

Noble looking further, thinking further

Company stays ahead of the curve on HSE, mooring

IN THIS TIME of industry growth and skyrocketing dayrates, many are tossing caution to the wind and looking no further than the current booming rig market. At **Noble Corporation**, however, chairman and CEO **James Day** is setting his horizon much further ahead. He is choosing to remain true to Noble's core values of providing a safe work environment.

Health, safety and environment has always been the priority at Noble and will remain to be, Mr Day said. At a time when a tremendous increase in drilling activities is bringing in an influx of less experienced personnel, staying focused on HSE takes on even more importance.



James Day

That isn't to say Noble isn't sharing in the excitement over the industry's unprecedented growth. The company is currently building 2 new Friede & Goldman J U - 2 0 0 0 E

enhanced premium jackups, the Noble Roger Lewis and the Noble Hans Deul, in Dalian, China. Deliveries are scheduled for 2007 and 2008, and each already has a 2-year contract with **Shell E&P**. The estimated total delivery price for both rigs is approximately \$309.8 million.

Noble is also poised to turn a previous investment — one of 2 Bingo 9000 bare-deck hulls bought in early 2002 — into a long-term contract. The rig has remained in a shipyard in Dalian, China, since the purchase, but now, with a much stronger market, Noble is upgrading it to an ultra-deepwater semi that will be capable of operating in water depths of 12,000 ft and up. The rig has been renamed the Noble Danny Adkins, and it already has a 4-year contract lined up with Shell. Given the strength in the market, Noble also anticipates receiving a commitment for the other Bingo 9000 hull within the next 12-18 months.

Projects such as these illustrate the financial strategies in place at Noble: to



The Noble Paul Romano is currently working in the Gulf of Mexico's Green Canyon 518 for Anadarko. The semi is scheduled for a week of downtime in the 4th quarter of this year for inspection.

sustain the highest return on capital of its peer group; to maintain a strong balance sheet to take advantage of market opportunities; and to remain focused on total shareholder returns.

TOO MANY NEWBUILDS?

Although the number of newbuilds, especially by speculative investors, has many in the drilling industry worried, Mr Day remains cautiously optimistic for now about capacity additions flooding the rig market.

"In this industry, the next slump is always just around the corner. But in the near term, I'm not overly concerned

about the number of newbuilds entering the market," he said.

Last year's hurricanes will push the attrition rate for rigs higher than normal, he added, "and I think in the near future, we'll see many of the 1970s rigs of obsolete designs being retired. This will all help accommodate the newbuilds."

For now, Mr Day said, dayrates will continue to strengthen. However, within 3 years, we'll see a moderation in dayrates. "The drilling contractor industry won't starve, but financial returns will be impacted," he said. "I think we'll experience a very active period for 3 to 5 more years. Given the cyclical nature of

the business, I'm not sure what will trigger it, but after that, I think we'll begin to see a moderation in dayrates. Even so, I believe it will be a good decade for this industry."

Currently, Mr Day said, he sees no signs of weakness in any market. "Noble operates in 14 countries, and in each area our clients are seeking access to units," he said. With global conventional oil production exceeding reserves additions by a factor of 3 to 1, he pointed out, supply is extremely limited, and there's a race to secure energy sources. Adding to that will be a stretched industry infrastructure, long lead times for products and key equipment and limited skill personnel, according to Mr Day.

DEEPWATER GROWTH

An area that many operators and drilling contractors are focusing on is the deepwater market, with many highly interested in the deepwater market of the Gulf of Mexico.

"The deepwater has been very meaningful for many operators, even though some discoveries have borne out and others have been disappointments," Mr Day said. "Deepwater will become a bigger

and bigger share of the market internationally where we've made significant improvements in identifying which deepwater prospects to drill."

FOCUS ON HSE

Last year, Noble received the Carolita Kallaur Award from the International Regulators Forum in recognition of its leadership in developing the IADC Northwest European HSE Case Guidelines for MODUs. The National Ocean Industries Association also awarded Noble its 2005 Safety in Seas Award for successfully blending HSE into its overall business performance.

"It's a challenge to keep our HSE standards at such a high level," Mr Day said. "It's not just top-down. Employees have to believe in it and embrace it. Noble employees take pride in our safety and environment initiative. Additionally, when we build new rigs, we consider factors such as fuel consumption and emissions - not a focus for most companies in the sector."

"To improve its HSE standards, the drilling industry should start to compete with broader industry groups. For example, last year Noble won the Robert W Campbell Award, and the runner-up was



The Noble Amos Runner is working on a 1-year contract with Kerr-McGee in the Gulf of Mexico.

Johnson & Johnson. We need to broaden our visions and look beyond our peer group in order to continue improving," Mr Day said.

STAYING AHEAD ON MOORING

While Noble has been very conservative with its mooring systems, it began examining new mooring requirements immediately after Hurricane Ivan struck in September 2004.

"We were working on new standards from 2004 into spring 2005. By the time Katrina and Rita hit, Noble had already made a commitment to improving mooring on our rigs. The 2005 hurricanes only reinforced our thoughts as to what needed to be done," Mr Day said.

The commitment comes in the form of NC-5, or Noble Category 5. It's a new mooring standard designed to achieve a mooring strength equivalent to API RP 2SK permanent mooring standard. NC-5 signifies a mooring line strength rating expected to survive a Category 5 level hurricane wind speed, combined with associated wave and current conditions.

Noble has already begun work on bringing its rigs up to the NC-5 standards, and Noble employees have been active leaders in planning the IADC Mooring Workshop, which will examine means of mitigating potential damage for mooring system failure, uncertainties associated with mooring system design and potential for improvements in mooring system reliability. The workshop will be held 23 May in Houston. ■