

NOBLE CORP  
Form 10-K  
February 25, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2012

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-53604

**NOBLE CORPORATION**

(Exact name of registrant as specified in its charter)

**Switzerland**  
(State or other jurisdiction of  
incorporation or organization)

**98-0619597**  
(I.R.S. employer  
identification number)

**Dorfstrasse 19A, Baar, Switzerland**  
(Address of principal executive offices)

**6340**  
(Zip Code)

**Registrant's telephone number, including area code: 41 (41) 761-65-55**

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Shares, Par Value 3.15 CHF per Share</b>	<b>New York Stock Exchange</b>

**Commission file number: 001-31306**

## **NOBLE CORPORATION**

**(Exact name of registrant as specified in its charter)**

**Cayman Islands**  
(State or other jurisdiction of  
incorporation or organization)

**98-0366361**  
(I.R.S. employer  
identification number)

**Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327**

**George Town, Grand Cayman, Cayman Islands KY1-1206**

**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code: (345) 938-0293**

**Securities registered pursuant to Sections 12(b) and 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes  No

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

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

Noble Corporation (Switzerland): Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Noble Corporation (Cayman Islands): Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of June 29, 2012, the aggregate market value of the registered shares of Noble Corporation (Switzerland) held by non-affiliates of the registrant was \$8.1 billion based on the closing sale price as reported on the New York Stock Exchange.

Number of shares outstanding and trading at February 11, 2013: Noble Corporation (Switzerland) 253,225,668

Number of shares outstanding: Noble Corporation (Cayman Islands) 261,245,693

### DOCUMENTS INCORPORATED BY REFERENCE

The proxy statement for the 2013 annual general meeting of the shareholders of Noble Corporation (Switzerland) will be incorporated by reference into Part III of this Form 10-K.

**This Form 10-K is a combined annual report being filed separately by two registrants: Noble Corporation, a Swiss corporation ( Noble-Swiss ), and its wholly-owned subsidiary Noble Corporation, a Cayman Islands company ( Noble-Cayman ). Noble-Cayman meets the conditions set forth in General Instructions I (1) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format contemplated by paragraphs (a) and (c) of General Instruction I(2) of Form 10-K.**

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This combined Annual Report on Form 10-K is separately filed by Noble Corporation, a Swiss corporation ( Noble-Swiss ), and Noble Corporation, a Cayman Islands company ( Noble-Cayman ). Information in this filing relating to Noble-Cayman is filed by Noble-Swiss and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-Swiss (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-Swiss.

This report should be read in its entirety as it pertains to each Registrant. Except where indicated, the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements are combined. References in this Annual Report on Form 10-K to Noble, the Company, we, us, our and words of similar meaning refer collectively to Noble-Swiss and its consolidated subsidiaries, including Noble-Cayman.

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### **PART I**

#### **Item 1. Business. General**

Noble Corporation, a Swiss corporation, is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our fleet of 79 mobile offshore drilling units located worldwide. We also own one floating production storage and offloading unit. Our fleet consists of 14 semisubmersibles, 14 drillships, 49 jackups and two submersibles, including 11 units under construction as follows:

five dynamically positioned, ultra-deepwater, harsh environment drillships and

six high-specification, heavy-duty, harsh environment jackups.

For additional information on the specifications of our fleet, see Item 2. Properties. Drilling Fleet. As of February 7, 2013, approximately 85 percent of our fleet was located outside the United States in the following areas: Mexico, Brazil, the North Sea, the Mediterranean, West Africa, the Middle East, India and Australia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

#### **Business Strategy**

Our goal is to be the preferred offshore drilling contractor for the oil and gas industry based upon the following overriding principles:

operate in a manner that provides a safe working environment for our employees while protecting the environment and our assets;

provide an attractive investment vehicle for our shareholders; and

deliver exceptional customer service through a large, diverse and technically advanced fleet operated by competent personnel.

We have actively expanded our offshore drilling and deepwater capabilities in recent years through the construction and acquisition of rigs. As part of this technical and operational expansion, we plan to continue pursuing opportunities to upgrade our fleet to achieve greater technological capability, which we believe will lead to increased drilling efficiencies and the ability to complete the increasingly more complex well programs required by our customers.

Our business strategy also focuses on the active expansion of our worldwide deepwater capabilities through upgrades and modifications, acquisitions and divestitures of our standard specification drilling units, as well as the deployment of our drilling assets in important oil and gas producing areas throughout the world.

