

NOBLE ENERGY INC  
Form 10-K  
February 18, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2009

or

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: 001-07964  
NOBLE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

73-0785597

(State of incorporation)

(I.R.S. employer identification number)

100 Glenborough Drive, Suite 100

Houston, Texas

77067

(Address of principal executive offices)

(Zip Code)

(281) 872-3100

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$3.33-1/3 par value	New York Stock Exchange

Securities registered pursuant to section 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

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 (or for such shorter period that the registrant was required to file such reports), 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 Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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. x

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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer o Non-accelerated filer o Smaller reporting  
x company o  
(Do not check if a smaller reporting company)

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

Aggregate market value of Common Stock held by nonaffiliates as of June 30, 2009: \$10.1 billion.  
Number of shares of Common Stock outstanding as of February 5, 2010: 174,444,080.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 2010 Annual Meeting of Stockholders to be held on April 27, 2010, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2009, are incorporated by reference into Part III.

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PART I

Items 1. and 2. Business and Properties

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements based on expectations, estimates and projections as of the date of this filing. These statements by their nature are subject to risks, uncertainties and assumptions and are influenced by various factors. As a consequence, actual results may differ materially from those expressed in the forward-looking statements. See Item 1A. Risk Factors – Disclosure Regarding Forward-Looking Statements of this Form 10-K.

General

Noble Energy, Inc. (Noble Energy, we or us) is a Delaware corporation, formed in 1969, that has been publicly traded on the New York Stock Exchange (NYSE) since 1980. We are an independent energy company that has been engaged in the acquisition, exploration, development, production and marketing of crude oil, natural gas, and natural gas liquids (NGLs) since 1932. In this report, unless otherwise indicated or where the context otherwise requires, information includes that of Noble Energy and its subsidiaries. We operate primarily in the Rocky Mountains, Mid-continent, and deepwater Gulf of Mexico areas in the US, with key international operations offshore Israel and West Africa.

Our aim is to achieve growth in earnings and cash flow through exploration success and the finding and development of a high quality portfolio of assets that is balanced between US and international projects. Exploration success, along with additional capital investment, in US and international locations such as Equatorial Guinea and Israel, have resulted in substantial growth in the last several years. In addition, occasional strategic acquisitions such as Patina Oil & Gas Corporation (Patina) in 2005 and U.S. Exploration Holdings, Inc. (U.S. Exploration) in 2006, combined with the sale of non-core assets, have allowed us to achieve a strategic objective of enhancing our asset portfolio, resulting in a company with assets and capabilities that include major US basins coupled with a significant portfolio of international properties. See Item 6. Selected Financial Data for additional financial and operating information for fiscal years 2005-2009.

In the current commodity and economic environment, our focus has remained on positioning Noble Energy for the future. In January 2009, we announced a significant discovery at Tamar, offshore Israel, the largest discovery in our history. Also during 2009, we made substantial progress on our significant portfolio of long-term growth projects, including the sanctioning of the oil development projects at Aseng (formerly Benita) offshore Equatorial Guinea and at Isabela/Santa Cruz (which we refer to collectively as Galapagos) in the deepwater Gulf of Mexico, as well as making important progress on our plans for the Tamar discovery. These and other major development projects typically offer long life, sustained cash flows after investment and attractive financial returns. We also have significant remaining exploration potential, primarily in the deepwater Gulf of Mexico and offshore West Africa and Israel.

**Major Development Project Inventory** Our exploration success has provided us with a number of significant development projects on which we are moving forward. These projects will require significant capital investments over the next several years. Our major projects include the following:

- Galapagos (deepwater Gulf of Mexico);
- Aseng (offshore West Africa);
- Tamar (offshore Israel);
- Gunflint (deepwater Gulf of Mexico);
- Belinda (offshore West Africa); and

- Diega/Carmen (offshore West Africa).

These projects are discussed in more detail in the sections below. See also Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Operating Outlook – Major Development Project Inventory.

