AtwoodOceanics

December 7, 2010

Financial Accounting Standards Board
Attention: Technical Director, File Reference No. 1850-100
401 Merritt 7
Norwalk, Connecticut 06856

Dear Board Members:

Thank you for the opportunity to respond to the Financial Accounting Standards Board's (FASB) Exposure Draft (ED) on leases. We acknowledge the need for improved financial accounting related to leases particularly with respect to the Board's primary objective of reflecting material lease liabilities on the balance sheet, however we do not believe the lessor model as proposed by the ED is an improvement to current lessor accounting. We believe the model for determining lease assets and liabilities, both from the perspective of a lessee and a lessor, is overly complex and does not meet the Board's stated objective of creating more transparency, consistency, and comparability of financial statements. Discussions with our investors and financial analysts have revealed that, if adopted as currently written, one significant adjustment made in analyzing the financial statements would be to reverse the impacts of recording a lease receivable and front loading income for our arrangements that may contain leases and apply the model we currently reflect now – accrue as service is performed and equipment is used which is more closely aligned with cash flow and progress under the contract. Furthermore, though we understand that the intention of the Board was not to change the scope of what is deemed a lease, we believe this new model places more emphasis on that determination and we would like to ask the Board for additional guidance. Lastly, we believe the cost of implementing the standard and maintaining the lease assets and liabilities over the life of the lease outweighs the benefits achieved.

Atwood Oceanics is engaged in the international offshore drilling and completion of exploratory and developmental oil and gas wells and related support, management and consulting services. Our drilling contracts generally provide for the completion of an offshore well and lay out specifications with respect to the drilling rig and equipment that will be used in order to complete the well, timing, personnel, and the rate structure. Our customers are billed a daily rate which can vary based on the efficiency of the rig's operations and the fee will include everything needed to complete the well (i.e. personnel, equipment, insurance etc.). These contracts may be short term or long term (greater than 12 months) and may have options to extend.

There are specific elements of the proposed lease guidance we would like to address. First, we do not agree with the measurement provisions regarding lease term and contingent rentals. We do not believe that assets and liabilities should be recorded based on probability weighted expected amounts or based on events that have not yet occurred with respect to renewal options as this is not

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