During 2012, we continued our newbuild program with the following 14 projects:

we commenced operations on three dynamically positioned ultra-deepwater, harsh environment drillships: two Bully-class drillships currently operating in the U.S. Gulf of Mexico and Brazil, respectively, and one *Globetrotter*-class drillship currently operating in the U.S. Gulf of Mexico;

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we continued construction on one dynamically positioned, ultra-deepwater, harsh environment *Globetrotter*-class drillship, which is scheduled to be delivered to our customer in the fourth quarter of 2013;

we continued construction on four dynamically positioned, ultra-deepwater, harsh environment drillships at Hyundai Heavy Industries Co. Ltd., the first of which is estimated to be delivered from the shipyard in the second quarter of 2013; and

we continued construction on six high-specification, heavy duty, harsh environment jackups, the first of which is estimated to be delivered from the shipyard in the second quarter of 2013.

Capital expenditures, including expenditures related to the items noted above, totaled \$1.7 billion during 2012.

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As part of our ongoing strategic planning process, we review our fleet and the strategic benefits of our drilling rigs. As part of this process, we continue to analyze potential divestment of certain of our standard specification units and related assets in one or more transactions. These dispositions may include sales of assets to third parties, a spin-off, or other distribution or separation of assets or a combination of such transactions. In analyzing our disposition alternatives, we consider the strategic benefit to our ongoing operations while seeking to secure what we consider appropriate value for our shareholders. While we may continue to operate some or all standard specification drilling rigs, we have taken certain preliminary steps to put ourselves in a better position to pursue a potential spin-off and/or sale should we decide to do so. These include analyzing the internal restructuring steps necessary for a potential spin-off or sale and related tax considerations, seeking certain preparatory tax rulings and commencing preparation of financial statements for a potential separate group that could be spun off or sold. We have not completed the preliminary work to effect, nor has our board of directors approved, any such transactions. We make no assurance that we will ultimately undertake or consummate any sale, spin-off or separation transactions involving our standard specification assets.

We have entered into an agreement to sell our jackup, the *Noble Lewis Dugger*, to a third party that owns and operates supply vessels, platform drilling rigs and jackups in Mexico. This unit is being sold for \$61 million and the closing is expected to occur in the second quarter of 2013 after the unit has completed its contract with its current customer. The transaction is subject to customary closing conditions. We had entered into an agreement to sell the *Noble Don Walker* for \$18 million. The buyer was unable to close the transaction, although we remain in discussions to potentially extend the sale agreement. The unit has been cold-stacked in Cameroon since 2009.

Demand for our services is a function of the worldwide supply of mobile offshore drilling units. Industry analysts widely acknowledge that a significant expansion of industry supply of both jackups and ultra-deepwater units has commenced, the majority of which currently have no contract. The introduction of non-contracted rigs into the marketplace will increase the supply of rigs which compete for drilling service contracts, which could negatively impact the dayrates we are able to achieve. Our strategy on newbuild construction has generally been to expand our drilling fleet in connection with a long-term drilling contract that covers a substantial portion of our capital investment and provides an acceptable return on our capital employed. However, in response to the addition of a significant number of new, technologically advanced units in the global fleet and changes in customer requirements and preferences, we believe that in order to maintain long-term competitiveness, it has become both necessary and desirable for us to engage in building speculative highly advanced jackups and floating units. Of the units we currently have under construction, two of the ultra-deepwater drillships and two of the heavy-duty, harsh environment jackups are being constructed without customer contracts. We will attempt to secure contracts for these units prior to their completion. We may continue speculative building, even in the absence of contracts for our units already under construction.

From time to time, we evaluate individual rig transactions and business combinations with other parties where we believe we can create shareholder value. We will continue to consider business opportunities that promote our growth strategy and optimize shareholder value.

In previous years, the drilling industry has experienced significant increases in dayrates for drilling services in most markets, coupled with higher demand for drilling equipment and shortages of personnel. This environment drove operating costs higher and magnified the importance of recruiting, training and retaining skilled personnel. While there continues to be instability in the global financial markets we believe the current market offers limited supply and high demand for both our drilling units and the pool of qualified labor to operate our rigs.

In recognition of the importance of our offshore operations personnel in achieving a safety record that has historically outperformed the offshore drilling industry sector and to retain such personnel, we have implemented a number of key operations personnel retention programs. We believe these programs are necessary to complement our other short and long-term incentive programs to attract and retain the skilled personnel we need to maintain safe and efficient operations.