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Proved Oil and Gas Reserves Proved reserves estimates at December 31, 2009 were as follows:

Summary of Oil and Gas Reserves as of Fiscal-Year End  
Based on Average Fiscal-Year Prices

Reserves Category	December 31, 2009 Proved Reserves		
	Crude Oil, Condensate & NGLs (MMBbls)	Natural Gas (Bcf)	Total (1) (MMBoe)
Proved Developed			
United States	122	1,114	307
Equatorial Guinea	49	638	155
Israel	-	191	32
Other International	23	192	56
<b>Total Proved Developed Reserves</b>	<b>194</b>	<b>2,135</b>	<b>550</b>
Proved Undeveloped			
United States	87	420	157
Equatorial Guinea	43	302	93
Israel	-	43	7
Other International	12	4	13
<b>Total Proved Undeveloped Reserves</b>	<b>142</b>	<b>769</b>	<b>270</b>
<b>Total Proved Reserves</b>	<b>336</b>	<b>2,904</b>	<b>820</b>

(1) Natural gas is converted on the basis of six Mcf of gas per one barrel of oil equivalent.

In December 2008, the Securities and Exchange Commission (SEC) announced that it had approved revisions to modernize its oil and gas company reserves reporting requirements. We adopted the new rules as of December 31, 2009. See Proved Reserves Disclosures, below, for additional disclosures provided in accordance with the SEC's rules for Modernization of Oil and Gas Reporting and Item 8. Financial Statements and Supplementary Data – Supplemental Oil and Gas Information (Unaudited) for definitions of proved oil and gas reserves, proved developed oil and gas reserves and proved undeveloped oil and gas reserves.

#### Crude Oil and Natural Gas Properties and Activities

We search for crude oil and natural gas properties, seek to acquire exploration rights in areas of interest and conduct exploratory activities. These activities include geophysical and geological evaluation and exploratory drilling, where appropriate, on properties for which we have acquired exploration rights. Our properties consist primarily of interests in developed and undeveloped crude oil and natural gas leases and concessions. We also own natural gas processing plants and natural gas gathering and other crude oil and natural gas related pipeline systems which are primarily used in the processing and transportation of our crude oil, natural gas and NGL production.

**Exploration Activities** We primarily focus on organic growth from exploration and development drilling, concentrating on basins or plays where we have strategic competitive advantage and which we believe offer superior returns. We have had substantial exploration success in the deepwater Gulf of Mexico, West Africa and the Eastern Mediterranean resulting in a significant portfolio of major development projects. We have a numerous exploration opportunities remaining in these areas and are engaged in new venture activity in other international locations as well.

**Appraisal, Development and Exploitation Activities** We assess our exploration successes for potential development as demonstrated in our growing inventory of major projects. In 2009, we sanctioned the Isabela and Aseng projects and are progressing toward sanctioning the Tamar, Belinda and Gunflint projects during 2010 and/or 2011. We support a significant portion of the capital needs of these major projects with our long-lived inventory of low-risk development and exploitation projects. Low-risk development and exploitation projects, such as the Wattenberg field in our North America operations, also provide diversification and balance to our worldwide portfolio.

**Acquisition and Divestiture Activities** We maintain an ongoing portfolio optimization program. Accordingly, we may engage in acquisitions of additional crude oil or natural gas properties and related assets through either direct acquisitions of the assets or acquisitions of entities owning the assets. We may also divest non-core assets in order to optimize our property portfolio.

**Pending Asset Acquisition** In January 2010, we announced that we have entered into a definitive agreement to acquire substantially all of the US Rocky Mountain assets of Petro-Canada Resources (USA) Inc. and Suncor Energy (Natural Gas) America Inc. for \$494 million. We estimate total proved reserves to be 53 MMBoe, 45% of which are liquids and 80% are within the liquid-rich Wattenberg field, where our largest onshore US asset is located. The acquisition will add approximately 10 MBoepd, or 46 MMcf of natural gas and 2.5 MBbls of liquids to our daily production base, starting from the closing date, for 2010 and will provide significant growth potential. Included in the purchase are 340,000 total net acres, nearly 200,000 of which are located in the Greater Denver-Julesberg (DJ) Basin. The acquisition is expected to close late in the first quarter 2010 and is subject to customary closing conditions. See United States - Northern Region discussion below.

