

Noble Corporation
Transcript of Investor Call
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Our speaker for today Mr. David Anderson. Sir, you may begin.

Anderson: Thank you very much, Kelly. Good morning and welcome to JPMorgan's conference call series on the oil field service sector. My name is David Anderson, host of today's call and the senior analyst covering the group. This morning we are very pleased to be joined by David Williams, CEO of Noble Corporation and Lee Ahlstrom, director of Investor Relations. Noble is a leading offshore driller with a fleet of 22 floating rigs with 5 under construction and 45 jackup rigs. David was named Chairman of the Board, President and CEO in early 2008, having served 2 years at Noble in Business Development and Operations. Prior to September 2006, David was Executive VP of Diamond Offshore Drilling and he's a graduate of Texas A&M. David, thank you very much for your time this morning.

Williams: Well, I appreciate it very much, David. We are delighted to be here and we appreciate the opportunity to talk about Noble. We actually have more rigs than that. We are operating 74 rigs with the new constructions we have and some 45 floaters [sic], 2 submersibles and the rest are floaters. So we're actually growing the fleet as we speak. I appreciate the introduction. David, do you want to ask the questions or how should we do this?

Anderson: Yes, I'm going to just quickly go over the format here. I'm going to ask you 5 questions with some follow-ups in between and then open up to the audience for any additional questions as time allows. First question is going to relate to the Macondo and the impact of the Gulf of Mexico. So first, as we're approaching the one-year anniversary of the Macondo disaster, we are hoping you could assess for us how you feel the industry has evolved since April 20. What surprised you? What hasn't surprised you and do you think the Gulf can really get back to pre-Macondo activity levels any time soon?

Williams: Okay. You know we are headed up to the one-year anniversary and so far the only activity really to speak of has been some completion work and some intermittent workovers. The government has finally released 2 permits. They are taking great pains to make it look like it's new permits, but effectively both the Noble Energy well and the BHP well announced today are re-entries of wells that were underway. The biggest surprise that I have really is the regulatory environment. The industry is very resilient. We will adapt to the new norm. It appears to me that the capital requirements of drillers are not going to be anything that's going to be a game changer for us. Everything that the government has discussed with us or mandated or put into rules are things that are easily manageable. A lot of it is regulatory process stuff which is what needs to be in place, really. But they've mandated like a safety case regime. Noble has always operated our floaters in the Gulf of Mexico with a safety case regime. So largely it's been modifications to subsea intervention, hot stabs and then recertification of BOPs and things like that. So it doesn't appear to be any game changers. The challenge really for the industry is going to be what is the new norm? When you say do I expect that the industry can get back to a pre-Macondo level, if you go back to about May 19, which is the day before the moratorium actually began, I think there were 33 or 34 strings that day and probably 3 or 4 of those, maybe 5 of those were platform based. So you take those out and so you're in the high 20s. Since then, I

think there have been 6 or 7 rigs leave and probably a couple more slated to leave and then probably 2 or 3 that have been cold stacked, so I think if you decided today that you're going to get off and go crazy and the permits are going to start flowing at a level that was kind of pre-Macondo, I think you'd be struggling to put more than about 15 rigs to work here by the end of the year just because there are no more rigs here. So the interesting thing to me is that the bulk of the rigs that were here have either found a home someplace else or are on standby, but it hasn't impacted the international floater market. There hasn't been a flood of rigs outside the market, so they have been assimilated into the market. My expectation is a lot of those rigs won't come back, so it's going to take a while before you see the U.S. Gulf of Mexico build back up. But it's going to be driven more by worldwide supply than, I think, local demand.

Anderson: What do you think, in your opinion, is holding up these permits right now? Is it simply are they just trying to work it through in terms of what the new regulations are going to look like? Do they even know which way they are? I guess one of my issues that has come up with this is the Oil Spill Commission report in some respects opens a Pandora's box of issues. I wonder if some of those need to get resolved before they move ahead. How do you feel about that?