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### **Drilling Contracts**

We typically employ each drilling unit under an individual contract. Although the final terms of the contracts result from negotiations with our customers, many contracts are awarded based upon a competitive bidding process. Our drilling contracts generally contain the following terms:

contract duration extending over a specific period of time or a period necessary to drill a defined number wells;

provisions permitting early termination of the contract by the customer (i) if the unit is lost or destroyed or (ii) if operations are suspended for a specified period of time due to breakdown of equipment;

provisions allowing the impacted party to terminate the contract if specified force majeure events beyond the contracting parties control occur for a defined period of time;

payment of compensation to us (generally in U.S. Dollars although some customers, typically national oil companies, require a part of the compensation to be paid in local currency) on a daywork basis, so that we receive a fixed amount for each day (dayrate) that the drilling unit is operating under contract (a lower rate or no compensation is payable during periods of equipment breakdown and repair or adverse weather or in the event operations are interrupted by other conditions, some of which may be beyond our control);

payment by us of the operating expenses of the drilling unit, including labor costs and the cost of incidental supplies; and

provisions that allow us to recover certain cost increases from our customers in certain long-term contracts.

The terms of some of our drilling contracts permit early termination of the contract by the customer, without cause, generally exercisable upon advance notice to us and in some cases without requiring an early termination payment to us. Our drilling contracts with Petróleos Mexicanos (Pemex) in Mexico, for example, allow early cancellation with 30 days or less notice to us without Pemex making an early termination payment.

Generally, our contracts allow us to recover our mobilization and demobilization costs associated with moving a drilling unit from one regional location to another. When market conditions require us to assume these costs, our operating margins are reduced accordingly. We cannot predict our ability to recover these costs in the future. For shorter moves, such as field moves, our customers have generally agreed to assume the costs of moving the unit by paying us a reduced dayrate or move rate while the unit is being moved.

For a discussion of our backlog of commitments for contract drilling services, please read Management's Discussion and Analysis of Financial Condition and Results of Operations - Contract Drilling Services Backlog.

### **Acquisition of Frontier Holdings Limited**

On July 28, 2010, Noble-Swiss and Noble AM Merger Co., a Cayman Islands company and indirect wholly-owned subsidiary of Noble-Swiss (Merger Sub), completed the acquisition of FDR Holdings Limited, a Cayman Islands company (Frontier). The Frontier acquisition was for a purchase price of approximately \$1.7 billion in cash plus liabilities assumed. The acquisition strategically expanded and enhanced our global fleet. Frontier's results of operations were included in our results beginning July 28, 2010.

### ***Offshore Drilling Operations***

#### **Contract Drilling Services**

We conduct offshore contract drilling operations, which accounted for over 97 percent of our operating revenues for the years ended December 31, 2012, 2011 and 2010. We conduct our contract drilling operations principally in the U.S. Gulf of Mexico and Alaska, Mexico, Brazil, the North Sea, the Mediterranean, West Africa, the Middle East, India and Australia. Revenues from Royal Dutch Shell, PLC (Shell) and



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its affiliates accounted for approximately 32 percent, 24 percent and 12 percent of our total operating revenues in 2012, 2011 and 2010, respectively. Revenues from Petróleo Brasileiro S.A. ( Petrobras ) accounted for approximately 14 percent, 18 percent and 19 percent of our total operating revenues in 2012, 2011 and 2010, respectively. Pemex did not account for more than 10 percent of our total operating revenues in 2012. Revenues from Pemex accounted for approximately 15 percent and 20 percent of our total operating revenues in 2011 and 2010, respectively. No other single customer accounted for more than 10 percent of our total operating revenues in 2012, 2011 or 2010.

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### **Labor Contracts**

We perform services for drilling and workover activities covering two platforms off the east coast of Canada; this contract extends through April 2013. We do not own or lease these platforms. Under our labor contracts, we provide the personnel necessary to manage and perform the drilling operations from a drilling platform owned by the operator.

During 2011, we commenced a refurbishment project with our customer, Shell, for one of its rigs. Under the contract, we provided the management and oversight of the project, as well as the personnel necessary to complete the refurbishment. During 2012, the construction phase of the project was completed and the rig began operating off the coast of Alaska. As with the Canadian labor contract noted above, we provide labor personnel and management services on the project but do not own or lease the related rig.

### **Competition**

The offshore contract drilling industry is a highly competitive and cyclical business characterized by high capital and maintenance costs. Some of our competitors may have access to greater financial resources than we do.

In the provision of contract drilling services, competition involves numerous factors, including price, rig availability and suitability, experience of the workforce, efficiency, safety performance record, condition and age of equipment, operating integrity, reputation, industry standing and client relations. We believe that we compete favorably with respect to all of these factors. We follow a policy of keeping our equipment well maintained and technologically competitive. However, our equipment could be made obsolete by the development of new techniques and equipment, regulations or customer preferences.

