by a discounted rate that takes into account macro-economic

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assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors applicable to a particular asset. Simmons & Company assumed discount rates from 9.0% to 13.0% and calculated terminal values using a range of multiples of projected 2010 EBITDA from 4.0x to 5.0x. Simmons & Company conducted this analysis using the various case assumptions, discussed above.

The discounted cash flow analysis implied a value of the Hercules common stock under Case 1 and Case 2 ranging from \$41.60 to \$45.69 and under Case 3 and Case 4 ranging from \$19.17 to \$26.88. The discounted cash flow analysis implied a value of the TODCO common stock under Case 1 ranging from \$53.52 to \$58.92, under Case 2 ranging from \$61.13 to \$67.66, and under Case 3 and Case 4 ranging from \$33.16 to \$37.57.

Simmons & Company then calculated implied share price ratios assuming \$16.00 cash consideration per TODCO share and compared the results to the 0.979x shares of Hercules common stock per share of TODCO common stock contemplated in the merger. The discounted cash flow analysis implied exchange ratios of 0.747x to 1.198x.

**Contribution Analysis**

Simmons & Company compared the relative contribution of Hercules and TODCO to the combined company based on actual 2006 results and projected 2007 and 2008 results based on the various case assumptions, discussed above. Historical and projected EBITDA, net income, cash flow, levered net income and levered cash flow were analyzed for this analysis before taking into account any of the possible benefits from cost savings or operating synergies that may be realized following the merger. Levered net income and cash flow reflect the contribution of net income and cash flow including the effect of the transaction financing.

The table below shows the implied exchange ratios assuming \$16.00 cash consideration per TODCO share indicated by the analysis.

	EBITDA		Net Income		Cash Flow		Levered Net Income		Levered Cash Flow	
2006	1.008x		0.814x		0.553x		1.214x		1.037x	
2007 Range	0.638x	0.908x	0.471x	0.730x	0.571x	0.788x	0.875x	1.194x	1.038x	1.327x
2008 Range	0.997x	1.577x	0.949x	2.329x	0.789x	1.264x	1.303x	2.266x	1.232x	1.622x

**Relative Asset Value Analysis**

Simmons & Company compared the values implied by third-party estimates of asset values for each of Hercules and TODCO and calculated the implied share price ratio based on these asset values. Simmons & Company also calculated the implied exchange ratio assuming \$16.00 cash consideration per TODCO share. After assuming \$16.00 cash consideration per TODCO share, the range of implied exchange ratios of 0.966x to 1.059x included the 0.979x shares of Hercules common stock per share of TODCO common stock contemplated in the merger.

**Premium Paid Analysis**

Simmons & Company analyzed the premiums implied by the merger consideration and compared that to the premiums paid in selected acquisitions of drilling companies since June of 1994. Simmons & Company determined the overall average premiums in the selected drilling transactions to be 14.8% and 19.6% based on the closing sale price one-day and 30-days prior to public announcement of the transaction, respectively. Simmons & Company also noted that the premiums to be paid by Hercules in the merger were 28.2% and 21.1% at one-day and 30-days, respectively (based on a value of \$42.01 per share implied by the closing sales price per share of the Hercules common stock on March 16, 2007).

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### ***Accretion/Dilution Analysis***

Simmons & Company prepared a pro forma merger model that incorporated TODCO's and Hercules' financial projections based on various case assumptions for the years 2007 and 2008, as well as the estimated transaction costs and estimated synergies that could result from the merger. Simmons & Company then compared the earnings and cash flow per share for Hercules, on a stand-alone basis to the earnings and cash flow per share for the combined company following the completion of the merger. Based on such analysis the proposed transaction would be accretive to earnings per share and cash flow per share in 2007 and 2008 for all case assumptions, with the exception of Case 2, which is dilutive to earnings per share in 2007.

### ***Miscellaneous***

Simmons & Company is an internationally recognized investment banking firm specializing in the energy industry and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions. Hercules selected Simmons & Company as its financial adviser in connection with the merger because of Simmons & Company's experience and expertise. In the ordinary course of its business, Simmons & Company actively trades the debt and equity securities of both Hercules and TODCO for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Simmons & Company in the past has provided investment banking services to Hercules, for which it received customary underwriting compensation and reimbursement of expenses. Simmons & Company served as an underwriter in connection with Hercules' initial public offering in October 2005 and in Hercules' April 2006 and November 2006 equity offerings. The aggregate amounts that Simmons & Company received from Hercules for such services was approximately \$1.9 million. Simmons & Company has also previously provided investment banking and financial advisory services to TODCO for which it has received compensation from TODCO. Simmons & Company served as an underwriter in connection with TODCO's initial public offering in February 2004 and is currently acting as financial adviser to TODCO in connection with transactions other than the merger for which it expects to receive compensation. The aggregate amount that Simmons & Company has received from TODCO during the past two years for its investment banking and financial advisory services was approximately \$589,000. Simmons & Company anticipates that it may act as financial adviser to Hercules with respect to future transactions.

Pursuant to the terms of the engagement of Simmons & Company, Hercules has agreed to pay Simmons & Company for its financial advisory services in connection with the transaction contemplated by the merger agreement a transaction fee equal to \$8,000,000 upon the consummation of the merger. Simmons & Company has also received a fee of \$2,000,000 for the delivery of its fairness opinion on March 18, 2007 to the Hercules board of directors. In addition, Hercules has agreed to reimburse Simmons & Company for its reasonable out-of-pocket expenses, including the fees and expenses of its legal counsel, incurred in connection with the engagement, including the delivery of its opinion, and to indemnify Simmons & Company against certain liabilities that may arise out of the engagement, including certain liabilities under federal securities laws.

### **Opinion of TODCO's Financial Adviser**

TODCO has retained Citi as its exclusive financial adviser in connection with the merger. In connection with this engagement, TODCO requested that Citi evaluate the fairness, from a financial point of view, of the merger consideration to be received by holders of TODCO common stock. Citi delivered to the TODCO board of directors a written opinion, dated March 18, 2007, to the effect that, as of that date, the merger consideration was fair, from a financial point of view, to the holders of TODCO common stock. The opinion speaks only as to the date it was delivered and not as of the time the merger will be completed. The opinion does not reflect changes that may occur or may have occurred after March 18, 2007, which could significantly alter the value of Hercules or TODCO or their respective trading prices of shares of their common stock, which are factors on which Citi's opinion was based.

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The full text of the written opinion of Citi, dated March 18, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Citi provided its advisory services and opinion for the information of the TODCO board of directors in its evaluation of the merger. Citi's opinion was limited solely to the fairness of the merger consideration. Citi's opinion is not intended to be and does not constitute a recommendation to any stockholder as to how that stockholder should vote or act with respect to the proposed merger or any other matter described in this joint proxy statement/ prospectus. Citi was not requested to consider, and its opinion does not address, the relative merits of the merger compared to any alternative business strategies that might exist for TODCO or the effect of any other transaction in which TODCO might engage. The summary of Citi's opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Holders of TOD