Williams: Well, I think the government has, at least in its own mind, outlined what it thinks it needs and clearly by there have been a lot of announcements coming out of the BOEM here lately. About 4 weeks ago there was an announcement that an operator had finally submitted a permit for a new program that met all of the requirements that they were looking for. That operator was Shell and happily, it was for a program that involved our Noble Jim Thompson. So I think the government has defined what they want. I think they're being extremely meticulous and without getting into a political debate, I think they're taking their time to fully evaluate every eventuality in the permits when they put a permit out there that they think the operator is ready. But I think that they've defined it. I think it's just going to be a slow process. I hope that they are true to their word and when we saw the Noble Energy and now the BHP and hopefully we'll see some permits for some new wells and those will be a template for future permits and we'll see the permitting process come up to a level that is actually manageable and reasonable. I think they know what they want, I think it's just going slow.

Anderson: Now you guys have aligned yourselves with Shell pretty closely on a lot of fronts and obviously they're going to be one of the better capitalized operators out there. How concerned are you that maybe this liability cap issue is kind of holding things back? I mean, is that kind of a pervasive concern in the industry from your standpoint?

Williams: I think that has to be a concern for smaller independents who have the large acreage positions in the Gulf of Mexico. I think it's certainly not an issue for us with Shell. Shell and the major operators have been very clear about the fact that they have major investments in the Gulf of Mexico and they intend to exercise their privileges and rights to their leases and drill those as soon as the BOEM allows them. I think the majors and large independents have been very clear about the fact that they want the U.S. Gulf of Mexico to be a - let's face it, it is, with the exception of last year, politically very stable. It's environmentally reasonably predictable and it's a known regime and there are a lot of hydrocarbons there. So there's been a lot of investment in acreage leading up to the Macondo event. So my expectation is that you will see the majors and larger independents as soon as they can get back to work. It has to be a concern

for the smaller independents who hold a good number of leases here, but it has to be a concern for them over what the liability cap is ultimately going to look like. I know a lot of independents who have one or two wells that they want to get drilled and they're not acting very shy about it. So I think politically they feel like they have a little bit better opportunity going forward with the change with the rollover in the House, but we have to see what the rules are. So for the smaller independents, that is going to be a point of contention possibly at some point in the future. But the large independents and majors, I think they'll be off to the races.

Anderson: And one last quick question on the Gulf. Care to offer an estimate as to how many rigs, floaters, you think will be drilling by the end of 2011 in your mind?

Williams: I think you could easily see north of 10. I think to have 10 or more, say 10 drilling and another 3 or 4 doing completions or workovers, that would be about all you could do. I don't think there are going to be any more rigs around than that. So I don't think it's inconceivable that you could see 12 or 14, maybe 15 rigs working in the Gulf of Mexico, floating rigs, by the end of the year.

Anderson: Okay. Our second question relates to new builds. We've obviously seen a huge pickup in new build drillships ordered over the past 6 months with most of the recent prices up to about \$615 million compared to what you were paying for the Globetrotter II at around \$550 million. Any sense as to how many more you think we could see the rest of the year and what they shipyard capacity looks like right now?