We compete on a worldwide basis, but competition may vary by region at any particular time. Demand for offshore drilling equipment also depends on the exploration and development programs of oil and gas producers, which in turn are influenced by the financial condition of such producers, by general economic conditions, prices of oil and gas and by political considerations and policies.

In addition, industry-wide shortages of supplies, services, skilled personnel and equipment necessary to conduct our business have historically occurred. We cannot assure that any such shortages experienced in the past will not happen again in the future.

### **Governmental Regulations and Environmental Matters**

Political developments and numerous governmental regulations, which may relate directly or indirectly to the contract drilling industry, affect many aspects of our operations. Our contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipping and operation of drilling units, the reduction of greenhouse gas emissions to address climate change, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel and use of local employees and suppliers by foreign contractors. A number of countries actively regulate and control the ownership of concessions and companies holding concessions, the exportation of oil and gas and other aspects of the oil and gas industries in their countries. In addition, government action, including initiatives by the Organization of Petroleum Exporting Countries ( OPEC ), may continue to contribute to oil price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by oil and gas companies and their need for drilling services, and likely will continue to do so.

The regulations applicable to our operations include provisions that regulate the discharge of materials into the environment or require remediation of contamination under certain circumstances. Many of the countries in whose waters we operate from time to time regulate the discharge of oil and other contaminants in connection with drilling operations. Failure to comply with these laws and regulations, or failure to obtain or comply with permits, may result in the assessment of administrative, civil and criminal penalties, imposition of remedial requirements and the imposition of injunctions to force future compliance. We have made, and will continue to make, expenditures to comply with environmental requirements. To date we have not expended material amounts in order to comply, and we do not believe that our compliance with such requirements will have a material adverse effect upon our results of operations or competitive position or materially increase our capital expenditures. Although these requirements impact the energy and energy services industries, generally they do not appear to affect us in any material respect that is different, or to any materially greater or lesser extent, than other companies in the energy services industry. However, our business and prospects could be adversely affected by regulatory activity that prohibits or restricts our customers' exploration and production activities, results in reduced demand for our services or imposes environmental protection requirements that result in increased costs to us, our customers or the oil and natural gas industry in general.



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The following is a summary of some of the existing laws and regulations which apply to our operations in the U.S. Gulf of Mexico to serve as an example of the various laws and regulations to which we are subject. While laws vary widely in each jurisdiction, each of the laws and regulations below addresses environmental issues similar to those in most of the other jurisdictions in which we operate.

*Spills and Releases.* The Comprehensive Environmental Response, Compensation, and Liability Act ( CERCLA ), and similar state laws and regulations, impose joint and several liabilities, without regard to fault or the legality of the original act, on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include the owner and operator of the site where the release occurred, past owners and operators of the site, and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Responsible parties under CERCLA may be liable for the costs of cleaning up hazardous substances that have been released into the environment and for damages to natural resources. In the course of our ordinary operations, we may generate waste that may fall within CERCLA s definition of a hazardous substance. However, we have to date not received any notification that we are, or may be, potentially responsible for cleanup costs under CERCLA.

*Offshore Regulation.* The U.S. government has indicated that before any recipient of a deepwater drilling permit may commence drilling, (i) the operator must demonstrate that containment resources are available promptly in the event of a deepwater blowout, (ii) the chief executive officer of the operator seeking to perform deepwater drilling must certify that the operator has complied with all applicable regulations and (iii) the Bureau of Ocean Energy Management ( BOEM ) and the Bureau of Safety and Environmental Enforcement ( BSEE ) will conduct inspections of such deepwater drilling operation for compliance with the applicable regulations. We cannot predict when the applicable government agency will determine that any deepwater driller is in compliance with the new regulations. Third party challenges to industry operations in the U.S. Gulf of Mexico may also serve to further delay or restrict activities. Further, in 2010 and 2011, the BSEE and its predecessor agency issued initial regulations on the design and operation of well control and other equipment at offshore production sites, implementation of safety and environmental management systems ( SEMS ), and mandatory third-party compliance audits. On August 22, 2012, BSEE published a final rule amending the regulations regarding design and operation of well control and other equipment, and a new SEMS rule was sent to the Office of Management and Budget for a 90-day review on January 31, 2013. BSEE has indicated that there will be an additional, separate rulemaking to govern the design, performance and maintenance of blowout preventers but that rule has not yet been published. BSEE has also published a draft statement of policy on safety culture with nine proposed characteristics of a robust safety culture. If the new regulations, policies, operating procedures and possibility of increased legal liability are viewed by our current or future customers as a significant impairment to expected profitability on projects, then they could discontinue or curtail their offshore operations, thereby adversely affecting our operations by limiting drilling opportunities or imposing materially increased costs.