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**Mid-continent Acquisition** In 2008, we acquired producing properties in western Oklahoma for \$292 million. Properties acquired cover approximately 15,500 net acres. The total purchase price was allocated to the proved and unproved properties acquired based on fair values at the acquisition date. Approximately \$254 million was allocated to proved properties and \$38 million to unproved properties.

**Sale of Argentina Assets** In 2008, we closed on the sale of our producing property interest in Argentina for a sales price of \$117.5 million, effective July 1, 2007. The \$24 million gain on sale was deferred until 2009 when approval was obtained from the Argentine government. Our crude oil reserves for Argentina totaled 7 MMBbls at December 31, 2007.

**Sale of Gulf of Mexico Shelf Properties** In 2006, we sold all of our significant Gulf of Mexico shelf properties except for the Main Pass area, which required repairs related to hurricane damage at the time. As of the effective date of the sale, proved reserves for the Gulf of Mexico properties sold totaled approximately 7 MMBbls of crude oil and 110 Bcf of natural gas. The deepwater Gulf of Mexico remains a core area and is more aligned with our long-term business strategies.

**U.S. Exploration Acquisition** In 2006, we acquired U.S. Exploration, a privately held corporation, for \$412 million plus liabilities assumed. U.S. Exploration's reserves and production were located primarily in Colorado's Wattenberg field. This acquisition significantly expanded our operations in one of our core areas. Proved reserves of U.S. Exploration at the time of acquisition were approximately 234 Bcfe, of which 38% were proved developed and 55% natural gas. Proved crude oil and natural gas properties were valued at \$413 million and unproved properties were valued at \$131 million. In addition, we recorded \$34 million of goodwill.

**Patina Merger** In 2005, we acquired Patina through merger (Patina Merger) for a total purchase price of \$4.9 billion. Patina's long-lived crude oil and natural gas reserves provided a significant inventory of low-risk opportunities that balanced our portfolio. Patina's proved reserves at the time of acquisition were estimated to be approximately 1.6 Tcfe, of which 72% were proved developed and 67% natural gas. Proved crude oil and natural gas properties were valued at \$2.6 billion and unproved properties were valued at \$1.1 billion. In addition, we recorded \$875 million of goodwill.

United States

We have been engaged in crude oil and natural gas exploration, exploitation and development activities throughout onshore US since 1932 and in the Gulf of Mexico since 1968. The Patina Merger and the acquisition of U.S. Exploration significantly increased the breadth of our onshore operations, especially in the Rocky Mountains and Mid-continent areas. These two acquisitions, along with other acquisitions of producing and non-producing properties, have provided us with a multi-year inventory of exploitation and development opportunities. We expect to close on a purchase of additional US Rocky Mountain assets in first quarter 2010, which will further increase our operations and project inventory in this area. In 2009, we were awarded 22 new leases in the deepwater Gulf of Mexico.

US operations accounted for 56% of our 2009 consolidated sales volumes and 56% of total proved reserves at December 31, 2009. Approximately 55% of the proved reserves are natural gas and 45% are crude oil, condensate and NGLs. Our onshore US portfolio at December 31, 2009 included 956,000 net developed acres and 1.3 million net undeveloped acres. We currently hold interests in 103 offshore blocks in the Gulf of Mexico.

Sales of production and estimates of proved reserves for our significant US operating areas were as follows:

Year Ended December 31, 2009	December 31, 2009
Sales Volumes	Proved Reserves



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Crude Oil & Condensate (MBpd)	Natural Gas (MMcfd)	NGLs (MBpd)	Total (MBoepd)	Crude Oil, Condensate & NGLs (MMBbls)	Natural Gas (Bcf)	Total (MMBoe)
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