Williams: Sure. I don't see what's going on right now as a huge buildup. There have been a number of announcements. We announced two with options for two more, one of which we exercised. Diamond announced two. I think Pride announced one and Maersk is out there with two. The interesting thing to me about this little run in the market place is that it's driven by drillers, not by investors or speculators. The last severe run-up starting 2007-2008 was really driven by pure outside industry speculators who would get a group of guys and their brokers would go to Oslo and find some sponsors and they'd capitalize a little company and take it public on the Oslo exchange and create a company. That's not going on now. Most of what's going on now is being driven by drillers, which gives me a lot of comfort. It's people who are actually in the industry. The fact that rates are up a little bit I find interesting. Our first option or our third Hyundai ship we announced last week at \$615 million – that's down from a peak of just under \$800 million for newbuilds at the peak of construction and that compares with \$550. When we announced our Hyundai ships, we actually did a clean sheet of paper process and we had about 15 guys involved. Lee, actually, was on that team along with some engineers and operations people and all kinds of disciplines within the company. We looked at 5 different designs from a number of different yards and really looked at what we wanted out of the rig in terms of load path and drilling capability, carrying capacity, everything and ran a full process of Hyundai 1. Globetrotter at \$550 million – we worked that process after the peak of the newbuilds and STX desperately wanted to get into the business. So I think we squeezed that as hard as we could and I think that compares favorably with the \$615 million, but we like where the prices are. You know, I can remember my first quarterly call as CEO, we talked about how hard it was to build your business at \$800 million or so a copy when you're building rigs from the keel up and we looked at Noble, we tried desperately to look around in the market. We looked at everything out there to see what was available to buy, what we could jump into

problem projects, all that kind of stuff and we looked at a lot of things and couldn't find anything that really met our spec until we came upon Frontier. Frontier really wasn't the exact rig suite we were looking for, but with the alignment with Shell, it gave us about \$7 billion of firepower, so we got the two bullies. We got the Phoenix, which was a very greatly enhanced, highly upgraded D.P. ship, for 5,000 feet of water, or 8,000 feet of water with a surface BOP, a greatly enhanced Driller, a semi for the Gulf of Mexico, and then the only active Arctic rig that is actually ready to go work in the Arctic is the Discover. But the other thing that that did for us is just with the backlog it shows we're willing to commit to that process and our two Globetrotters, it just gave us a lot of firepower to go do what we're doing with the new builds. So there's not a lot out there for sale that we like. We like the fact that we can kind of refit our fleet at a price that we think is well below the peak market. When I came to work here 4-1/2 years ago, we had 4 D.P. rigs in the fleet and now we're headed to about 15 D.P. rigs with the addition of Frontier and the rigs we have under construction. So we've gone to great lengths and we've gone a long way to retool and reshape this floater fleet and we like where it is. I don't believe that you're going to see just a massive newbuilding program like we did before. RIG has already said they're not going to build on spec, Diamond has said that they're probably not going to build any more. You have to wonder what Pride and EnSCO are going to do. Together they will have 5 uncommitted deepwater rigs going forward, so you gotta wonder really what the — how much legs — what kind of legs this thing really has. I'm not going to say we're at the end of it, but I think that you won't see the kind of newbuild rush that we did last time.

In terms of shipyard capacity, our first option took the first slot in Hyundai in 2014. They could build about 4 ships a year and they say they can ramp up, but they haven't done it yet. Samsung can build about one a month and I'm not sure what their capacity is, so but there is availability for slots in 2013 still and we're now into 2014. But again, I don't think we're going to see the kind of run that we saw before.

Anderson: Are you seeing rig equipment costs moving up appreciably yet? Is there inflation on that side of it and also have the financial terms changed with the yards much? I think if I recall correctly, they're asking for only about 30% down last I heard. Are you seeing kind of any changes on either one of those fronts?

Williams: No, equipment costs — we built — or we announced two jackups right before the end of the year and then our two — first two ships right after the first of the year and there was some escalation. But NOV, they recognize the benefit of backlog and they and the yards have been pretty reasonable so far in terms of trying to exercise any kind of real pricing power. I think they recognize that if they push the price too hard, they'll kill the string of newbuilds. So, so far those prices are holding fairly steady. There is some uplift, but it's not dramatic yet. So I think that's good news. The big cost escalator for us is still going to be labor. There is going to be pressure on labor. We're still putting a lot of floaters to work and the marine side of this with captains, mates, operators and then the subsea engineers and ETs — the most highly spec guys — there is still a lot of pressure on those positions. So, you know, I think you'll continue to see some stress on that, but I think that the cost guidance that we gave earlier in the year, I think we're still comfortable with.