*The Oil Pollution Act.* The U.S. Oil Pollution Act of 1990 ( OPA ) and similar regulations impose certain operational requirements on offshore rigs operating in the U.S. Gulf of Mexico and govern liability for leaks, spills and blowouts involving pollutants. The OPA imposes strict, joint and several liabilities on responsible parties for damages, including natural resource damages, resulting from oil spills into or upon navigable waters, adjoining shorelines or in the exclusive economic zone of the United States. A responsible party includes the owner or operator of an onshore facility and the lessee or permittee of the area in which an offshore facility is located. The OPA establishes a liability limit for onshore facilities of \$350 million, while the liability limit for offshore facilities is equal to all removal costs plus up to \$75 million in other damages. These liability limits may not apply if a spill is caused by a party s gross negligence or willful misconduct, if the spill resulted from violation of a federal safety, construction or operating regulation, or if a party fails to report a spill or to cooperate fully in a clean-up.

Regulations under the OPA require owners and operators of rigs in United States waters to maintain certain levels of financial responsibility. The failure to comply with the OPA s requirements may subject a responsible party to civil, criminal, or administrative enforcement actions. We are not aware of any action or event that would subject us to liability under the OPA, and we believe that compliance with the OPA s financial assurance and other operating requirements will not have a material impact on our operations or financial condition.

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*Waste Handling.* The U.S. Resource Conservation and Recovery Act ( RCRA ), and similar state and local laws and regulations govern the management of wastes, including the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a generator or transporter of hazardous waste or an owner or operator of a hazardous waste treatment, storage or disposal facility. RCRA specifically excludes from the definition of hazardous waste drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil and natural gas. A similar exemption is contained in many of the state counterparts to RCRA. As a result, we are not required to comply with a substantial portion of RCRA's requirements as our operations generate minimal quantities of hazardous wastes. However, these wastes may be regulated by the United States Environmental Protection Agency ( EPA ) or state agencies as solid waste. In addition, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes, and waste compressor oils may be regulated under RCRA as hazardous waste. We do not believe the current costs of managing our wastes, as they are presently classified, to be significant. However, a petition is currently before the EPA to revoke the oil and natural gas exploration and production exemption. Any repeal or modification of this or similar exemption in similar state statutes, would increase the volume of hazardous waste we are required to manage and dispose of, and would cause us, as well as our competitors, to incur increased operating expenses with respect to our U.S. operations.

*Water Discharges.* The U.S. Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and similar state laws and regulations impose restrictions and controls on the discharge of pollutants into federal and state waters. These laws also regulate the discharge of storm water in process areas. Pursuant to these laws and regulations, we are required to obtain and maintain approvals or permits for the discharge of wastewater and storm water. We do not anticipate that compliance with these laws will cause a material impact on our operations or financial condition.

*Air Emissions.* The U.S. Federal Clean Air Act and associated state laws and regulations restrict the emission of air pollutants from many sources, including oil and natural gas operations. New facilities may be required to obtain permits before operations can commence, and existing facilities may be required to obtain additional permits, and incur capital costs, in order to remain in compliance. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the Clean Air Act and associated state laws and regulations. In general, we believe that compliance with the Clean Air Act and similar state laws and regulations will not have a material impact on our operations or financial condition.

*Climate Change.* There is increasing attention concerning the issue of climate change and the effect of greenhouse gas ( GHG ) emissions. In December 2009, the EPA determined that current and projected concentrations of six key GHG's in the atmosphere threaten public health and welfare. The EPA subsequently finalized GHG standards for motor vehicles, the effect of which could reduce demand for motor fuels refined from crude oil, and a final rule to address permitting of GHG emissions from stationary sources under the Clean Air Act's Prevention of Significant Deterioration ( PSD ) and Title V permitting programs, which require the use of best available control technology for GHG emissions from new and modified major stationary sources, which can sometimes include drillships. EPA regulations known as the Tailoring Rule also require the PSD program to address GHG emissions from relatively smaller stationary sources in the future. The EPA has also adopted rules requiring the monitoring and reporting of GHG emissions from specified sources in the United States, including, among other things, certain onshore and offshore oil and natural gas production facilities, on an annual basis. Facilities containing petroleum and natural gas systems that emit 25,000 metric tons or more of CO<sub>2</sub> equivalent per year are now required to report annual GHG emissions to the EPA.