Anderson: While we're on the subject of costs, let me just kind of skip ahead to the next question I had was on costs. Obviously one of the biggest variables for us when we're modeling

the offshore drillers – I was wondering if you could discuss some of the biggest challenges in keeping your costs under control. Labor is clearly a big part of that. How difficult is it to kind of staff up with local content when you're moving to different regions?

Williams: Well, in terms of labor, if you move into a new region, there's always challenges. You know, Noble is a 90-year old company, we're working in effectively every producing basin around the world. Our turnover levels of senior rig personnel are extremely, extremely low. During 2008-2009 just during the peak of newbuilds and just wide open activity, our turnover of senior rig operating personnel was 3-1/2% one year and about 3% the next year. So we are able to retain, advance and develop internally the key personnel we need to be able to manage how we expand our footprint and that's kind of the hallmark of Noble over the years. So cost control is something that you work on every day. It's something, for me, I'm one of those guys, I go through the numbers religiously every month. I want to know every dollar going through the Company, in the Company and out of the Company, and so we watch our costs very hard on the way up and on the way down. We were able to in 2008 when the market hit the skids and then after Macondo we were able to ratchet some things down hard and it was programs for development and training and things like that that are important to us, but we were running a lot of extra crews for development and some other things around the Company, we were able to ratchet that down pretty quickly. So I think we're kind of at a base run rate right now for what we should be able to see in the future. The cost pressure is going to be on labor and then as we continue to see market improvement, you'll see normal oilfield, what we call "rope, soap and dope," just normal routine maintenance costs. You'll see some minor escalation on that, but you know, the world can accommodate a lot more rigs, I think, than are running now offshore and onshore, so I wouldn't look for the cost escalation to be too heavy.

Anderson: So, David, one thing I've been hearing lately is something of a chasm developing between some of the more experienced drilling engineers and sort of a new generation that has come up in the ranks, the Nintendo set, has sort of a very different type of skill set. Is that something you're seeing in your business now and do you think this could be one of the post-Macondo changes to your business going forward?

Williams: I wouldn't call it a chasm. It's certainly – you can't take an old guy my age who's been drilling for 20 years and stick him in a cyber-based driller's shack without some training. You know, drilling is drilling. It's the control over your mechanism that is different and it's not brain surgery, it's just applied science and certainly if you take the younger generation and put them in that environment, they are more technically savvy than the older people. Interestingly, driving one of these new rigs when you're sitting in a chair and you have touchscreens around you and have full visibility of everything in front of you, you still have a brake handle, but it's just 3 inches long instead of 3 feet long and it weighs about 4 ounces versus about 30 pounds. So, you know, you can train one versus the other. I wouldn't call it a chasm. There is certainly a generational difference between (a) what these guys want to do and (b) how you most effectively develop the most efficient crews. So we are streaming crews, we have some of both, but we're streaming crews different ways, but we, you know, having a lot of rigs under construction, but also having delivered 7 rigs through the last cycle and having some other cyber-based facilities in the fleet, we've got a good bit of cyber-based experience and we've been running cyber cabins for a number of years now and then we bought Frontier, we got a cyber driller's simulator that we're now running people through. So, you know, I think it's a challenge for the industry, it's

not any bigger challenge for the industry than other things and it's something that Noble, just by virtue of our philosophy on training and operational integrity, it's something that we've been ahead of for quite a while. When the rest of the industry was saying, "Oh, my God, you know we have the big crew change coming, how are we going to do it?" We just never really saw that as a big issue at Noble. We've got a way to handle it, we believe.

Anderson: Great, David, thank you. On to my fourth question. When we look at kind of bigger picture kind of market questions, how would you characterize the discussions you're having right now with the operators? We haven't seen a whole lot of movement on fixtures, yet day rates seemed to have bottomed. Is it just a question of contract length or is there something else holding back operators from signing contracts right now?

Williams: Well, I think there are a number of things. We actually are having very good dialogue with lots of operators. We were in, I would say, we just recently just committed the Jim Day after our issue with Marathon at the end of the year and we just recently committed it. But we had, I would say, 4 good solid meaningful dialogues going on just about that rig. It was the only rig in the hemisphere that had a 2-1/2 million pound load path which I think is going to be a competitive advantage for rigs that have it going forward. I just think wells are going to be designed, they're going to have bigger, longer, heavier strings of pipe, but the Jim Day was the only one that had it and the number of discussions we had for work starting almost immediately and really, almost a year off, we had tons of discussions going on. The fact that the Jim Day was taken so quickly I think should give everybody some strong views about what the market should look like going forward. You know, long term, we believe very strongly that the macro model for deep water, and shallow water, too, but the deep water model works well and it doesn't have to be \$100 per barrel oil to give those opportunities a lot of support and that's one of the reasons we're so aggressively building rigs right now. Again, you know, we have 7 floaters under construction, 3 of which we'll deliver this year and then 3 in 2013 and 1 in 2014. But we like the deep water model, we like the way it looks going forward and so the discussions we have ongoing with customers around the world are actually very, very good. I think the reason that the fixtures in some cases, the fixtures fell off was just because of the attention that Macondo took away from normal routine maintenance. You know, operators only have so many G&G guys and they only have so many different types of guys and everybody was kind of taking a hard look in the mirror in the face of Macondo and the few months past that and they run on a calendar year. So, you know, we kind of lost the middle part of the year, and as we got to the end of the year, it almost kind of like, well, let's hit the reset button and get off next year. But I think the discussions we had I'd characterize as very good. We just put the 6 rigs to work with Pemex in Mexico. We've been looking for that to come for a while. We've got a couple more we'd like to get to work there. But we have opportunities for additional rigs in the Middle East, we've got opportunities in West Africa, we're effectively fully utilized in the North Sea, things are still going very well in Brazil. You know, Petrobras just took two Transocean rigs at rates north of \$400,000 a day and our expectation is that they will take more. You know, I think by and large, the world is going to focus on Macondo, but there is still a lot of prospect development and a lot of things around the world still ongoing and we kind of lost a year, not a year, but maybe six months, of rig contracting, so I think that you're going to see some activity. We're having a lot of serious discussions with a lot folks about a lot of opportunities, so we very much like where we are right now on that front.

Anderson: As a kind of related follow-up, do you think any potential supply disruption in the Middle East combined with a risk premium in the oil prices – do think it will accelerate some of those discussions? Is that possible? It's a little early to tell, I know.

Williams: Well, yeah, I mean, you know, let's face it. It takes a while to develop offshore prospects. You know, they don't respond very quickly to spikes or valleys, real sharp peaks or valleys in product prices or worldwide activity. Certainly, if a supply disruption actually develops or if there are other anticipated issues and I don't know what happened -- the tragedy in Japan this weekend – I don't know how that's going to play out and what effect that will have on the markets, but it would appear that their power generation capability could very quickly switch over to more of a hydrocarbon base than a nuclear base. So what is that going to do? I don't know. I will tell you that the level of activity that we had at \$80 oil doesn't change a whole lot at \$90 oil or \$100 oil. Our customers can generate prospects only so fast and they have a pretty good sweep and a pretty good portfolio of opportunities and I think they're trying to get those developed and get them ready as fast as they can. So as oil moves up or moves down, it doesn't do a whole lot to our activity. Now having said that, if oil now hovering around \$100 a barrel, if it stays at that level, you know, everything works at something north of the low \$70s and so the more cash our customers have, the more aggressive we hope they will be on exploration and develop activities. Over time, if oil finds a new happy place in the \$90 to \$110 a barrel range and that's where it happens to stay for a long time, that's going to generate a lot of cash and that will generate a lot of prospects to be plowed back into the business. So over time, yeah, that will certainly translate into a lot more drilling activity. But just the short term spikes don't necessarily drive our business.