Further, proposed legislation has been introduced in Congress that would establish an economy-wide cap on emissions of GHG's in the United States and would require most sources of GHG emissions to obtain GHG emission allowances corresponding to their annual emissions of GHG's. Moreover, in 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of emission targets for greenhouse gases, became binding on all countries that had ratified it. Recent international discussions following the United Nations Climate Change Conference in Doha, Qatar in December 2012 are exploring options to replace the Kyoto Protocol. While it is not possible at this time to predict how new treaties and legislation that may be enacted to address GHG emissions would impact our business, the modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas could materially and adversely affect our operations by limiting drilling opportunities or imposing materially increased costs. Moreover, incentives to conserve energy or use alternative energy sources could have a negative impact on our business if such incentives reduce the worldwide demand for oil and gas.

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*Safety.* The U.S. Occupational Safety and Health Act ( OSHA ) and other similar laws and regulations govern the protection of the health and safety of employees. The OSHA hazard communication standard, EPA community right-to-know regulations under Title III of CERCLA and similar state statutes require that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local governments and citizens. We believe that we are in substantial compliance with these requirements and with other applicable OSHA requirements.

### **Insurance and Indemnification Matters**

Our operations are subject to many hazards inherent in the drilling business, including blowouts, fires and collisions or groundings of offshore equipment, and damage or loss from adverse weather and sea conditions. These hazards could cause personal injury or loss of life, loss of revenues, pollution and other environmental damage, damage to or destruction of property and equipment and oil and natural gas producing formations, and could result in claims by employees, customers or third parties.

Our drilling contracts provide for varying levels of indemnification from our customers and in most cases also require us to indemnify our customers for certain losses. Under our drilling contracts, liability with respect to personnel and property is typically assigned on a knock-for-knock basis, which means that we and our customers assume liability for our respective personnel and property, irrespective of the fault or negligence of the party indemnified. In addition, our customers may indemnify us in certain instances for damage to our down-hole equipment and, in some cases, our subsea equipment.

Our customers typically assume responsibility for and indemnify us from loss or liability resulting from pollution or contamination, including third-party damages and clean-up and removal, arising from operations under the contract and originating below the surface of the water. We are generally responsible for pollution originating above the surface of the water and emanating from our drilling units. Additionally, our customers typically indemnify us for liabilities incurred as a result of a blow-out or cratering of the well and underground reservoir loss or damage.

In addition to the contractual indemnities described above, we also carry protection and indemnity ( P&I ) insurance, which is a comprehensive general liability insurance program covering liability resulting from offshore operations. Our P&I insurance includes coverage for liability resulting from personal injury or death of third parties and our offshore employees, third party property damage, pollution, spill clean-up and containment and removal of wrecks or debris. Our insurance policy does not exclude losses resulting from our gross negligence or willful misconduct. Our P&I insurance program is renewed in March of each year and currently has a standard deductible of \$10 million per occurrence, with maximum liability coverage of \$750 million.

Our insurance policies and contractual rights to indemnity may not adequately cover our losses and liabilities in all cases. For additional information, please read We may have difficulty obtaining or maintaining insurance in the future and our insurance coverage and contractual indemnity rights may not protect us against all of the risks and hazards we face included in Item 1A of this Annual Report on Form 10-K.

The above description of our insurance program and the indemnification provisions of our drilling contracts is only a summary as of the time of preparation of this report, and is general in nature. Our insurance program and the terms of our drilling contracts may change in the future. In addition, the indemnification provisions of our drilling contracts may be subject to differing interpretations, and enforcement of those provisions may be limited by public policy and other considerations.

### **Employees**

At December 31, 2012, we had approximately 5,600 employees, excluding approximately 2,000 persons engaged through labor contractors or agencies. Approximately 75 percent of our employees were engaged in operations outside of the U.S. We are not a party to any material collective bargaining agreements, and we consider our employee relations to be satisfactory.

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### **Financial Information About Segments and Geographic Areas**

Information regarding our revenues from external customers, segment profit or loss and total assets attributable to each segment for the last three fiscal years is presented in Part II Item 8. Financial Statements and Supplementary Data, Note 17 Segment and Related Information.

Information regarding our operating revenues and identifiable assets attributable to each of our geographic areas of operations for the last three fiscal years is presented in Part II Item 8. Financial Statements and Supplementary Data, Note 17 Segment and Related Information.

### **Available Information**

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934 are available free of charge at our website at <http://www.noblecorp.com>. These filings are also available to the public at the U.S. Securities and Exchange Commission's (SEC) Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Electronic filings with the SEC are also available on the SEC's website at <http://www.sec.gov>.

You may also find information related to our corporate governance, board committees and company code of ethics (and any amendments or waivers of compliance) at our website. Among the documents you can find there are the following:

Corporate Governance Guidelines;

Audit Committee Charter;

Nominating and Corporate Governance Committee Charter;

Health, Safety, Environment and Engineering Committee Charter;

Compensation Committee Charter; and

Code of Business Conduct and Ethics.