Anderson: Okay, and before I move on to my fifth and final question, just a reminder to the audience if you have any questions, please have them ready. We'll ask one last question and then we'll open it up to the audience. So David, you touched upon a couple of the markets. I just wonder if you could perhaps kind of dive in a little bit further, kind of outside the Gulf of Mexico, some of your key markets are obviously Brazil, Mexico and the Middle East. I wonder if you could just kind of just walk through each of those markets for us in terms of what your expectations are for bidding activity and what you consider some of the biggest challenges for activity levels to pick up in each of those regions, if you don't mind.

Williams: Okay, well, let's start with Brazil. There's been a lot of discussion about Brazil over the last few years. We drilled Tupi with the Noble Paul Wolff a few years ago and these presalt features that they are betting the future on are major opportunities for them. They have a lot of development to do before they actually get to the presalt delineation and development. There's a lot of Santos Basin work that they need to do and whether they build rigs or don't build rigs, they have an interim problem. My expectation is they actually will build a few rigs, but I don't think it's going to be the 28 rigs that they have tried to get done. But I think politically they're going to build a few.

But in the meantime, those rigs won't be delivered for 4 or 5 years and they have a lot of work to do. So they just took the two Transocean rigs – I think we all, I say we in the industry – all expect that they will take more. The debate really comes into how many. I think you could easily see another 6 to 8, maybe 10 rigs this year that they can take for operations in Brazil. May not be quite that many, but I don't think that's unreasonable. We think Brazil is a great

opportunity. We have 6 rigs there now, we'll have 7 when the Phoenix goes down to take the place of the Muravlenko. It's a place where we've been for a long time, very well established and my expectations is that you'll see a lot of opportunity and a lot of growth in that market.

The Middle East is also a place where we have a big footprint. We have 14 rigs in the Middle East and then four in India that we operate out of that office. We are right now in the process of mobilizing the first of two rigs to Saudi Arabia. We have been very active in the Emirates and part of the Middle East, all of Qatar, Dubai and Abu Dhabi. We have never worked in Saudi, but we are now in the process of mobilizing Noble Roger Lewis in there for acceptance and it will be followed by the Noble Scott Marks. Each of those contracts are 3 years at an average rate between them of about \$185,000 a day and we think Saudi could take more rigs. They've been out for bid for replacement or we're not sure, it's kind of hard to distinguish when Saudi does something, whether it's all replacement of incumbent rigs or renewal of incumbents or whether or not there is some new rigs in there. So we expect to see some more announcements out of Saudi in the months ahead and we also think we could see some more opportunities in India and frankly, we think there are a few more opportunities in the Gulf region itself. So we actually think it's a very active region. There's a lot of rigs over there. One of the things that has helped us is we worked our way into the jackup accommodation business and we have a few rigs working on jackup accommodations and it's not really the highest and best use of these rigs, but we've been able to get about \$50,000 a day for an operation that cost us about \$12,000 to \$15,000 a day to operate, so that's been a nice fill-in for us to get some of that work. But I think the Middle East has a got a lot of potential.

The other market you mentioned was Mexico. We've been waiting on Pemex for months to get off the dime and they actually went down to about half of the rigs they need to maintain their production levels to support not only Pemex's production requirements, but really on a larger scale, the whole Mexican economy. We think it's very dangerous of them to get down to those levels. I think they agree. They've been very aggressive about fast tracking rigs. Once they got started, they've been fast tracking rigs, fast tracking bids, and then they've also got some other tenders that came out, so we actually extended one and renewed six that we announced last week and we think there will be more. So we've got the Noble Max Smith down there which is the only deep water floater going in that market and it has the same feature that all those rigs have, which means that they have the right to extend that for 20% of the base term by mutual agreement and we believe that they will exercise that privilege on that rig, so we think the Max Smith is going to stay busy and we think that we'll be running not only the nine rigs we have contracted now, but probably some more. So Mexico is a place where we've made a lot of money for the last – we've been there almost 20 years, 18 years since we bought Western. So we made a lot of money there. Keep in mind that the rates range from the \$50s to the just around \$100, but all of our jackups are what they call "remmy" crews which we just provide the maintenance crew and senior operating personnel and everybody else is provided by Pemex. So our crews are very low, so our margins are actually pretty good. So for us to get these 6 contracts and then get the other one renewed, that's a big deal for us. So we still like the Mexican market. It's been painful and it's been a huge overhang on the stock for the last probably 6 months. But we like where we are right now, it's driven our jack-up utilization up. So those three – Brazil, Middle East and Pemex – I think are all good markets. The North Sea has been a good market for us. Again we're almost fully utilized there. I think one of the markets that could be a real positive surprise going forward is West Africa. We've had 4 out of 5

there running late last year and we're down a little from that now. But we've got some good dialogue going on there. So, you know, the only thing that we've really got—we feel very good about the markets we're in. The only thing in front of us that needs to be resolved is the permit situation in the Gulf of Mexico. In the U.S. Gulf, we've got one rig drilling right now – or it's not drilling, it's doing completions. The Danny Adkins has just finished its completion, so it's back on standby. But we believe Shell is going to be well placed to get some permits and we are optimistic and apparently they are as well with the commitment they just made to the Jim Day which is basically a take or pay contract at \$485 starting August 1 with some pretty hefty standby rates leading up to that. So our expectation is, and I'm not going to speak for Shell, but it appears to us that their expectation also is, that that business is going to sort itself out and we'll see some drilling there. So for us, I mean, what we have going on in the Middle East, Mexico now, the North Sea, Brazil, if we get the Gulf of Mexico going back up and we will deliver 3 ships this year, the earnings power that we have is quite significant and I don't think it's fully reflected in the stock. You know, the last few years have been hard. We've had some tough projects, our semisubmersible projects were tough projects, they weren't out of the box designs. They were major refits of older hulls with brand new rigs on top of them and they were tough projects, but we got all those behind us. We'll deliver both Bully's this year. The Globetrotters are very well contracted, very strong contracts, the jackups that we contracted with Jurong, we have 2 there and we have options for 4 more, those are well contracted in terms of incentivizing the yard. So we feel a lot more like we're headed downwind than upwind now. The last few years have been tough, but right now we've got a lot of things behind us. I think we're on the right side of Macondo. We are transforming this fleet rather stealthily, I'm afraid. I wish we had—we probably should have made better splash about it, but all of a sudden, we're up to a pretty high spec floater fleet, and like I said when I came here 4 years ago, we had 4 D.P. rigs and we're a lot more than that now, we're about 27 floaters, we've got a very high spec floater fleet going forward. We're quickly transforming this fleet and again, I feel great about where Noble is right now.

Anderson: Well, that's great David. Thank you very much. Kelly, if we could open it up to the audience to see if they have any questions for Mr. Williams.

Kelly: Thank you and at this time if you do have questions, please press * followed by 1 on your touchtone phone.

Williams: All quiet.

Anderson: I think you might have hit them all, Dave.

Williams: Well, I hope they're right and I hope they're putting in orders.

Anderson: Well, in the meantime, if anybody pops one in here, we'll certainly get to it. But, David Williams, CEO of Noble Corporation, thank you very much. We put out a note this morning on the offshore driller group. We've kind of taken up our overall temperature a little bit higher on the offshore drillers. We've been pretty negative for a while, we're just trying to move ahead. We upgraded Noble this morning to an overweight from a neutral, so if you have any questions on that, please see our note this morning. David, thank you very much for your time, we really appreciate it.

Williams: Dave, thank you so much. I appreciate it very much and appreciate everybody's interest in Noble. Thank you.