### **Item 1A. Risk Factors.**

You should carefully consider the following risk factors in addition to the other information included in this Annual Report on Form 10-K. Each of these risk factors could affect our business, operating results and financial condition, as well as affect an investment in our shares.

#### **Risk Factors Relating to Our Business**

*Our business depends on the level of activity in the oil and gas industry, which is significantly affected by volatile oil and gas prices.*

Demand for drilling services depends on a variety of economic and political factors and the level of activity in offshore oil and gas exploration and development and production markets worldwide. Commodity prices, and market expectations of potential changes in these prices, may significantly affect this level of activity. However, higher prices do not necessarily translate into increased drilling activity since our clients' expectations of future commodity prices typically drive demand for our rigs. Oil and gas prices are extremely volatile and are affected by numerous factors beyond our control, including:

laws and regulations related to environmental or energy security matters, including those addressing alternative energy sources and the risks of global climate change;

the political environment of oil-producing regions, including uncertainty or instability resulting from civil disorder, an outbreak or escalation of armed hostilities or acts of war or terrorism;

worldwide demand for oil and gas, which is impacted by changes in the rate of economic growth in the global economy;

the ability of OPEC to set and maintain production levels and pricing;

the level of production in non-OPEC countries;



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the laws and regulations of governments regarding exploration and development of their oil and gas reserves or speculation regarding future laws or regulations;

the cost of exploring for, developing, producing and delivering oil and gas;

the discovery rate of new oil and gas reserves;

the rate of decline of existing and new oil and gas reserves;

available pipeline and other oil and gas transportation capacity;

the ability of oil and gas companies to raise capital;

adverse weather conditions (such as hurricanes and monsoons) and seas;

the development and exploitation of alternative fuels;

tax laws, regulations and policies;

advances in exploration, development and production technology; and

the availability of, and access to, suitable locations from which our customers can produce hydrocarbons.

***Demand for our drilling services may decrease due to events beyond our control and some of our customers could seek to cancel, terminate or renegotiate their contracts.***

Our business could be impacted by events beyond our control including changes in our customers' drilling programs or budgets or their liquidity (including access to capital), changes in, or prolonged reductions of, prices for oil and gas, or shifts in the relative strength of various geographic drilling markets brought on by economic slowdown, or regional or worldwide recession, any of which could result in deterioration in demand for our drilling services. In addition, our customers may cancel drilling contracts or letter agreements or letters of intent for drilling contracts, or exercise early termination rights found in some of our drilling contracts or available under local law, for a variety of reasons, many of which are beyond our control. Depending upon market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations. If the level of demand for our drilling services or conditions in the offshore contract drilling industry declines, our financial position, results of operations and cash flows could be adversely affected.

***We may not be able to renew or replace expiring contracts or obtain contracts for our uncontracted newbuilds.***

We have a number of customer contracts that will expire in 2013 and 2014. Our ability to renew these contracts or obtain new contracts and the terms of any such contracts will depend on market conditions and our customers. Also, of the units we currently have under construction as part of our newbuild program, two of the ultra-deepwater drillships and two of the heavy-duty, harsh environment jackups are being constructed without customer contracts. We will attempt to secure contracts for these units prior to their completion. We may be unable to renew our expiring contracts or obtain new contracts for our newbuilds or the rigs under contracts that have expired or been terminated, and the dayrates under any new contracts may be below, perhaps substantially below, the existing dayrates, which could have a material adverse effect on our results of operations and cash flows. We may continue speculative building, even in the absence of contracts for our units already under

construction.

***Our global operations involve additional risks.***

We operate in various regions throughout the world that may expose us to political and other uncertainties, including risks of:

terrorist acts, war, revolution and civil disturbances;

seizure, nationalization or expropriation of property or equipment;

monetary policies, government debt downgrades and potential defaults, and foreign currency fluctuations and devaluations;

the inability to repatriate income or capital;

complications associated with repairing and replacing equipment in remote locations;

piracy;

import-export quotas, wage and price controls, imposition of trade barriers and other forms of government regulation and economic conditions that are beyond our control;

regulatory or financial requirements to comply with foreign bureaucratic actions; and

changing taxation policies.

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Our operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to:

the importing, exporting, equipping and operation of drilling units;

repatriation of foreign earnings;

currency exchange controls;

oil and gas exploration and development;

taxation of offshore earnings and earnings of expatriate personnel; and

use and compensation of local employees and suppliers by foreign contractors.

Our ability to do business in a number of jurisdictions is subject to maintaining required licenses and permits and complying with applicable laws and regulations. For example, as of December 31, 2012, our two rigs operating in Nigeria were operating under temporary import permits and the Department of Petroleum Resources had not yet issued our Nigerian subsidiary a permit to operate as an oil industry service company or licenses to operate the two rigs for the year 2013. It is customary in Nigeria that permits and licenses are issued well into the year to which they pertain and, to date, we have been successful in obtaining new, or extending existing, temporary import permits and other permits and licenses. However, there can be no assurance that we will be able to obtain new permits or further extensions of permits necessary to continue the operation of our rigs in Nigeria. If we cannot obtain a new permit or an extension necessary to continue operations of any rig, we may need to cease operations under the drilling contract for such rig and relocate such rig from Nigerian waters. We cannot predict what impact these events may have on any such contract or our business in Nigeria, and we could face additional fines and sanctions in Nigeria. Furthermore, we cannot predict what changes, if any, relating to temporary import permit policies and procedures may be established or implemented in Nigeria in the future, or how any such changes may impact our business there. For additional information regarding our completed internal investigation of our Nigerian operations and the status of our temporary import permits in Nigeria, see Part II Item 8. Financial Statements and Supplementary Data, Note 16 Commitments and Contingencies. Changes in, compliance with, or our failure to comply with the laws and regulations of the countries where we operate, including Nigeria, may negatively impact our operations in those countries and could have a material adverse effect on our results of operations.

In 2010 the Nigerian Oil and Gas Industry Content Development Bill was signed into law. The law is designed to create Nigerian content in operations and transactions within the Nigerian oil and gas industry. The law sets forth certain requirements for asset ownership and the utilization of Nigerian human resources and goods and services in oil and gas projects and creates a Nigerian Content Development and Monitoring Board to implement and monitor the law and develop regulations pursuant to the law. The Nigerian Content Development and Monitoring Board has indicated that it will require all non-Nigerian offshore drilling companies to reorganize their local operations to include Nigerian indigenous minority interests in the operating assets and to obtain the approval of the Nigerian Content Development and Monitoring Board for future work in Nigeria. The law also establishes a Nigerian Content Development Fund to fund the implementation of the law, and requires that 1 percent of the value of every contract awarded in the Nigerian oil and gas industry be paid into the fund. We continue to closely monitor the implementation of the law and we are in the process of reviewing our structural and strategic alternatives and the associated cost as the law continues to be applied. We cannot predict what impact the law will ultimately have on the drilling industry and our future operations in Nigeria, but the effect on our operations and profitability in the region could be significant.

In addition, other governmental actions, including initiatives by OPEC, may continue to cause oil price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil companies, which may continue. In addition, some governments favor or effectively require the awarding of drilling contracts to local contractors, require use of a local agent or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete and our results of operations.

*The U.S. government's regulations and permitting process could have a prolonged and material adverse impact on our U.S. Gulf of Mexico operations.*

Subsequent to the April 2010 fire and explosion on the *Deepwater Horizon*, a competitor's drilling rig in the U.S. Gulf of Mexico, U.S. governmental authorities implemented a moratorium on and suspension of specified types of drilling activities in the U.S. Gulf of Mexico. In October 2010, the U.S. government lifted the moratorium following adoption of new regulations including a drilling safety rule and a workplace safety rule, each of which imposed multiple obligations relating to offshore drilling operations. These obligations relate to, among other things; additional certifications and verifications relating to compliance with applicable regulations, compatibility of blowout preventers with drilling rigs and well design, third-party inspections and design review of blowout preventers, testing of casing installations, minimum requirements for personnel operating blowout preventers, training in deepwater well control and mandates of maintenance inspections. BSEE's predecessor agency also proposed to further strengthen these regulations in September 2011. These additional regulations led to additional costs and increased downtime in our U.S. Gulf of Mexico fleet.

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The U.S. government mandated that before beginning a well in the U.S. Gulf of Mexico an operator must: (i) demonstrate that containment resources are available promptly in the event of a deepwater blowout, (ii) have the chief executive officer of the operator seeking to perform deepwater drilling certify that the operator has complied with all applicable regulations and (iii) allow BSEE to conduct inspections of such deepwater drilling operation for compliance with the applicable regulations. Our customers and other operators struggled to implement these new regulations, which resulted in increased downtime and decreased rates for a number of our contracted units when these regulations were instituted. While it appears that operators have become accustomed to these regulations, we cannot predict whether the permitting will continue at the current rate. Increased costs for our customers' operations and permitting delays could negatively impact their planned or future exploration and development activities, which could result in reduced demand for our services.